

ACI WORLDWIDE, INC.
Form 10-K
February 26, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

Commission File Number 0-25346

ACI WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

3520 Kraft Rd, Suite 3000

Naples, FL 34105
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act: Common Stock, \$.005 par value, NASDAQ Global Select Market

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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the Company's voting common stock held by non-affiliates on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the last sale price of the common stock on that date of \$18.61 was \$2,087,581,458. For purposes of this calculation, executive officers, directors and holders of 10% or more of the outstanding shares of the registrant's common stock are deemed to be affiliates of the registrant and are excluded from the calculation.

As of February 23, 2015, there were 115,879,610 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 17, 2015, are incorporated by reference in Part III of this report. This registrant's Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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Forward-Looking Statements

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

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

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

increased competition;

the performance of our strategic product, BASE24-eps;

demand for our products;

restrictions and other financial covenants in our credit facility;

consolidations and failures in the financial services industry;

customer reluctance to switch to a new vendor;

our strategy to migrate customers to our next generation products;

the accuracy of management's backlog estimates;

failure to obtain renewals of customer contracts or to obtain such renewals on favorable terms;

delay or cancellation of customer projects or inaccurate project completion estimates;

global economic conditions impact on demand for our products and services;

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volatility and disruption of the capital and credit markets and adverse changes in the global economy;

difficulty meeting our debt service requirements;

impairment of our goodwill or intangible assets;

risks from potential future litigation;

future acquisitions, strategic partnerships and investments and litigation;

risk of difficulties integrating Retail Decisions Europe Limited and Retail Decisions, Inc. (collectively ReD), which may cause us to fail to realize anticipated benefits of the acquisitions;

the complexity of our products and services and the risk that they may contain hidden defects;

risks of failing to comply with money transmitter rules and regulations;

compliance of our products with applicable legislation, governmental regulations and industry standards;

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our compliance with privacy regulations;

risks of being subject to security breaches or viruses;

the protection of our intellectual property in intellectual property litigation;

certain payment funding methods expose us to the credit and/or operating risk of our clients;

the cyclical nature of our revenue and earnings and the accuracy of forecasts due to the concentration of revenue generating activity during the final weeks of each quarter;

business interruptions or failure of our information technology and communication systems;

our offshore software development activities;

risks from operating internationally;

exposure to unknown tax liabilities; and

volatility in our stock price.

The cautionary statements in this report expressly qualify all of our forward-looking statements. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in Item 1A in the section entitled Risk Factors .

Trademarks and Service Marks

ACI, the ACI logo, ACI Worldwide, BASE24-eps, BASE24, ACI Payment Systems, ACI Payment Systems logo, ACI Payment Systems Trusted Globally, BASE24-atm, BASE24-Card, BASE24-pos, BASE24-Teller, Credisphere, Distra, Enguard, Money HQ, Online Resources, Payanyone, PayMyBill, Prism, Prism Credit, Prism Debit, Prism Merchant, Real-Time Digital Scanline, Red Shield, Universal Payments, UP, UP logo, IBroker, IEX, Iexchange, ACI Universal Payments, ACI Universal Payments Platform, Postilion, among others, are registered trademarks and/or registered service marks of ACI Worldwide, Inc., or one of its subsidiaries, in the United States and/or other countries. Agile Payment Solution, ACI Enterprise Banker, ACI Global Banker, ACI Retail Commerce Server, AS/X, ACI Issuer, ACI Acquirer, ACI Interchange, ACI Token Manager, ACI Payments Manager, ACI Card Management System, ACI Smart Chip Manager, ACI Dispute Management System, ACI Simulation Services for Enterprise Testing or ASSET, ACI Money Transfer System, NET24, ACI Proactive Risk Manager, PRM, ACI Case Manager System, ACI Communication Services, ACI Enterprise Security Services, ACI Web Access Services, ACI Monitoring and Management and ACI DataWise, UPP, ACI Universal Online Banker, ACI Mobile Channel Manager among others, have pending registrations or are common-law trademarks and/or service marks of ACI Worldwide, Inc., or one of its subsidiaries, in the United States and/or other countries. Other parties' marks referred to in this report are the property of their respective owners.

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PART I

ITEM 1. BUSINESS

General

ACI Worldwide, Inc. (ACI , ACI Worldwide , the Company, we, us, or our) is a Delaware corporation incorporated in November 1993 under the name ACI Holding, Inc. ACI is largely the successor to Applied Communications, Inc. and Applied Communications Inc. Limited, which we acquired from Tandem Computers Incorporated on December 31, 1993. On July 24, 2007, we changed our corporate name from Transaction Systems Architects, Inc. to ACI Worldwide, Inc. We have been marketing our products and services under the ACI Worldwide brand since 1993 and have gained significant market recognition under this brand name.

We develop, market, install and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to our own products, we distribute or act as a sales agent for software developed by third parties. These products and services are used principally by financial institutions, retailers, billers and electronic payment processors, both in domestic and international markets. Most of our products are sold and supported through distribution networks covering three geographic regions – the Americas, Europe/Middle East/Africa (EMEA) and Asia/Pacific. Each distribution network has its own sales force that it supplements with independent reseller and/or distributor networks.

The electronic payments market is comprised of financial institutions, retailers, billers, third-party electronic payment processors, payment associations, switch interchanges and a wide range of transaction-generating endpoints, including automated teller machines (ATM), retail merchant locations, bank branches, mobile phones, corporations and Internet commerce sites. The authentication, authorization, switching, settlement and reconciliation of electronic payments is a complex activity due to the large number of locations and variety of sources from which transactions can be generated, the large number of participants in the market, high transaction volumes, geographically dispersed networks, differing types of authorization, and varied reporting requirements. These activities are typically performed online and are often conducted 24 hours a day, seven days a week.

ACI combines a global perspective with local presence to tailor electronic payment solutions for our customers. We believe that we have one of the most diverse and robust product portfolios in the bill payments industry with application software spanning the entire payments value chain. We also believe that our strong financial performance has been attributable to our ability to design and deliver quality products coupled with our ability to identify and successfully consummate and integrate strategic acquisitions.

Recent Acquisitions

Fiscal 2014 Acquisitions

Retail Decisions

On August 12, 2014, we completed our acquisition of ReD and all its subsidiaries. As a leader in fraud prevention solutions, the acquisition of ReD enhances our Universal Payments strategy and further strengthens our leadership position in the fast-growing payments risk management space.

Fiscal 2013 Acquisitions

Official Payments Holdings, Inc.

On November 5, 2013, we completed our tender offer for Official Payments Holdings, Inc. (OPAY) and all its subsidiaries. OPAY was a leading provider of electronic bill payment solutions in the U.S., serving federal, state

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and local governments, municipal utilities, higher education institutions and charitable giving organizations. OPAY further extended our leadership in the fast-growing Electronic Bill Presentment and Payment (EBPP) space, expanding our portfolio across key sectors.

Online Resources Corporation

On March 11, 2013, we completed our tender offer for Online Resources Corporation (ORCC) and all its subsidiaries. ORCC was a leading provider of online banking and full service bill pay solutions. ORCC added EBPP solutions as a strategic part of our Universal Payments portfolio. ORCC also strengthened our online banking capabilities with complementary technology, and expanded our leadership in serving community banking and credit union customers.

Profesionales en Transacciones Electronicas S.A.

We acquired 100% of Profesionales en Transacciones Electronicas S.A. Venezuela (PTESA-V), 100% of Profesionales en Transacciones Electronicas S.A. Ecuador (PTESA-E), and the ACI related assets of Profesionales en Transacciones Electronicas S.A. Colombia (PTESA-C), collectively PTESA , on March 1, 2013. PTESA had been our long-term partner, serving customers in South America in sales, service and support functions. The addition of the PTESA team to ACI reinforced our commitment to serve the Latin American market.

Fiscal 2012 Acquisitions

Distra Pty Ltd

On September 18, 2012, we closed the acquisition of Distra Pty Ltd (Distra). The Distra Universal Payments Platform delivers a fault-tolerant, Service-Oriented Architecture (SOA)-based payments platform that helps to significantly reduce the risk and cost of payments transformation without compromising security, performance, scalability and reliability. The integration of ACI and Distra technologies enables financial institutions, processors and retailers to enhance the flexibility and performance of their existing payments infrastructure to address market needs, such as mobile, social channels and payment service hubs. In addition, this acquisition enables our payment products to integrate more tightly with customers enterprise architectures, reducing their total cost of ownership.

North Data Uruguay S.A.

On May 24, 2012, we closed the acquisition of North Data Uruguay S.A. (North Data). North Data had been a long-term partner of ours, serving customers in South America in sales, service and support functions. The addition of the North Data team to the Company reinforced our commitment to serve the Latin American market.

S1 Corporation

On February 10, 2012, we acquired S1 Corporation (S1) and all its subsidiaries. The acquisition of S1 further increased our international capacity and further positioned us as a full-service global leader of financial and payment solutions, with the ability to deliver a broader suite of payment offerings globally targeting financial organizations, processors and retailers. Supported by a global team of expert, local employees, S1 brought to us a highly complementary set of products, strong global capabilities and success with a range of financial institutions and retailers.

Products

ACI s integrated suite of software products and hosted services deliver a broad range of solutions for payments processing, card and merchant management, EBPP, online banking, mobile, branch and voice banking, fraud detection and trade finance. Trusted by over 5,600 organizations globally, ACI serves four primary market audiences:

Financial institutions, including global, national, regional, and community banks and credit unions

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Processors

Retailers

Billers

Our products cover several different domains within the payments and banking marketplace:

Online Banking and Cash Management the management of payments and cash flows across accounts globally through the online or mobile channel

Branch the management and processing of monetary, non-monetary, sales and account origination financial transactions

Trade Finance the management of all trade related transaction types, both traditional trade and open account instruments with the ability for end users to view and track those transactions through the online channel

Community Financial Services the online and mobile banking and payment systems, and security solutions that service community banks and credit unions

Retail Banking Payments we provide the software to support in-house issuance of payment instruments (e.g. card, tokens and virtual cards) and the management of a consumer payment from transaction acquiring through the lifecycle within the banking system to settlement; which we split into Payments Processing and Card and Merchant Management

Transaction Banking Payments the management of primarily corporate payments and messages through their lifecycle including real time gross settlement (RTGS) payments, ACH payments, and Society for Worldwide Interbank Financial Telecommunication (SWIFT) transactions

Retailers the management of a consumer payment within a retailer and supporting services such as the management of store and gift card and loyalty programs

Payments Risk Management the securing of payments against fraud and money laundering

Payment Infrastructure the tools and infrastructure to operate and optimize the payments system

Billers Electronic bill presentment and payment enables the presentment of bills and the collection of payments for these bills from consumers for billers, including, for example, tax authorities, higher education providers, utilities, and health care providers
The sections below provide an overview of our major software products within these domains.

Our ACI Agile Payments Solution vision recognized the long term direction to migrate payments processing from the discrete structures to a set of service-based enterprise payments solutions. The first stage of the strategy was to deliver tight integration between the existing products allowing for the delivery of capability solutions that crossed domains. We continued to evolve our solution offerings in a way that organizations

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can benefit from the integrated and enterprise capabilities of the entire ACI product portfolio as we provided the market with a comprehensive set of payment solutions covering a wide range of needs. As we progressed on this journey we made significant investments to accelerate the delivery for our customers through both internal development and acquisition. Notably in 2012, ACI acquired S1 and Distra, both of which expanded the breadth and scale of ACI's offerings, as well as accelerated the delivery of our technology vision to the marketplace. The EBPP related acquisitions in 2013 further added to our payments products portfolio and added assets that both allow us to provide a wider set of payments solutions to new market segments and complement our existing solutions, while the 2014 acquisition of ReD further strengthened our position in the payment risk management space. Our strategy allows ACI to deliver an end-to-end payment system that supports any payment type, device or channel globally. During 2013 this comprehensive view of our payments capabilities, technologies and solutions was rebranded as Universal Payments which superseded the use of the ACI Agile Payments Solution terminology.

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Universal Payments, or UP now describes the breadth and depth of ACI's product offerings. UP defines ACI's true enterprise or universal payments capabilities targeting any channel, any network, and any payment type. ACI UP solutions empower customers to regain control, choice and flexibility in today's complex payment environment, get to market more quickly and reduce operational costs.

Online Banking and Cash Management, Branch and Trade Finance

Within the Online Banking and Cash Management, Branch and Trade domain, ACI has the following products:

ACI Enterprise Banker is a comprehensive Internet-based business banking product for financial institutions including banks, brokerage firms and credit unions and can be flexibly packaged for small, medium and large business customers. This product provides these customers with electronic payment initiation capability, information reporting, and numerous other payment related services that allow the business customer to manage all its banking needs via the Internet. The functionality was extended to include mobile banking services solutions. With our partner mShift, we support tablets such as the iPad.

ACI Global Banker provides single-window access to corporate cash management, trade finance, FX services, reporting and data exchange. Global Banker supports single-window, Single Sign-On access to a bank's corporate Internet banking platform. This enterprise-wide, multi-country, multi-language, multi-currency solution allows banks of all sizes to uniquely package products and services for different countries and segments or even individual customers from a single, flexible platform.

ACI Online Banking provides a rich banking user experience so consumers to micro- and mid-market businesses can effortlessly manage their money. Financial institutions can create distinctive product bundles that deliver the right mix of services and customized user experience to each of their retail market segments. Online Banking delivers services today's savvy customers want personal finance management, electronic bill presentment and payment, mobile banking, account transfers and alerts.

ACI Universal Online Banker is a comprehensive Internet-based banking product for financial institutions including banks, brokerage firms and credit unions and can be flexibly packaged for small, medium and large business customers as well as individual consumers. This product provides these customers with electronic payment initiation capability, information reporting, and numerous other cash management services that allow the business customer to manage all its banking needs via the Internet as well as mobile channels.

InterACT Universal Banker is a multi-channel product suite that supports the processing of monetary, non-monetary, sales and account origination transactions across multiple channels including branch, call center and back office, as well as delivering extended branch support for browser based employees such as relationship managers or calling officers.

ACI Global Trade Manager allows client access that enables corporate clients of the bank to access, enter and track their entire trade portfolio of traditional trade and open account instrument over the Internet. This product is also utilized in the wholesale domain.

ACI Mobile Channel Manager allows organizations to provide consumers, business and corporate customers with mobile access to functions across the banking and payments spectrum. When used with ACI banking products and payment engines, Mobile Channel Manager enables mobile functions that might include account management, balance inquiries, transfers, bill payments, person-to-person (P2P) payments (including PayPal), pre-paid purchases, remote deposit capture, ATM/branch locator, and Short Message Service (SMS) notifications.

Community Financial Services

Within the Community Financial Services domain, ACI currently offers three main suites of hosted solutions:

Online and Mobile Banking solutions for Community Banks and Credit Unions offers full-featured, robust solutions for any financial institution. Architect digital banking provides banks and credit unions with a

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customized user experience, robust marketing options, a single platform for business and retail users, and software development kit (SDK). Self Service Banking is a full-featured self-service banking solution that includes online banking, voice banking and mobile banking for consumer and small-to-mid-size businesses, all from a single hosted platform. The Web Federal suite provides credit unions with online banking, business solutions, mobile banking, Customer Relationship Management (CRM) Marketing, and creative and web design services.

ACI Defense is a full-service security solution for community banks and credit unions. The ACI Defense suite of solutions helps U.S. financial institutions address security compliance obligations with firewall and intrusion prevention services, security assessments, vulnerability testing, endpoint and mobile protection, email security and encryption and identity theft/anti-phishing services.

Online Bill Payment and Presentment provides full-service bill payment solutions for community banks and credit unions, including pay-anyone functionality, online bill presentment, P2P and account-to-account (A2A) payments and express pay services.

Retail Banking Payments Payments Processing

Our retail payments processing products are designed to acquire electronic payment transactions from transaction generators and route them to acquiring institutions so that they can be authorized for payment. The software often interfaces with regional or national switches to access the account-holding financial institution or card issuer for approval or denial of the transactions (authorization). The software returns messages to the original transaction generator (e.g. an ATM), thereby completing the transactions. Depending on how the software is configured, it can perform all of the functions necessary to authenticate, authorize, route and settle an electronic payment transaction, or it can interact with other systems to ensure that these functions are performed. Payments processing software may be required to interact with dozens of devices, switch interchanges and communication protocols around the world. We currently offer the following products for this domain:

BASE24-eps is an integrated electronic payments processing product marketed to customers operating electronic payment networks in the retail banking and retail industries. The modular, open architecture of the product enables customers to select the application and system components that are required to operate their networks. BASE24-eps offers a broad range of features and functions for electronic payment processing. BASE24-eps is licensed as a standalone electronic payments solution for financial institutions, retailers and electronic payment processors. BASE24-eps, which operates on International Business Machines (IBM) System z, IBM System p, Hewlett-Packard Company (HP) NonStop, and Oracle Solaris servers, provides flexible integration points to other applications and data within enterprises to support 24-hour per day access to money, services and information.

BASE24-eps 2.0 added a number of very significant features, including the ability to route payments to non-card identifiers such as account numbers, email addresses or phone numbers. This enables BASE24-eps customers to more easily support P2P payments, mobile payments, etc. The inclusion of our second generation SDK, enhances support for services orientation and additional development and configuration tools and greatly enhances the flexibility of the product, its ability to support new business opportunities and the ease with which it can be implemented.

On the HP NonStop platform, BASE24-eps uses NET24-XPNET, an ACI developed message oriented middleware solution.

Postilion is an integrated electronic payments processing system, primarily deployed on Microsoft Windows servers. It authenticates, authorizes, routes, and switches transactions generated at ATMs and merchant point-of-sale (POS) sites as well as provides flexible infrastructure to handle key aspects of the back office functions. The product is used widely by financial institutions across the world, with a particular emphasis on financial institutions in smaller emerging markets. This product is also used in the merchant retail domain.

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ACI continues to support and maintain a number of other retail payments engines which are no longer actively marketed to new customers.

BASE24 is an integrated family of software products previously marketed to customers operating electronic payment networks in the retail banking and retail industries. A substantial portion of ACI's revenues are derived from licensing the BASE24 family of products and providing related services and maintenance as it has been the core of the ACI business since our inception.

BASE24 product line operates exclusively on HP NonStop servers. The HP NonStop parallel-processing environment offers fault-tolerance, linear expandability and distributed processing capabilities. The combination of features offered by BASE24 and the HP NonStop technology are important characteristics in high volume, 24-hour per day electronic payment systems.

BASE24 makes use of NET24-XPNET, an ACI developed message oriented middleware solution.

During the years ended December 31, 2014, 2013 and 2012, approximately 21%, 28% and 32%, respectively, of our total revenues were derived from licensing the BASE24 product line, which revenue amounts do not include revenue associated with licensing the BASE24-eps product.

Retail Banking Payments Card and Merchant Management

ACI Card and Merchant Management solutions are card issuing and merchant management products, which have been successfully used by the payments industry for many years. These products run on IBM System z, and various Unix and Microsoft Windows servers. The products within back office services are:

ACI Issuer is a modern card and account management system. It has been developed to support national, international, and global financial institutions. The system has full multi-currency, multi-product, multi-institution and multi-language capabilities. It manages card portfolios in different countries and for different issuers on a single platform and has been built to fully comply with EMV standards.

ACI Acquirer supports the full lifecycle of merchant portfolio management, including merchant onboarding, transaction acquisition, interchange fee qualification, settlement and statement generation. The system is enabled with the flexibility acquirers require to manage complex merchant portfolios.

ACI Interchange is the central monetary transaction manager, processing all incoming customer transactions and maintaining a central transactions database. ACI Interchange also manages the clearing and settlement communication with the major international payment schemes, ensuring compliance with Visa, MasterCard, American Express, China Union Pay and JCB. The module can easily be adapted to manage clearing and settlement with additional networks such as domestic payment schemes.

ACI Token Manager consists of a suite of products from ACI's partner Bell Identification B.V. The Smart Card & Application Management System provides for central lifecycle management of smart cards and other tokens as well as the management of the applications activated within the scheme. The Key Management System facilitates the implementation of security concepts based on the generation, storage, recovery, import and distribution of cryptographic keys. The keys are used for encryption and decryption of data and for verification and authorization of trusted parties using digital certificates. Token Manager is also used to support Europay, MasterCard and Visa (EMV) card issuing. ACI Token Manager for Mobile enables the delivery of payment tokens, such as wallets, to mobile phones.

ACI Payments Manager is an integrated, modular software solution that automates the processing, settlement and reconciliation of electronic transactions, as well as provides plastic card issuance and account management. This product is now primarily marketed in North America.

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ACI Automated Dispute Manager enables issuers, acquirers, processors and payment networks to streamline and automate the dispute management process through workflow-based software components.

Transaction Banking Payments

Our transaction banking solutions are focused on global, super-regional and regional financial institutions that provide treasury management services to large corporations and correspondent banks. In addition, the market includes non-bank financial institutions with the need to conduct their own internal treasury management activities.

ACI Money Transfer System provides high value payments processing, bulk payments processing and SWIFT financial messaging. The high value payments processing function, which produces the majority of revenues for the ACI Money Transfer System, is used to generate, authorize, enrich, route and settle high value wire transfer transactions and ACH transactions in domestic and international environments. The ACI Money Transfer System product operates on IBM System p servers using the AIX operating system.

Retailers

Within the Retailers domain, ACI offers the following products:

ACI Retail Commerce Server, a solution for retailers, is an integrated suite of electronic payments products that facilitate a broad range of capabilities. These capabilities include prepaid, debit and credit card processing, ACH processing, electronic benefits transfer, card issuance and management, check authorization, customer loyalty programs and returned check collection. The Retail Commerce Server product line operates on open systems technologies such as Microsoft Windows, UNIX and Linux, with most of the current installations deployed on the Microsoft Windows platform. After ACI acquired ISD Holdings, Inc. and ISD Corporation (collectively ISD) the acquired functionality was integrated into Retail Commerce Server including delivering capability for solving the Payment Card Industry (PCI) compliance needs of retailers.

Postilion, a global platform for retailers, is an integrated suite of electronic payments products that facilitate a broad range of capabilities. These capabilities include prepaid, debit and credit card processing, ACH processing, electronic benefits transfer, card issuance and management, check authorization, customer loyalty programs and returned check collection. The Postilion product line operates on multiple open systems technologies such as Microsoft Windows and AIX.

ACI In-store Solution supports retailers and drives the retailer's payment portion of the customer's in-store purchase experience. The in-store solution prompts the consumer and gathers the necessary card payment details to process the payment request. Importantly, the solution helps retailers control the costs and risk of key regulatory issues such as PCI compliance and data theft at the point of sale.

ReD1 Gateway is a high performance, international payment processing service, linking global merchants and acquirers. The service is available for e-commerce, m-commerce, call center and interactive voice response (IVR) transactions. Deployed as a managed service, ReD1 Gateway is built to accommodate high volume processing and business growth. It frees up internal resources to focus on core business and equips merchants to meet the requirements of PCI Compliance. ReD1 Gateway integrates with ReD Shield to provide a complete fraud and payments solution for a retailers Omni-Channel payments infrastructure.

Payments Risk Management

ACI Proactive Risk Manager is a payment fraud detection solution designed to help card issuers, merchant acquirers and financial institutions combat fraud schemes. The solution combines advanced neural model transaction scoring with expert rules-based detection strategies and advanced alert management capabilities. Real-time detection capability enables fraud assessment to be part of the authorization process; near real-time alerting is also supported.

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ACI Case Manager is a case management application supporting processes and workflows for researching and resolving fraud/risk cases across their complete lifecycle, including case initiation, investigation, reporting, escalation paths and notifications. ACI Case Manager also acts as a central repository for case histories and resource activities to provide organizations with centralized auditing capabilities.

ReD Shield is a real-time, online, software-as-a-service based fraud prevention solution tailored to the needs of e-commerce merchants and payment service providers (PSPs). ReD Shield provides instant decisions (accept/challenge/deny) on e-commerce and m-commerce transactions, detecting and managing domestic and cross-border payment fraud across all payment types. The ReD Shield solution is managed by experienced, expert risk analysts and tailored to meet the needs of individual merchants.

ReDi is an interactive, self-service Business Intelligence portal which gives merchant customers deep insight into their fraud, fraud prevention performance and online customer activity. ReDi provides a direct window into transaction data, updated every few minutes and building up to include up to two years of data. It includes dashboards, charts and tables, and powerful profile and search features.

ReD Fraud Xchange connects merchants with issuers and other merchants in a multi-way, real-time and near-real-time exchange of information. The solution pools data across merchants and issuers in real-time, providing early notice of potential fraud, bi-directional fraud alerting and reduction of chargebacks and chargeback related expenses.

Payments Infrastructure

The Payments Infrastructure products provide specific technology extensions to augment the business services provided in the business service domains described above.

ACI Communication Services provides a range of communication services to enable message exchange on multiple platforms, in particular, enabling applications to support legacy protocols, such as SNA and X.25, running over TCP/IP networks. It also supports hybrid networking environments such as IBM s HPR/IP. This set of products runs on HP NonStop, IBM System z and Unix platforms.

ACI Enterprise Security Services is a suite of security solutions that secure access to systems and resources. These products run on the HP NonStop platform and are designed to take advantage of HP NonStop fundamentals.

ACI Web Access Services allows HP NonStop users to securely expose existing applications to peer systems as well as PC clients and web browsers. Web Access Services supports new Graphical User Interface (GUI) client development, standard 6530 and 3270E terminal emulation or automated data stream transformation to give users a range of options for integrating NonStop services across the enterprise.

ACI Payment Testing (ASSET) is a simulation and testing tool that allows companies involved in electronic payments to simulate devices and transactions, and perform application testing. ASSET is available for use with BASE24, BASE24-eps, Postilion, and ACI Proactive Risk Manager.

ACI Payment Service Management is a partnership with Integrated Research Limited (Integrated Research) formed to resell their Prognosis product. This provides intelligent payment service management through in-depth monitoring and analysis of transactions, applications, supporting IT infrastructure, and payments devices. Prognosis is available for use with BASE24, BASE24-eps, Postilion, ACI Proactive Risk Manager, and ACI Money Transfer System.

ACI Mobile Alerting powered by Spectrum MoneyGuard offers fraud or service alert options in near real-time with SMS messages to their mobile phones of events affecting their banking transactions. When used for fraud alerting, customers have the option of responding via text (two-way communication) requesting a block of the card and a confirmation is sent.

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Billers

Within the biller domain, ACI provides the following products:

Electronic Bill Presentment and Payment (EBPP) enables the presentment of bills and the collection of payments for these bills from consumers for billers, including, for example, tax authorities, higher education providers, utilities, and health care providers.

Virtual Collection Agent is an online debt collection tool that gives billers, lenders, collection agencies and debt buyers a website for collecting debt that emulates the intelligence and interactions of a human collection agent.

Partnerships and Industry Participation

We have two major types of third-party partners: technology partners, where we work closely with industry leaders who drive key industry trends and mandates, and business partners, where we either embed technology in ACI products or jointly market solutions that include the products of other companies.

Technology partners help us add value to our solutions, stay abreast of current market conditions and industry developments such as standards. Technology partner organizations include Diebold, NCR, Wincor-Nixdorf, VISA, MasterCard and SWIFT. In addition, ACI has membership in or participates in the relevant committees of a number of industry associations, such as the International Organization for Standardization (ISO), Interactive Financial eXchange Forum (IFX), International Payments Framework Association (IPFA), Banking Industry Architecture Network (BIAN), UK Cards Association and the PCI Security Standards Council. These partnerships provide direction as it relates to the specifications that are used by the card schemes and in some cases manufacturers. These organizations typically look to ACI as a source of knowledge and experience to be shared in conjunction with creating and enhancing their standards. The benefit to ACI is in having the opportunity to imprint these standards with concepts and ideas that will benefit ACI and ultimately our customers.

Business partner relationships extend our product portfolio, improve our ability to get our solutions to market and enhance our ability to deliver market-leading solutions. We share revenues with these business partners based on a number of factors related to overall value contribution in the delivery of our joint solution. The agreements with business partners include joint marketing and traditional original equipment manufacturer (OEM) relationships. These agreements generally grant ACI the right to create an integrated solution that we distribute or represent on a worldwide basis and have a term of several years.

We have alliances with our business partners Hewlett-Packard Company (HP), International Business Machines Corporation (IBM), Microsoft Corporation, Red Hat, Inc. and Oracle USA, Inc., whose industry leading hardware and software are utilized by ACI's products. These partnerships allow us to understand developments in their technology and to utilize their expertise in topics like scalability and performance testing.

The following is a list of key business partners:

Access Softek, Inc.

Accuity, Inc.

Actuate Corp.

Bell ID

CardinalCommerce

DataOceans, LLC

Experian Information Solutions, Inc.

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FairCom Corporation

Fiserv, Inc.

Fidelity National Information Services, Inc.

Guardian Analytics

Hewlett-Packard Company

International Business Machines Corporation

Ingenico Group

Integrated Research Limited

Intuit, Inc.

iovation

Jack Henry & Associates, Inc.

TIBCO Software Inc.

Lean Software Services, Inc.

LivePerson Inc.

Microsoft Corporation

Monex Deposit Company

mShift, Inc.

Neustar, Inc.

Oracle USA, Inc.

PayPal

ProfitStars Jack Henry & Associates, Inc.

Red Hat, Inc.

RSA Security LLC, the Security Division of EMC Corporation

Spectrum Message Services Pty Ltd

Symantec Corporation

Truaxis, Inc. a MasterCard Company

Services

We offer our customers a wide range of professional services, including analysis, design, development, implementation, integration and training. We have service professionals within each of our three geographic regions who generally perform the majority of the work associated with installing and integrating our software products, rather than relying on third-party systems integrators. We offer the following types of services for our customers:

Implementation Services. We utilize a standard methodology to deliver customer project implementations across all products lines. Within the process, we provide customers with a variety of services, including on-site solution scoping reviews, project planning, training, site preparation, installation, product configuration, product customization, testing and go-live support, and project management throughout the project lifecycle. Implementation services are typically priced according to the level of technical expertise required.

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Product support services. These product-support-funded services are available to customers after a solution has been installed and are based on the relevant product support category. An extensive team of support analysts and an appointed customer manager are available to assist customers.

Technical Services. The majority of our technical services are provided to customers who have licensed one or more of our software products. Services offered include programming and programming support, day-to-day systems operations, network operations, help desk staffing, quality assurance testing, problem resolution, system design, and performance planning and review. Technical services are typically priced according to the level of technical expertise required.

Education Services. ACI courses include both theory and practical sessions to allow students to work through real business scenarios and put their newly learned skills to use. This hands-on approach ensures that the knowledge is retained and the student is more productive upon their return to the workplace. ACI's education courses provide students with knowledge at all levels, to enhance and improve their understanding of ACI products. ACI also provides further, more in-depth technical courses that allow students to use practical labs to enhance what they have learned in the classroom. The ACI trainers' ability to understand customers' systems means ACI can also provide tailored course materials for individual customers. Depending upon products purchased, training may be conducted at a dedicated education facility at one of ACI's offices, online or at the customer site.

Testing services. ACI's testing services team works within the ACI customer base to establish testing best practices and build a standard testing environment that meets an organization's current needs, and is easily extensible for future requirements. It is important that any testing environment encompasses all aspects of the testing lifecycle (i.e., functional, acceptance, regression and stress testing), as well as allowing ease of use by the appropriate staff. ACI's testing services can provide this environment as either a stand-alone deliverable or as a fully managed service.

Expert Services Consultancy. ACI is committed to providing high-quality consulting services to its customer base. In order to do this, we have assembled a strong team of technicians with many decades of experience, not only with ACI solutions, but also in the payments industry in general. Trusted globally, these consultants are available to provide technical assistance to ACI's customers across the full range of the ACI portfolio. The consultants' knowledge and understanding of ACI's customers allow them to define, design and build appropriate technical solutions. This in turn provides an enhanced business offering to customers, ultimately enabling a greater competitive advantage and increased satisfaction.

Facilities Management Services. We offer facilities management services whereby we operate a customer's electronic payments system for multi-year periods. Pricing and payment terms for facilities management services vary on a case-by-case basis giving consideration to the complexity of the facility or system to be managed, the level and quantity of technical services required, and other factors relevant to the facilities management agreement.

ACI On Demand

We offer software as a service (SaaS) hosting service whereby we host a customer's system for them as opposed to the customer licensing and installing the system on their own site. We offer several of our solutions in this manner, including our retail and wholesale payment engines, risk management, biller, retailers and online banking products. ACI On Demand customers are served in both multi-tenant and dedicated instance software operating models depending on the solution tailored to meet their specific needs. The product is generally located on facilities and hardware that we provide. Pricing and payment terms depend on which solutions the customer requires and their transaction volumes. Generally, customers are required to commit to a minimum contract of three to five years.

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Customer Support

We provide our customers with product support that is available 24 hours a day, seven days a week. If requested by a customer, the product support group can remotely access that customer's systems on a real-time basis. This allows the product support group to help diagnose and correct problems to enhance the continuous availability of a customer's business-critical systems. We offer our customers both a general maintenance plan and a premium option.

General Maintenance. After software installation and project completion, we provide maintenance services to customers for a monthly product support fee. Maintenance services include:

24-hour hotline for problem resolution

Customer account management support

Vendor-required mandates and updates

Product documentation

Hardware operating system compatibility

User group membership

Premium Customer Support Program. Under the premium customer service option, referred to as the Premium Customer Support Program, each customer is assigned an experienced technician to work with its system. The technician typically performs functions such as:

Install and test software fixes

Retrofit custom software modifications (CSMs) into new software releases

Answer questions and resolve problems related to CSM code

Maintain a detailed CSM history

Monitor customer problems on ACI's HELP24 hotline database on a priority basis

Supply on-site support, available upon demand

Perform an annual system review

We provide new releases of our products on a periodic basis. New releases of our products, which often contain product enhancements, are typically provided at no additional fee for customers under maintenance agreements. Agreements with our customers permit us to charge for substantial product enhancements that are not provided as part of the maintenance agreement.

Competition

The electronic payments market is highly competitive and subject to rapid change. Competitive factors affecting the market for our products and services include product features, price, availability of customer support, ease of implementation, product and company reputation, and a commitment to continued investment in research and development.

Our competitors vary by product line, geography and market segment. Generally, our most significant competition comes from in-house information technology departments of existing and potential customers, as well as third-party electronic payments processors (some of whom are our customers). Many of these companies are significantly larger than us and have significantly greater financial, technical and marketing resources. Key competitors by product domain include the following:

Online Banking and Cash Management, Branch, Trade Finance and Community Financial Services

Principal competitors for the Online Banking and Cash Management and Branch product set are Digital Insight, Bottomline Technologies, ARGO, Fidelity National Information Services, Inc. and Fundtech Ltd, as well as

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payment processing companies First Data Corporation, Fidelity National Information Services, Inc. and Fiserv, Inc. Principal competitors for the Trade Finance product set include China Systems, CSI, Misys and CGI. Principal competitors for the Community Financial Services product set are Fiserv, Inc., Fidelity National Information Services, Inc., Jack Henry & Associates, Inc., Q2 Software, Inc., Intuit Inc. and Alkami Technology.

Retail Banking Payments

The third-party software competitors for the products in the retail banking payments are Clear2Pay, Computer Sciences Corporation, Fidelity National Information Services, Inc., Pegasystems Inc., OpenWay Group, and Total System Services, Inc. (TSYS), as well as small, regionally-focused companies such as Alaric Technology, Inc., BPC Banking Technologies, PayEx Solutions AS, Financial Software and Systems, CR2, Lulus Payments Ltd., and Opus Software Solutions Private Limited. Primary electronic payment processing competitors in this area include global entities such as Atos Origin S.A., Fidelity National Information Services, Inc., First Data Corporation, SiNSYS, TSYS, VISA and MasterCard, as well as regional or country-specific processors.

Transaction Banking Payments

In the wholesale banking payments the principal competitors are Bankserv, FIS/Clear2Pay, Dovetail Software, Fundtech Ltd, IBM, Logica Plc and Tieto Corporation.

Retailers

Competitors in the retail sector come from both third-party software and service providers as well as service organizations run by major banks. Third-party software and service competitors include AJB Software Design, Inc., Retailix, Heartland Payment Systems, Inc., Ingenico Group, Tender Retail Inc., and VeriFone Systems, Inc. Primary competition in this space are large third-party acquirer/processors and payment service providers that offer complete solutions to the retailer.

Payments Risk Management

Principal competitors for the payments fraud detection products are Actimize, Inc., Fair Isaac Corporation, BAE Systems Detica, Fidelity National Information Services, Inc., Fiserv, Inc., SAS Institute, Inc., Accertify (American Express) and Cybersource (Visa), as well as dozens of smaller companies focused on niches of this segment such as anti-money laundering.

Payments Infrastructure

The principal competitors for the tools and infrastructure products are CA Technologies, HP, IBM and Oracle USA, Inc., as well as dozens of small, niche-focused competitors.

As markets continue to evolve in the electronic payments, risk management and smartcard sectors, we may encounter new competitors for our products and services. As electronic payment transaction volumes increase and banks face price competition, third-party processors may become stronger competition in our efforts to market our solutions to smaller financial institutions. In the larger financial institution market, we believe that third-party processors may be less competitive since large institutions attempt to differentiate their electronic payment product offerings from their competition, and are more likely to develop or continue to support their own internally-developed solutions or use third-party software packages such as those we offer.

Bill Payment

The principal competitors for bill payment are Fiserv, Inc., Fidelity National Information Services, Inc., Jack Henry & Associates, Inc., Western Union Holdings, Inc., TouchNet Information Systems, Inc., Kubra Customer

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Interaction Management, WorldPay, Inc., Forte Payment Systems, Point & Pay, LLC, Nelnet, Inc. and Affiliates, Higher One, Inc., Paymentus Corp., Aliaswire Inc., and Invoice Cloud, Inc., as well as smaller vertical specific providers.

Research and Development

Our product development efforts focus on new products and improved versions of existing products. We facilitate user group meetings to help us determine our product strategy, development plans and aspects of customer support. The user groups are generally organized geographically or by product lines. We believe that the timely development of new applications and enhancements is essential to maintain our competitive position in the market.

In developing new products, we work closely with our customers and industry leaders to determine requirements. We work with device manufacturers, such as Diebold, NCR and Wincor-Nixdorf, to ensure compatibility with the latest ATM technology. We work with network vendors, such as MasterCard, VISA and SWIFT, to ensure compliance with new regulations or processing mandates. We work with computer hardware and software manufacturers, such as HP, IBM, Microsoft Corporation, Oracle and Stratus Technologies, Inc. to ensure compatibility with new operating system releases and generations of hardware. Customers often provide additional information on requirements and serve as beta-test partners.

Our total research and development expenses during the years ended December 31, 2014, 2013 and 2012 were \$144.2 million, \$142.6 million, and \$133.8 million, or 14%, 17%, and 20% of total revenues, respectively.

Customers

We provide software products and services to customers in a range of industries worldwide, with financial institutions, retailers and e-payment processors comprising our largest industry segments. As of December 31, 2014, we serve over 5,600 customers, including 18 of the top 20 banks worldwide, as measured by asset size, and 300 of the leading retailers globally, as measured by revenue. As of December 31, 2014, we had more than 5,600 customers in over 80 countries on six continents. Of this total, approximately 5,000 are in the Americas reportable segment, 400 are in the EMEA reportable segment and 200 are in the Asia/Pacific reportable segment. No single customer accounted for more than 10% of our consolidated revenues for the years ended December 31, 2014, 2013 and 2012. No customer accounted for more than 10% of our accounts receivable balance as of December 31, 2014 and 2013.

Selling and Marketing

Our primary method of distribution is direct sales by employees assigned to specific regions or specific products. In addition, we use distributors and referral partners to supplement our direct sales force in countries where business practices or customs make it appropriate, or where it is more economical to do so. We generate a majority of our sales leads through existing relationships with vendors, direct marketing programs, customers and prospects, or through referrals.

Current international distributors, resellers and referral partners for us during the year ended December 31, 2014 included:

Accela, Inc. (United States)

ACH Payment Solutions Inc. (United States)

API Outsourcing, Inc. (United States)

ASI International (Colombia/Venezuela/Caribbean)

BS&A Software (United States)

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CAPSYS Technologies, LLC (Russia/Eastern Europe)

Channel Solutions Inc. (Philippines)

DataOne Asia Co., Ltd. (Thailand)

Donald R. Frey & Co. (United States)

EFT Corporation (Sub-Saharan Africa)

Ellucian, Inc. (United States)

ETA Data Direct, Inc. (United States)

Fiserv, Inc. (United States)

Harris Interactive Intelligence (United States)

Interswitch Ltd. (Sub-Saharan Africa)

JDA Software Group, Inc. (United States)

Korea Computer Inc (Korea)

Megabyte Systems Inc. (United States)

MoneyGram International, Inc. (United States)

P.T. Mitra Integrasi Informatika (Indonesia)

Ontario Systems LLC (United States)

P.T. Abhimata Persada (Indonesia)

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RR Donnelley (United States)

Shaw Systems Associates, Inc. (United States)

Solutions by Text (United States)

SourceHOV L.L.C (United States)

Stream IT Consulting Ltd. (Thailand)

Starmount Inc. (United States)

Syscom Computer Co., Ltd. (Shenzhen) (China)

Syscom Computer Engineering Co. (Taiwan)

System Builder (Middle East)

Tomax Corp. (United States)

TransCentra, Inc. (United States)

Transaction Payment Solutions (Sub-Saharan Africa)

We distribute the products of other vendors where they complement our existing product lines. We are typically responsible for the sales and marketing of the vendor's products, and agreements with these vendors generally provide for revenue sharing based on relative responsibilities.

In addition to our principal sales offices in Omaha, Norcross, and Waltham, we also have sales offices located outside the United States in Athens, Bahrain, Bangkok, Beijing, Bogota, Brussels, Buenos Aires, Cape Town, Caracas, Dubai, Gouda, Johannesburg, Kuala Lumpur, Madrid, Manila, Melbourne, Mexico City, Milan, Montevideo, Moscow, Mumbai, Munich, Naples, Paris, Quito, Riyadh, Sao Paulo, Shanghai, Singapore, Stockholm, Sulzbach, Sydney, Tokyo, Toronto, and Watford.

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Proprietary Rights and Licenses

We rely on a combination of trade secret and copyright laws, license agreements, contractual provisions and confidentiality agreements to protect our proprietary rights. We distribute our software products under software license agreements that typically grant customers nonexclusive licenses to use our products. Use of our software products is usually restricted to designated computers, specified locations and/or specified capacity, and is subject to terms and conditions prohibiting unauthorized reproduction or transfer of our software products. We also seek to protect the source code of our software as a trade secret and as a copyrighted work. Despite these precautions, there can be no assurance that misappropriation of our software products and technology will not occur.

In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. However, we typically are not involved in the development process used by these third parties. Our rights to those third-party products and the associated intellectual property rights are limited by the terms of the contractual agreement between us and the respective third-party.

Although we believe that our owned and licensed intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against us. Further, there can be no assurance that intellectual property protection will be available for our products in all foreign countries.

Like many companies in the electronic commerce and other high-tech industries, third parties have in the past and may in the future assert claims or initiate litigation related to patent, copyright, trademark or other intellectual property rights to business processes, technologies and related standards that are relevant to us and our customers. These assertions have increased over time as a result of the general increase in patent claims assertions, particularly in the United States. Third parties may also claim that the third-party's intellectual property rights are being infringed by our customers' use of a business process method which utilizes products in conjunction with other products, which could result in indemnification claims against us by our customers. Any claim against us, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays, require us to enter into royalty or licensing agreements or pay amounts in settlement, or require us to develop alternative non-infringing technology. We could also be required to defend or indemnify our customers against such claims. A successful claim by a third-party of intellectual property infringement by us or one of our customers could compel us to enter into costly royalty or license agreements, pay significant damages or even stop selling certain products and incur additional costs to develop alternative non-infringing technology.

Segment Information and Foreign Operations

We derive a significant portion of our revenues from foreign operations. For detail of revenue by geographic region see Note 10, *Segment Information*, in the Notes to Consolidated Financial Statements.

Employees

As of December 31, 2014, we had a total of approximately 4,472 employees of whom 2,445 were in the Americas reportable segment, 1,137 were in the EMEA reportable segment and 890 were in the Asia/Pacific reportable segment.

None of our employees are subject to a collective bargaining agreement. We believe that relations with our employees are good.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act

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of 1934 (the Exchange Act), are available free of charge on our website at www.aciworldwide.com as soon as reasonably practicable after we file such information electronically with the SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, Room 1580, NW, Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Executive Officers of the Registrant

As of February 26, 2015, our executive officers, their ages and their positions were as follows.

Name	Age	Position
Philip G. Heasley	65	President, Chief Executive Officer and Director
Scott W. Behrens	43	Senior Executive Vice President, Chief Financial Officer
Dennis P. Byrnes	51	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
Anthony M. Scotto, Jr.	58	Senior Executive Vice President, Technology
Daniel J. Frate	54	Group President, Strategic Products and Global Markets
Carolyn B. Homberger	34	Group President, Customer Management and Maintenance
Apratim Purakayastha	47	Group President, ACI On-Demand

Mr. Heasley has been a director and our President and Chief Executive Officer since March 2005. Mr. Heasley has a comprehensive background in payment systems and financial services. From October 2003 to March 2005, Mr. Heasley served as Chairman and Chief Executive Officer of PayPower LLC, an acquisition and consulting firm specializing in financial services and payment services. Mr. Heasley served as Chairman and Chief Executive Officer of First USA Bank from October 2000 to November 2003. Prior to joining First USA Bank, from 1987 until 2000, Mr. Heasley served in various capacities for U.S. Bancorp, including Executive Vice President, and President and Chief Operating Officer. Mr. Heasley also serves on the National Infrastructure Advisory Council. Mr. Heasley holds a Master of Business Administration from the Bernard Baruch Graduate School of Business in New York and a Bachelor of Arts from Marist College in Poughkeepsie, New York.

Mr. Behrens serves as Senior Executive Vice President and Chief Financial Officer. Mr. Behrens joined ACI in June 2007 as our Corporate Controller and was appointed as Chief Accounting Officer in October 2007. Mr. Behrens was appointed Chief Financial Officer in December 2009. Mr. Behrens ceased serving as our Corporate Controller in December 2010. Mr. Behrens was appointed as Executive Vice President in March 2011 and promoted to Senior Executive Vice President in December of 2013. Prior to joining ACI, Mr. Behrens served as Senior Vice President, Corporate Controller and Chief Accounting Officer at SITEL Corporation from January 2005 to June 2007. He also served as Vice President of Financial Reporting at SITEL Corporation from April 2003 to January 2005. From 1993 to 2003, Mr. Behrens was with Deloitte & Touche, LLP, including two years as a Senior Audit Manager. Mr. Behrens holds a Bachelor of Science (Honors) from the University of Nebraska - Lincoln.

Mr. Byrnes serves as Executive Vice President, Chief Administrative Officer, General Counsel and Secretary. He has served in that capacity since March 2011 and as General Counsel and Secretary since joining the Company in June 2003. Prior to that Mr. Byrnes served as an attorney in Bank One Corporation's technology group from 2002 to 2003. From 1996 to 2002, Mr. Byrnes was an executive officer at Sterling Commerce, Inc., an electronic commerce software and services company, serving as that company's general counsel from 2000. From 1991 to 1996 Mr. Byrnes was an attorney with Baker Hostetler, a national law firm with over 600 attorneys. Mr. Byrnes holds a JD (cum laude) from The Ohio State University College of Law, a Master of Business Administration from Xavier University and a Bachelor of Science in engineering (magna cum laude) from Case Western Reserve University.

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Mr. Scotto serves as Senior Executive Vice President, Technology. He joined ACI in March of 2010 and has more than 30 years of experience running global product development organizations. From 2006 to 2010, Mr. Scotto served as Vice President of product development at 170 Systems, Inc., which was acquired by Kofax in 2009. During his tenure at 170 Systems/Kofax he was responsible for scaling all aspects of development, including headcount, product strategy, development processes and integration with other key corporate functions. Prior to that, Mr. Scotto held executive positions in product development at Oracle, StorageNetworks, Inc., and EMC. Mr. Scotto holds an Executive Master of Business Administration from Northwestern University and a Bachelor of Science in Computer Science from the University of Connecticut.

Mr. Frate serves as Group President, Strategic Products and Global Markets. Prior to joining ACI in August of 2012, Mr. Frate was Executive Vice President at PNC Bank, where he led the retail banking products and pricing group. Mr. Frate joined PNC Bank through its acquisition of National City Corporation, where he served as Vice Chairman, leading the retail banking business. He joined National City in 2003. From 2001 to 2003, he served as President and Chief Operating Officer of Bank One Card Services. Prior to joining Bank One, Mr. Frate served as Vice Chairmen of payment services at US Bank (1995 to 2001) and Executive Vice President of credit and services (1989 to 1995). Mr. Frate is a member of the Board of Directors at John Carroll University. Mr. Frate holds a Master of Science in Finance from Krannert School of Management at Purdue University and a Bachelor's degree in Economics from the School of Business at John Carroll University.

Mrs. Homberger serves as Group President, Customer Management & Maintenance. Mrs. Homberger joined ACI in December 2006. She has led the financial planning and analysis team and held other operational leadership positions at the Company. From 2002 to 2006, Mrs. Homberger held finance leadership roles and completed the Financial Management Program (FMP) at GE Healthcare. Mrs. Homberger is Six Sigma Green Belt Certified and holds a Master of Business Administration degree from Fordham University and Bachelor of Science from Miami University.

Mr. Purakayastha serves as Group President, ACI On-Demand. He previously held senior leadership positions in product support and product development at ACI. Prior to joining the Company in August 2010, Mr. Purakayastha held executive management positions within IBM's software group where he led the development of IBM's software-as-a-service products. Mr. Purakayastha began his career in 1996 in IBM's Research division where he specialized in mobile and pervasive computing. He was recognized as a master inventor at IBM and owns several US patents. Mr. Purakayastha holds a Ph.D. in Computer Science from Duke University, a Master of Science in Computer Science from Washington State University and a Bachelor's degree in Computer Science from Jadavpur University, India.

ITEM 1A. RISK FACTORS

Factors That May Affect Our Future Results or the Market Price of Our Common Stock

We operate in a rapidly changing technological and economic environment that presents numerous risks. Many of these risks are beyond our control and are driven by factors that often cannot be predicted. The following discussion highlights some of these risks.

The markets in which we compete are rapidly changing and highly competitive, and we may not be able to compete effectively.

The markets in which we compete are characterized by rapid change, evolving technologies and industry standards and intense competition. There is no assurance that we will be able to maintain our current market share or customer base. We face intense competition in our businesses and we expect competition to remain intense in the future. We have many competitors that are significantly larger than us and have significantly greater financial, technical and marketing resources, have well-established relationships with our current or potential customers, advertise aggressively or beat us to the market with new products and services. In addition,

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we expect that the markets in which we compete will continue to attract new competitors and new technologies. Increased competition in our markets could lead to price reductions, reduced profits, or loss of market share. The current global economic conditions could also result in increased price competition for our products and services.

To compete successfully, we need to maintain a successful research and development effort. If we fail to enhance our current products and develop new products in response to changes in technology and industry standards, bring product enhancements or new product developments to market quickly enough, or accurately predict future changes in our customers' needs and our competitors develop new technologies or products, our products could become less competitive or obsolete.

One of our most strategic products, BASE24-eps, could prove to be unsuccessful in the market.

Our BASE24-eps product is strategic for us, in that it is designated to help us win new accounts, replace legacy payments systems on multiple hardware platforms and help us transition our existing customers to a new, open-systems product architecture. Our business, financial condition, cash flows and/or results of operations could be materially adversely affected if we are unable to generate adequate sales of BASE24-eps or if we are unable to successfully deploy BASE24-eps in production environments.

Our future profitability depends on demand for our products; lower demand in the future could adversely affect our business.

Our revenue and profitability depend on the overall demand for our products and services. Historically, a majority of our total revenues resulted from licensing our BASE24 product line and providing related services and maintenance. Any reduction in demand for, or increase in competition with respect to, the BASE24 product line could have a material adverse effect on our financial condition, cash flows and/or results of operations.

We have historically derived a substantial portion of our revenues from licensing of software products that operate on HP NonStop servers. Any reduction in demand for HP NonStop servers, or any change in strategy by HP related to support of its NonStop servers, could have a material adverse effect on our financial condition, cash flows and/or results of operations.

Our current credit facility contains restrictions and other financial covenants that limit our flexibility in operating our business.

Our credit facility contains customary affirmative and negative covenants for credit facilities of this type that limit our ability to engage in specified types of transactions. These covenants limit our ability, and the ability of our subsidiaries, to, among other things: pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments; make certain investments; sell certain assets; create liens; incur additional indebtedness or issue certain preferred shares; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into certain transactions with our affiliates. Our credit facility also requires us to meet certain quarterly financial tests, including a maximum leverage ratio and a minimum interest coverage ratio. Our credit facility includes customary events of default, including, but not limited to, failure to pay principal or interest, breach of covenants or representations and warranties, cross-default to other indebtedness, judgment default and insolvency. If an event of default occurs under the credit facility, the lenders will be entitled to take various actions, including, but not limited to, demanding payment for all amounts outstanding. If adverse global economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to reduced demand for our products and services and as a result, we could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing credit facility, resulting in an event of default. If we are unable to cure the default or obtain a waiver, we will not be able to access our credit facility and there can be no assurance that we would be able to obtain alternative financing.

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Consolidations and failures in the financial services industry may adversely impact the number of customers and our revenues in the future.

Mergers, acquisitions and personnel changes at key financial services organizations have the potential to adversely affect our business, financial condition, cash flows, and results of operations. Our business is concentrated in the financial services industry, making us susceptible to consolidation in, or contraction of the number of participating institutions within that industry. Consolidation activity among financial institutions has increased in recent years and the current financial conditions have resulted in even further consolidation and contraction as financial institutions have failed or have been acquired by or merged with other financial institutions. There are several potential negative effects of increased consolidation activity. Continuing consolidation and failure of financial institutions could cause us to lose existing and potential customers for our products and services. For instance, consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity in turn decided to forego future use of our products, our revenues would decline.

Potential customers may be reluctant to switch to a new vendor, which may adversely affect our growth, both in the U.S. and internationally.

For banks, financial institutions and other potential customers of our products, switching from one vendor of core financial services software (or from an internally-developed legacy system) to a new vendor is a significant endeavor. Many potential customers believe switching vendors involves too many potential disadvantages such as disruption of business operations, loss of accustomed functionality, and increased costs (including conversion and transition costs). As a result, potential customers may resist change. We seek to overcome this resistance through value enhancing strategies such as a defined conversion/migration process, continued investment in the enhanced functionality of our software and system integration expertise. However, there can be no assurance that our strategies for overcoming potential customers' reluctance to change vendors will be successful, and this resistance may adversely affect our growth, both in the U.S. and internationally.

Our announcement of the maturity of certain legacy retail payment products may result in decreased customer investment in our products and our strategy to migrate customers to our next generation products may be unsuccessful which may adversely impact our business and financial condition, including the timing of revenue recognition associated with the legacy retail payment products.

Our announcement related to the maturity of certain retail payment engines may result in customer decisions not to purchase or otherwise invest in these engines, related products and/or services. Alternatively, the maturity of these products may result in delayed customer purchase decisions or the renegotiation of contract terms based upon scheduled maturity activities. In addition, our strategy related to migrating customers to our next generation products may be unsuccessful. Reduced investments in our products, deferral or delay in purchase commitments by our customers or our failure to successfully manage our migration strategy could have a material adverse effect on our business, liquidity and financial condition.

Furthermore, as a result of the maturity announcement, certain up-front fees associated with the legacy payment engines, including initial license, may become subject to ratable revenue recognition over time rather than up front at the time of contract. This will result in a delay in the recognition of these up-front fees. Additionally, customers may negotiate terms associated with their migration to BASE24-eps which may cause the recognition of revenue associated with the customer's legacy payment engine to be deferred pending the completion of the migration.

Management's backlog estimate may not be accurate and may not generate the predicted revenues.

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions, including management's current assessment of customer and third

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party contracts that exist as of the date the estimates are made, as well as revenues from assumed contract renewals, to the extent that we believe that recognition of the related revenue will occur within the corresponding backlog period. A number of factors could result in actual revenues being less than the amounts reflected in backlog. Our customers or third party partners may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions within their industries or geographic locations, or we may experience delays in the development or delivery of products or services specified in customer contracts. Actual renewal rates and amounts may differ from historical experiences used to estimate backlog amounts. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month or 60-month period. Additionally, because backlog estimates are operating metrics, the estimates are not required to be subject to the same level of internal review or controls as a generally accepted accounting principles (GAAP) financial measure.

Failure to obtain renewals of customer contracts or obtain such renewals on favorable terms could adversely affect our results of operations and financial condition.

Failure to achieve favorable renewals of customer contracts could negatively impact our business. Our contracts with our customers generally run for a period of five years. At the end of the contract term, customers have the opportunity to renegotiate their contracts with us and to consider whether to engage one of our competitors to provide products and services. Failure to achieve high renewal rates on commercially favorable terms could adversely affect our results of operations and financial condition.

The delay or cancellation of a customer project or inaccurate project completion estimates may adversely affect our operating results and financial performance.

Any unanticipated delays in a customer project, changes in customer requirements or priorities during the project implementation period, or a customer's decision to cancel a project, may adversely impact our operating results and financial performance. In addition, during the project implementation period, we perform ongoing estimates of the progress being made on complex and difficult projects and documenting this progress is subject to potential inaccuracies. Changes in project completion estimates are heavily dependent on the accuracy of our initial project completion estimates and our ability to evaluate project profits and losses. Any inaccuracies or changes in estimates resulting from changes in customer requirements, delays or inaccurate initial project completion estimates may result in increased project costs and adversely impact our operating results and financial performance.

Global economic conditions could reduce the demand for our products and services or otherwise adversely impact our cash flows, operating results and financial condition.

For the foreseeable future, we expect to derive most of our revenue from products and services we provide to the banking and financial services industries. The global electronic payments industry and the banking and financial services industries depend heavily upon the overall levels of consumer, business and government spending. The current economic conditions and the potential for increased or continuing disruptions in these industries as well as the general software sector could result in a decrease in consumers' use of banking services and financial service providers resulting in significant decreases in the demand for our products and services which could adversely affect our business and operating results. A lessening demand in either the overall economy, the banking and financial services industry or the software sector could also result in the implementation by banks and related financial service providers of cost reduction measures or reduced capital spending resulting in longer sales cycles, deferral or delay of purchase commitments for our products and increased price competition which could lead to a material decrease in our future revenues and earnings.

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The volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our liquidity and our ability to access financing.

While we intend to finance our operations and growth of our business with existing cash and cash flow from operations, if adverse global economic conditions persist or worsen, we could experience a decrease in cash from operations attributable to reduced demand for our products and services and as a result, we may need to borrow additional amounts under our existing credit facility or we may require additional financing for our continued operation and growth. However, due to the existing uncertainty in the capital and credit markets and the impact of the current economic conditions on our operating results, cash flows and financial conditions, the amount of available unused borrowings under our existing credit facility may be insufficient to meet our needs and/or our access to capital outside of our existing credit facility may not be available on terms acceptable to us or at all. Additionally, if one or more of the financial institutions in our syndicate were to default on its obligation to fund its commitment, the portion of the committed facility provided by such defaulting financial institution would not be available to us. There can be no assurance that alternative financing on acceptable terms would be available to replace any defaulted commitments.

Our existing levels of debt and debt service requirements may adversely affect our financial condition or operational flexibility and prevent us from fulfilling our obligations under our outstanding indebtedness.

Our level of debt could have adverse consequences for our business, financial condition, operating results and operational flexibility, including the following: (i) the debt level may cause us to have difficulty borrowing money in the future for working capital, capital expenditures, acquisitions or other purposes; (ii) our debt level may limit operational flexibility and our ability to pursue business opportunities and implement certain business strategies; (iii) we use a large portion of our operating cash flow to pay principal and interest on our credit facility, which reduces the amount of money available to finance operations, acquisitions and other business activities; (iv) we have a higher level of debt than some of our competitors or potential competitors, which may cause a competitive disadvantage and may reduce flexibility in responding to changing business and economic conditions, including increased competition and vulnerability to general adverse economic and industry conditions; (v) our debt has a variable rate of interest, which exposes us to the risk of increased interest rates; (vi) there are significant maturities on our debt that we may not be able to fulfill or that may be refinanced at higher rates; and (vii) if we fail to satisfy our obligations under our outstanding debt or fail to comply with the financial or other restrictive covenants required under our credit facility, an event of default could result that would cause all of our debt to become due and payable and could permit the lenders under our credit facility to foreclose on the assets securing such debt.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets could negatively affect our financial results.

Our balance sheet includes goodwill and intangible assets that represent a significant portion of our total assets at December 31, 2014. On at least an annual basis, we assess whether there have been impairments in the carrying value of goodwill and intangible assets. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a charge to operating earnings. An impairment of a significant portion of goodwill or intangible assets could materially negatively affect our results of operations.

We may become involved in litigation that could materially adversely affect our business financial condition, cash flows and/or results of operations.

From time to time, we are involved in litigation relating to claims arising out of our operations. Any claims, with or without merit, could be time-consuming and result in costly litigation. Failure to successfully defend against these claims could result in a material adverse effect on our business, financial condition, results of operations and/or cash flows.

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If we engage in acquisitions, strategic partnerships or significant investments in new business, we will be exposed to risks which could materially adversely affect our business.

As part of our business strategy, we anticipate that we may acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in, or strategic partnerships with, other companies. Any acquisition, investment or partnership, including our recently completed acquisition of ReD, is subject to a number of risks. Such risks include the diversion of management time and resources, disruption of our ongoing business, potential overpayment for the acquired company or assets, dilution to existing stockholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition which may increase our interest expense and leverage significantly, lack of familiarity with new markets, and difficulties in supporting new product lines.

Further, even if we successfully complete acquisitions, we may encounter issues not discovered during our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies, the internal control environment of the acquired entity may not be consistent with our standards and may require significant time and resources to improve and we may impair relationships with employees and customers as a result of migrating a business or product line to a new owner. We will also face challenges in integrating any acquired business. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, customers and business partners, managing different corporate cultures, and achieving cost reductions and cross-selling opportunities. There can be no assurance that we will be able to fully integrate all aspects of acquired businesses successfully, realize synergies expected to result from the acquisition, advance our business strategy or fully realize the potential benefits of bringing the businesses together, and the process of integrating these acquisitions may further disrupt our business and divert our resources.

Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions could have a material adverse effect on our business, financial condition, cash flows and/or results of operations. Correspondingly, our expectations related to the benefits related to our recent acquisitions, prior acquisitions or any other future acquisition or investment could be inaccurate.

We may experience difficulties integrating ReD, which could cause us to fail to realize the anticipated benefits of the acquisition.

Achieving the anticipated benefits of our acquisition of ReD will depend in part upon whether we are able to integrate the business of the company in an effective and efficient manner. We may not be able to accomplish this integration process smoothly or successfully. The integration of certain operations will take time and will require the dedication of significant management resources, which may temporarily distract management's attention from our routine business.

Any delay or inability of management to successfully integrate the operations of ReD could compromise our potential to achieve the anticipated long-term strategic benefits of the acquisitions and could have a material adverse effect on the business, financial condition, cash flows and results of operations after the acquisitions.

Our software products may contain undetected errors or other defects, which could damage our reputation with customers, decrease profitability, and expose us to liability.

Our software products are complex. Software typically contains bugs or errors that can unexpectedly interfere with the operation of the software products. Our software products may contain undetected errors or flaws when first introduced or as new versions are released. These undetected errors may result in loss of, or delay in, market acceptance of our products and a corresponding loss of sales or revenues. Customers depend upon our products for mission-critical applications, and these errors may hurt our reputation with customers. In addition, software product errors or failures could subject us to product liability, as well as performance and warranty claims, which could materially adversely affect our business, financial condition, cash flows and/or results of operations.

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If our products and services fail to comply with legislation, government regulations and industry standards to which our customers are subject, it could result in a loss of customers and decreased revenue.

Legislation, governmental regulation and industry standards affect how our business is conducted, and in some cases, could subject us to the possibility of future lawsuits arising from our products and services. Globally, legislation, governmental regulation and industry standards may directly or indirectly impact our current and prospective customers' activities, as well as their expectations and needs in relation to our products and services. For example, our products are affected by VISA and MasterCard electronic payment standards that are generally updated twice annually. In addition, action by government and regulatory authorities such as the Dodd-Frank Wall Street Reform and the Consumer Protection Act relating to financial regulatory reform, as well as legislation and regulation related to credit availability, data usage, privacy, or other related regulatory developments could have an adverse effect on our customers and therefore could have a material adverse effect on our business, financial condition, cash flows and results of operations.

If we fail to comply with the complex regulations applicable to our payments business, we could be subject to liability or our revenues may be reduced.

OPAY is licensed as a money transmitter in those states where such licensure is required. These licenses require us to demonstrate and maintain certain levels of net worth and liquidity and also require us to file periodic reports. In addition, our payment business is generally subject to federal regulation in the United States, including anti-money laundering regulations and certain restrictions on transactions to or from certain individuals or entities. The complexity of these regulations will continue to increase our cost of doing business. Any violations of law may also result in civil or criminal penalties against us and our officers or the prohibition against us providing money transmitter services in particular jurisdictions.

In addition, our customers must ensure that our services comply with the government regulations and industry standards that apply to their businesses. Federal, state, foreign or industry authorities could adopt laws, rules, or regulations affecting our customers' businesses that could lead to increased operating costs that may lead to reduced market acceptance. In addition, action by regulatory authorities relating to credit availability, data usage, privacy, or other related regulatory developments could have an adverse effect on our customers and, therefore, could have a material adverse effect on our business, financial condition, and results of operations.

If we fail to comply with privacy regulations imposed on providers of services to financial institutions, our business could be harmed.

As a provider of services to financial institutions, we may be bound by the same limitations on disclosure of the information we receive from our customers as apply to the financial institutions themselves. If we are subject to these limitations and we fail to comply with applicable regulations, we could be exposed to suits for breach of contract or to governmental proceedings, our customer relationships and reputation could be harmed, and we could be inhibited in our ability to obtain new customers. In addition, if more restrictive privacy laws or rules are adopted in the future on the federal or state level, or, with respect to our international operations, by authorities in foreign jurisdictions on the national, provincial, state, or other level, that could have an adverse impact on our business.

Our risk management and information security programs are the subject of oversight and periodic reviews by the federal agencies that regulate our business. In the event that an examination of our information security and risk management functions results in adverse findings, such findings could be made public or communicated to our regulated financial institution customers, which could have a material adverse effect on our business.

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If our security measures are breached or become infected with a computer virus, or if our services are subject to attacks that degrade or deny the ability of users to access our products or services, our business will be harmed by disrupting delivery of services and damaging our reputation.

As part of our business, we electronically receive, process, store, and transmit sensitive business information of our customers. Unauthorized access to our computer systems or databases could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. These concerns about security are increased when we transmit information over the Internet. Security breaches in connection with the delivery of our products and services, including products and services utilizing the Internet, or well-publicized security breaches, and the trend toward broad consumer and general public notification of such incidents, could significantly harm our business, financial condition, cash flows and/or results of operations. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting our networks and confidential information. Computer viruses have also been distributed and have rapidly spread over the Internet. Computer viruses could infiltrate our systems, disrupting our delivery of services and making our applications unavailable. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and terminate their agreements with us, and could inhibit our ability to attract new customers.

We may be unable to protect our intellectual property and technology and may be subject to increasing litigation over our intellectual property rights.

To protect our proprietary rights in our intellectual property, we rely on a combination of contractual provisions, including customer licenses that restrict use of our products, confidentiality agreements and procedures, and trade secret and copyright laws. Despite such efforts, we may not be able to adequately protect our proprietary rights, or our competitors may independently develop similar technology, duplicate products, or design around any rights we believe to be proprietary. This may be particularly true in countries other than the United States because some foreign laws do not protect proprietary rights to the same extent as certain laws of the United States. Any failure or inability to protect our proprietary rights could materially adversely affect our business.

There has been a substantial amount of litigation in the software industry regarding intellectual property rights. Third parties have in the past, and may in the future, assert claims or initiate litigation related to exclusive patent, copyright, trademark or other intellectual property rights to business processes, technologies and related standards that are relevant to us and our customers. These assertions have increased over time as a result of the general increase in patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the electronic commerce field, the secrecy of some pending patents and the rapid issuance of new patents, it is not economical or even possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Any claim against us, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays, require us to enter into royalty or licensing agreements or pay amounts in settlement, or require us to develop alternative non-infringing technology.

We anticipate that software product developers and providers of electronic commerce solutions could increasingly be subject to infringement claims, and third parties may claim that our present and future products infringe upon their intellectual property rights. Third parties may also claim, and we are aware that at least two parties have claimed on several occasions, that our customers' use of a business process method which utilizes our products in conjunction with other products infringe on the third-party's intellectual property rights. These third-party claims could lead to indemnification claims against us by our customers. Claims against our customers related to our products, whether or not meritorious, could harm our reputation and reduce demand for our products. Where indemnification claims are made by customers, resistance even to unmeritorious claims could damage the customer relationship. A successful claim by a third-party of intellectual property infringement

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by us or one of our customers could compel us to enter into costly royalty or license agreements, pay significant damages, or stop selling certain products and incur additional costs to develop alternative non-infringing technology. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all, which could adversely affect our business.

Our exposure to risks associated with the use of intellectual property may be increased for third-party products distributed by us or as a result of acquisitions since we have a lower level of visibility, if any, into the development process with respect to such third-party products and acquired technology or the care taken to safeguard against infringement risks.

Certain payment funding methods expose us to the credit and/or operating risk of our clients.

When we process an automated clearing house or automated teller machine network payment transaction for certain clients, we occasionally transfer funds from our settlement account to the intended destination account before we receive funds from a client's source account. The vast majority of these occurrences are resolved quickly through normal processes. However, if they are not resolved and we are then unable to reverse the transaction that sent funds to the intended destination, a shortfall in our settlement account will be created. Although we have legal recourse against our clients for the amount of the shortfall, timing of recovery may be delayed by litigation or the amount of any recovery may be less than the shortfall. In either case, we would have to fund the shortfall in our settlement account from our corporate funds.

Our revenue and earnings are highly cyclical, our quarterly results fluctuate significantly and we have revenue-generating transactions concentrated in the final weeks of a quarter which may prevent accurate forecasting of our financial results and cause our stock price to decline.

Our revenue and earnings are highly cyclical causing significant quarterly fluctuations in our financial results. Revenue and operating results are usually strongest during the third and fourth fiscal quarters ending September 30 and December 31 primarily due to the sales and budgetary cycles of our customers. We experience lower revenues, and possible operating losses, in the first and second quarters ending March 31 and June 30. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including changes in product sales mix that affect average selling prices; and the timing of customer renewals (any of which may impact the pattern of revenue recognition).

In addition, large portions of our customer contracts are consummated in the final weeks of each quarter. Before these contracts are consummated, we create and rely on forecasted revenues for planning, modeling and earnings guidance. Forecasts, however, are only estimates and actual results may vary for a particular quarter or longer periods of time. Consequently, significant discrepancies between actual and forecasted results could limit our ability to plan, budget or provide accurate guidance, which could adversely affect our stock price. Any publicly-stated revenue or earnings projections are subject to this risk.

If we experience business interruptions or failure of our information technology and communication systems, the availability of our products and services could be interrupted which could adversely affect our reputation, business and financial condition.

Our ability to provide reliable service in a number of our businesses depends on the efficient and uninterrupted operation of our data centers, information technology and communication systems, and those of our external service providers. As we continue to grow our On Demand business, our dependency on the continuing operation and availability of these systems increases. Our systems and data centers, and those of our external service providers, could be exposed to damage or interruption from fire, natural disasters, power loss, telecommunications failure, unauthorized entry and computer viruses. Although we have taken steps to prevent system failures and we have installed back-up systems and procedures to prevent or reduce disruption, such steps

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may not be sufficient to prevent an interruption of services and our disaster recovery planning may not account for all eventualities. Further, our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur.

An operational failure or outage in any of these systems, or damage to or destruction of these systems, which causes disruptions in our services, could result in loss of customers, damage to customer relationships, reduced revenues and profits, refunds of customer charges and damage to our brand and reputation and may require us to incur substantial additional expense to repair or replace damaged equipment and recover data loss caused by the interruption. Any one or more of the foregoing occurrences could have a material adverse effect on our reputation, business, financial condition, cash flows and results of operations.

We are engaged in offshore software development activities, which may not be successful and which may put our intellectual property at risk.

As part of our globalization strategy and to optimize available research and development resources, we utilize our Irish subsidiary to serve as the focal point for certain international product development and commercialization efforts. This subsidiary oversees remote software development operations in Romania and elsewhere, as well as manages certain of our intellectual property rights. In addition, we manage certain offshore development activities in India. While our experience to date with our offshore development centers has been positive, there is no assurance that this will continue. Specifically, there are a number of risks associated with this activity, including but not limited to the following:

communications and information flow may be less efficient and accurate as a consequence of the time, distance and language differences between our primary development organization and the foreign based activities, resulting in delays in development or errors in the software developed;

in addition to the risk of misappropriation of intellectual property from departing personnel, there is a general risk of the potential for misappropriation of our intellectual property that might not be readily discoverable;

the quality of the development efforts undertaken offshore may not meet our requirements because of language, cultural and experiential differences, resulting in potential product errors and/or delays;

potential disruption from the involvement of the United States in political and military conflicts around the world; and

currency exchange rates could fluctuate and adversely impact the cost advantages intended from maintaining these facilities.

There are a number of risks associated with our international operations that could have a material impact on our operations and financial condition.

We derive a significant portion of our revenues from international operations and anticipate continuing to do so. As a result, we are subject to risks of conducting international operations. One of the principal risks associated with international operations is potentially adverse movements of foreign currency exchange rates. Our exposures resulting from fluctuations in foreign currency exchange rates may change over time as our business evolves and could have an adverse impact on our financial condition, cash flows and/or results of operations. We have not entered into any derivative instruments or hedging contracts to reduce exposure to adverse foreign currency changes.

Other potential risks include difficulties associated with staffing and management, reliance on independent distributors, longer payment cycles, potentially unfavorable changes to foreign tax rules, compliance with foreign regulatory requirements, effects of a variety of foreign laws and regulations, including restrictions on access to personal information, reduced protection of intellectual property rights, variability of foreign economic

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conditions, governmental currency controls, difficulties in enforcing our contracts in foreign jurisdictions, and general economic and political conditions in the countries where we sell our products and services. Some of our products may contain encrypted technology, the export of which is regulated by the United States government. Changes in United States and other applicable export laws and regulations restricting the export of software or encryption technology could result in delays or reductions in our shipments of products internationally. There can be no assurance that we will be able to successfully address these challenges.

We may face exposure to unknown tax liabilities, which could adversely affect our financial condition, cash flows and/or results of operations.

We are subject to income and non-income based taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax liabilities and other tax liabilities. In addition, we expect to continue to benefit from implemented tax-saving strategies. We believe that these tax-saving strategies comply with applicable tax law. If the governing tax authorities have a different interpretation of the applicable law and successfully challenge any of our tax positions, our financial condition, cash flows and/or results of operations could be adversely affected.

Our US companies are the subject of an examination by the Internal Revenue Service as well as several state tax departments. Some of our foreign subsidiaries are currently the subject of a tax examination by the local taxing authorities. Other foreign subsidiaries could face challenges from various foreign tax authorities. It is not certain that the local authorities will accept our tax positions. We believe our tax positions comply with applicable tax law and intend to vigorously defend our positions. However, differing positions on certain issues could be upheld by foreign tax authorities, which could adversely affect our financial condition and/or results of operations.

Our stock price may be volatile.

No assurance can be given that operating results will not vary from quarter to quarter, and past performance may not accurately predict future performance. Any fluctuations in quarterly operating results may result in volatility in our stock price. Our stock price may also be volatile, in part, due to external factors such as announcements by third parties or competitors, inherent volatility in the technology sector, variability in demand from our existing customers, failure to meet the expectations of market analysts, the level of our operating expenses and changing market conditions in the software industry. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the stock prices of many technology companies and financial services companies, and these fluctuations sometimes are unrelated to the operating performance of these companies. Broad market fluctuations, as well as industry-specific and general economic conditions may adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office space in Naples, Florida, for our principal executive headquarters. The Naples lease expires in 2017. We also lease office space in Omaha, Nebraska, for our principal product development group, sales and support groups for the Americas, as well as our corporate, accounting and administrative functions. The Omaha lease continues through 2028. Our EMEA headquarters is located in Watford, England. The lease for the Watford facility expires at the end of 2023. Our Asia/Pacific headquarters is located in Singapore, with the lease for this facility expiring in fiscal 2017. We also lease office space in numerous other locations in the United States and in many other countries.

We believe that our current facilities are adequate for our present and short-term foreseeable needs and that additional suitable space will be available as required. We also believe that we will be able to renew leases as

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they expire or secure alternate suitable space. See Note 14, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements for additional information regarding our obligations under our facilities leases.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on The NASDAQ Global Select Market under the symbol ACIW. The following table sets forth, for the periods indicated, the high and low sale prices of our common stock as reported by The NASDAQ Global Select Market:

	Year ended December 31, 2014		Year ended December 31, 2013	
	High	Low	High	Low
Fourth quarter	\$ 20.77	\$ 17.65	\$ 21.67	\$ 17.37
Third quarter	\$ 19.99	\$ 17.39	\$ 18.03	\$ 15.52
Second quarter	\$ 20.38	\$ 17.62	\$ 15.88	\$ 14.30
First quarter	\$ 21.45	\$ 18.43	\$ 16.29	\$ 14.82

On April 10, 2014, we announced that our Board of Directors approved a three-for-one stock split of our common stock, which was affected in the form of a common stock dividend distributed on July 10, 2014. The high and low stock prices above have been retroactively adjusted to reflect the three-for-one stock split for all periods presented.

As of February 23, 2015, there were 319 holders of record of our common stock. A substantially greater number of holders of our common stock are street name or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

We have never declared nor paid cash dividends on our common stock. We do not presently anticipate paying cash dividends. However, any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend upon our financial condition, capital requirements and earnings, as well as other factors the board of directors may deem relevant. The terms of our current Credit Facility may restrict the payment of dividends subject to us meeting certain financial metrics and being in compliance with the events of default provisions of the agreement.

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of common stock during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
October 1 through October 31, 2014		\$			\$ 138,325,000
November 1 through November 30, 2014	5,980(1)	18.52			\$ 138,325,000
December 1 through December 31, 2014	1,878(1)	18.88			\$ 138,325,000
Total	7,858	\$ 18.61			

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- (1) Pursuant to our 2005 Equity and Performance Incentive Plan, as amended (the 2005 Incentive Plan), we granted restricted share awards (RSAs). These awards have requisite service periods of three years and

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vest in increments of 33% on the anniversary of the grant date. Under each arrangement, stock is issued without direct cost to the employee. Under the terms of the Transaction Agreement with S1, upon the acquisition, the S1 Transaction RSAs were converted to RSAs of our stock. These awards have requisite service periods of four years and vest in increments of 25% on the anniversary of the original grant date of November 9, 2011. During the three months ended December 31, 2014, 25,573 RSAs vested. We withheld 7,858 shares to pay the employees' portion of applicable withholding taxes.

(2) Approximate dollar value remaining based upon the closing stock price on December 31, 2014.

In fiscal 2005, we announced that our Board of Directors approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to \$80 million of our common stock, and that we intended to use existing cash and cash equivalents to fund these repurchases. Our Board of Directors approved an increase of \$30 million, \$100 million, and \$52.1 million to the stock repurchase program in May 2006, March 2007 and February 2012, respectively, bringing the total of the approved program to \$262.1 million. On September 13, 2012, our Board of Directors approved the repurchase of up to 7,500,000 shares of our common stock, or up to \$113.0 million, in place of the remaining repurchase amounts previously authorized. In July, 2013, our Board of Directors approved an additional \$100 million for stock repurchases. On February 24, 2014, our Board of Directors approved an additional \$100 million for the stock repurchase program. Approximately \$138.3 million remains available at December 31, 2014. There is no guarantee as to the exact number of shares that will be repurchased by us. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan, we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows us, through the independent broker, to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period three business days following our quarterly earnings release.

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Stock Performance Graph and Cumulative Total Return

The following table shows a line-graph presentation comparing cumulative stockholder return on an indexed basis with a broad equity market index and either a nationally-recognized industry standard or an index of peer companies selected by us. We selected the S&P 500 Index and the NASDAQ Electronic Components Index for comparison.

The graph above assumes that a \$100 investment was made in our common stock and each index on December 31, 2009, and that all dividends were reinvested. Also included are the respective investment returns based upon the stock and index values as of the end of each year during such five-year period. The information was provided by Zacks Investment Research, Inc. of Chicago, Illinois.

The stock performance graph disclosure above is not considered filed with the SEC under the Securities and Exchange Act of 1934, as amended, and is not incorporated by reference in any past or future filing by us under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, unless specifically referenced.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following selected financial data has been derived from our consolidated financial statements. This data should be read together with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included elsewhere in this Annual Report. The financial information below is not necessarily indicative of the results of future operations. Future results could differ materially from historical results due to many factors, including those discussed in Item 1A in the section entitled Risk Factors.

	Years Ended December 31,				
	2014 (1)	2013 (2)	2012 (3)	2011	2010
Income Statement Data:					
Total revenues	\$ 1,016,149	\$ 864,928	\$ 666,579	\$ 465,095	\$ 418,424
Net income	\$ 67,560	\$ 63,868	\$ 48,846	\$ 45,852	\$ 27,195
Earnings per share:					
Basic (6)	\$ 0.59	\$ 0.54	\$ 0.42	\$ 0.46	\$ 0.27
Diluted (6)	\$ 0.58	\$ 0.53	\$ 0.41	\$ 0.45	\$ 0.27
Shares used in computing earnings per share:					
Basic (6)	114,798	117,885	116,089	100,370	100,681
Diluted (6)	116,771	120,054	119,716	102,584	101,610

	As of December 31,				
	2014 (1)	2013 (2)	2012 (3)	2011	2010
Balance Sheet Data:					
Working capital	\$ 39,452	\$ 90,762	\$ 89,527	\$ 114,807	\$ 24,045
Total assets	1,850,700	1,681,851	1,250,886	664,642	601,529
Current portion of debt (5)	87,352	47,313	17,500		75,000
Debt (long-term portion) (4) (5)	809,479	716,763	369,064	77,058	2,790
Stockholders' equity	581,405	543,694	534,357	317,330	255,623

- (1) The consolidated balance sheet and statement of income for the year ended December 31, 2014 includes the acquisition of ReD as discussed in Note 2, *Acquisitions*.
- (2) The consolidated balance sheet and statement of income for the year ended December 31, 2013 includes the acquisitions of OPAY, ORCC and PTESA as discussed in Note 2, *Acquisitions*.
- (3) The consolidated balance sheet and statement of income for the year ended December 31, 2012 includes the acquisitions of Distra, North Data and S1 as discussed in Note 2, *Acquisitions*.
- (4) Debt (long-term portion) includes long-term capital lease obligations of \$0.9 million and \$1.8 million as of December 31, 2011 and 2010, respectively, which is included in other noncurrent liabilities in the consolidated balance sheets. We had no material capital lease obligations at December 31, 2014, 2013 and 2012.
- (5) During the year ended December 31, 2014, we increased the Term Credit Facility by \$150 million to fund the acquisition of ReD. In addition, we drew a net additional \$44 million on our Revolving Credit Facility during the year ended December 31, 2014 partially used to fund the acquisition of ReD and the related transaction costs. During the year ended December 31, 2013, we increased the Term Credit Facility by \$300 million to fund the acquisition of ORCC and amended our Credit Agreement to extend the term to 2018. We also added \$300 million in Senior Notes during the year ended December 31, 2013, all of which is due in August 2020. See Note 4, *Debt*, for further discussion. Our previous revolving credit facility had a maturity date of September 29, 2011; therefore, it was moved to current from long-term as of December 31, 2010. We refinanced this credit facility in the third quarter of 2011 with a new long term credit facility that was replaced with the Credit Agreement in November 2011. The outstanding balance of the Credit Agreement increased in 2012 due to the S1 acquisition. We also financed through a vendor a five-year license agreement during the year ended December 31, 2012. Approximately \$6.3 million and \$9.3 million of this

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- balance was outstanding at December 31, 2014 and 2013, respectively, of which approximately \$3.2 million and \$6.3 million were included in noncurrent liabilities in the consolidated balance sheets at December 31, 2014 and 2013, respectively.
- (6) On April 10, 2014, we announced that our Board of Directors approved a three-for-one stock split of our common stock, which was affected in the form of a common stock dividend distributed on July 10, 2014. The par value remained \$0.005 per common share, resulting in an adjustment to increase the total common stock balance with an equal and offsetting adjustment to additional paid-in capital. The basic and diluted per share amounts have been retroactively adjusted to reflect the three-for-one stock split for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVERVIEW

ACI Worldwide powers electronic payments and banking for over 5,600 financial institutions, retailers, billers, and processors around the world. In addition, we provide bill presentment and payment collection services to billers such as tax authorities, higher education, utilities, and health care providers. Through our integrated suite of software products and hosted services, we deliver a broad range of solutions for electronic payments, transaction banking, mobile, branch and voice banking; fraud detection and trade finance.

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

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

Africa and in multiple locations in the United States.

Key trends that currently impact our strategies and operations include:

Increasing electronic payment transaction volumes. Electronic payment volumes continue to increase around the world, taking market share from traditional cash and check transactions. In September 2014 McKinsey predicted that electronic payment transactions would grow in volume at an annual rate of 8%, from 370 billion in 2013 to 550 billion in 2018, with varying growth rates based on the type of payment and part of the world. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume and through the licensing of capacity upgrades to existing customers.

Adoption of real-time payments. Customer expectations, from both consumers and corporate, are driving the payments world to more real-time delivery. In the UK, payments sent through the traditional ACH multi-day

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batch service can now be sent through the Faster Payments service giving almost immediate access to the funds and this is being considered in several countries including Australia and the US. Corporate customers expect real-time information on the status of their payments instead of waiting for an end of day report. And regulators expect banks to be monitoring key measures like liquidity in real time. ACI's focus has always been on the real-time execution of transactions and delivery of information through real-time tools such as dashboards so our experience will be valuable in addressing this trend.

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

Adoption of cloud technology. In an effort to leverage lower-cost computing technologies some financial institutions, retailers and electronic payment processors are seeking to transition their systems to make use of cloud technology. Our market sizing exercises have indicated that cloud based payment services will grow at a faster rate than on premise payment software. Our investment in ACI On Demand provides us the grounding to deliver cloud capabilities in the future.

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

Adoption of smartcard technology. In many markets, card issuers are being required to issue new cards with embedded chip technology, with the liability shift going into effect in 2015 in the United States. Chip-based cards are more secure, harder to copy and offer the opportunity for multiple functions on one card (e.g. debit, credit, electronic purse, identification, health records, etc.). The EMV standard for issuing and processing debit and credit card transactions has emerged as the global standard, with many regions throughout the world working on EMV rollouts. The primary benefit of EMV deployment is a reduction in card present payment fraud, with the additional benefit that the core infrastructure necessary for multi-function chip cards is being put in place (e.g., chip card readers in ATMs and POS devices) allowing the deployment of other technologies like contactless. EMV would not prevent the data breaches which have occurred at major retailers in the past 36 months, however EMV makes the cards more difficult to use at the physical point of sale. This results in greater card not present fraud (e.g. fraud at e-commerce sites).

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

Financial institution consolidation. Consolidation continues on a national and international basis, as financial institutions seek to add market share and increase overall efficiency. Such consolidations have

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

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

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

Mobile banking and payments. There is a growing demand for the ability to carry out banking services or make payments using a mobile phone. Recent Accenture statistics show that 40% of people in the United States have used their phone to make a payment. Our customers have been making use of existing products to deploy mobile banking, mobile payment and mobile commerce and mobile payment solutions for their customers in many countries. In addition, ACI has invested in mobile products of our own and via partnerships to support mobile functionality in the marketplace.

The banking, financial services and payments industries have come under increased scrutiny from federal, state and foreign lawmakers and regulators in response to the crises in the financial markets and the global recession. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which was signed into law July 21, 2010, represents a comprehensive overhaul of the U.S. financial services industry and requires the implementation of many new regulations that will have a direct impact on our customers and potential customers. This is not limited to the United States, in April 2014, the European Commission voted to adopt a number of amendments with regards to the Payment Services Directive, placing further pressure on industry incumbents.

These regulatory changes may create both opportunities and challenges for us. The application of the new regulations on our customers could create an opportunity for us to market our product capabilities and the flexibility of our solutions to assist our customers in addressing these regulations. At the same time, these regulatory changes may have an adverse impact on our operations and our financial results as we adjust our activities in light of increased compliance costs and customer requirements. It is currently too difficult to predict the long term extent to which the Dodd-Frank Act, Payment Services Directive or the resulting regulations will impact our business and the businesses of our current and potential customers.

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

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

Acquisitions

Retail Decisions

On August 12, 2014, we completed the acquisition of ReD for \$205.1 million in cash. We have included the financial results of ReD in the consolidated financial statements from the date of acquisition. As a leader in fraud prevention solutions, the acquisition of ReD enhances our Universal Payments strategy and further strengthens our leadership position in the fast-growing payments risk management space.

To fund this acquisition and related transaction fees, we drew an additional \$60.5 million on our Revolving Credit Facility and increased the Term portion of our Credit Agreement by an additional \$150.0 million. See Note 4, *Debt*, for terms of the financing arrangement.

Backlog

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

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

Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.

License, facilities management, and software hosting arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.

Non-recurring license arrangements are assumed to renew as recurring revenue streams.

Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.

Our pricing policies and practices are assumed to remain constant over the 60-month backlog period. In computing our 60-month backlog estimate, the following items are specifically not taken into account:

Anticipated increases in transaction, account, or processing volumes in customer systems.

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Optional annual uplifts or inflationary increases in recurring fees.

Services engagements, other than facilities management and software hosting engagements, are not assumed to renew over the 60-month backlog period.

The potential impact of merger activity within our markets and/or customers.

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

The following table sets forth our 60-month backlog estimate, by geographic region, as of December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014, and December 31, 2013 (in millions). As a result of the acquisition of ReD, the 60-month backlog estimate includes approximately \$205 million as of December 31, 2014 and September 30, 2014. Dollar amounts reflect foreign currency exchange rates as of each period end.

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Americas	\$ 3,014	\$ 3,000	\$ 2,874	\$ 2,858	\$ 2,831
EMEA	855	826	765	767	747
Asia/Pacific	291	288	285	285	283
Total	\$ 4,160	\$ 4,114	\$ 3,924	\$ 3,910	\$ 3,861

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Committed	\$ 1,731	\$ 1,660	\$ 1,637	\$ 1,629	\$ 1,742
Renewal	2,429	2,454	2,287	2,281	2,119
Total	\$ 4,160	\$ 4,114	\$ 3,924	\$ 3,910	\$ 3,861

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

We also estimate 12-month backlog, segregated between monthly recurring and non-recurring revenues, using a methodology consistent with the 60-month backlog estimate. Monthly recurring revenues include all monthly license fees, maintenance fees and processing services fees. Non-recurring revenues include other software license fees and services fees. Amounts included in our 12-month backlog estimate assume renewal of one-time license fees on a monthly fee basis if such renewal is expected to occur in the next 12 months. The following table sets forth our 12-month backlog estimate, by geographic region, as of December 31, 2014 and 2013 (in millions). As a result of the acquisition of ReD, the 12-month backlog estimate includes approximately \$40 million and \$42 million as of December 31, 2014 and September 30, 2014, respectively. For all periods reported, approximately 80% of our 12-month backlog estimate is committed backlog and approximately 20% of our 12-month backlog estimate is renewal backlog. Dollar amounts reflect currency exchange rates as of each period end.

	December 31, 2014			December 31, 2013		
	Monthly Recurring	Non-Recurring	Total	Monthly Recurring	Non-Recurring	Total
Americas	\$ 589	\$ 59	\$ 648	\$ 571	\$ 63	\$ 634

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EMEA	146		45	191	130		38	168
Asia/Pacific	54		10	64	53		15	68
Total	\$ 789	\$	114	\$ 903	\$ 754	\$	116	\$ 870

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

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The following tables present the consolidated statements of income as well as the percentage relationship to total revenues of items included in our Consolidated Statements of Income (amounts in thousands):

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**Revenues**

	2014			% Change vs 2013	2013	
	Amount	% of Total Revenue	\$ Change vs 2013		Amount	% of Total Revenue
Revenues:						
Initial license fees (ILFs)	\$ 143,423	14%	\$ 4,231	3%	\$ 139,192	16%
Monthly license fees (MLFs)	91,734	9%	(3,005)	-3%	94,739	11%
License	235,157	23%	1,226	1%	233,931	27%
Maintenance	255,993	25%	10,039	4%	245,954	28%
Services	105,584	10%	(16,501)	-14%	122,085	14%
Hosting	419,415	41%	156,457	59%	262,958	30%
Total revenues	\$ 1,016,149	100%	\$ 151,221	17%	\$ 864,928	100%

Total revenue for the year ended December 31, 2014 increased \$151.2 million, or 17%, as compared to the same period in 2013. The increase is the result of a \$1.2 million, or 1%, increase in license revenue, a \$10.0 million, or 4%, increase in maintenance revenue and a \$156.5 million, or 59%, increase in hosting revenue partially offset by a \$16.5 million, or 14%, decrease in services revenue.

The increase in total revenue for the year ended December 31, 2014 as compared to the year ended December 31, 2013 was due to a \$159.9 million, or 30%, increase in the Americas reportable segment and a \$2.2 million, or 1%, increase in the EMEA reportable segment partially offset by a \$10.9 million, or 12%, decrease in the Asia/Pacific reportable segment.

The addition of ORCC, OPAY and ReD contributed \$160.8 million of the increase in total revenue for the year ended December 31, 2014. Excluding the incremental revenue from ORCC, OPAY and ReD, total revenue for the year ended December 31, 2014 decreased \$9.6 million, or 1%, primarily due to a \$16.5 million decrease in services revenue partially offset by a \$10.0 million increase in maintenance revenues.

License Revenue

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

Initial License Revenue

Initial license revenue includes license and capacity revenues that do not recur on a monthly or quarterly basis. Included in initial license revenue are license and capacity fees that are recognizable at the inception of the agreement and license and capacity fees that are recognizable at interim points during the term of the agreement,

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including those that are recognizable annually due to negotiated customer payment terms. Initial license revenue increased by \$4.2 million, or 3%, during the year ended December 31, 2014, as compared to the same period in 2013 with the Americas reportable segment increasing by \$8.9 million partially offset by decreases in the EMEA and Asia/Pacific reportable segments of \$0.6 million and \$4.1 million, respectively. The increase in initial license revenue in the Americas reportable segment is primarily due to the execution of several license renewal arrangements during 2014. The decrease in initial license revenue in the Asia/Pacific reportable segment was largely attributable to a larger number of customers converting from perpetual license arrangements to term and transaction based license arrangements during the year ended December 31, 2014 as compared to the same period in 2013. Included in the above are capacity related revenue decreases of \$5.5 million and \$4.7 million in the Americas and Asia/Pacific reportable segments, respectively, partially offset by an increase of \$0.2 million in the EMEA reportable segment during the year ended December 31, 2014 as compared to the same period in 2013.

Monthly License Revenue

Monthly license revenue is license and capacity revenue that is paid monthly or quarterly due to negotiated customer payment terms as well as initial license and capacity fees that are recognized as revenue ratably over an extended period as monthly license revenue. Monthly license revenue decreased \$3.0 million, or 3%, during the year ended December 31, 2014, as compared to the same period in 2013 with the EMEA reportable segment decreasing by \$3.8 million partially offset by an increase of \$0.4 million in both the Americas and Asia/Pacific reportable segments. The decrease in monthly license revenue is primarily due to the maturation of certain retail payment engine products.

Maintenance Revenue

Maintenance revenue includes standard and premium maintenance or any post contract support fees received from customers for the provision of product support services. Maintenance revenue during the year ended December 31, 2014, as compared to the same period in 2013, increased \$10.0 million, or 4%, of which \$1.7 million was due to the additions of ORCC and ReD. Maintenance revenue increased in the Americas, EMEA and Asia/Pacific reportable segments by \$7.6 million, \$0.7 million and \$1.7 million, respectively. Increases in maintenance revenue are primarily driven by increases in our customer installation base, expanded product usage from existing customers, and increased adoption of our premium support services programs.

Services Revenue

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

Services revenue during the year ended December 31, 2014 as compared to the same period in 2013 decreased by \$16.5 million, or 14%. The overall decrease was partially offset by an increase of \$2.9 million due to incremental ORCC revenues. Implementation and professional services decreased in the Americas and Asia/Pacific reportable segments by \$9.5 million and \$9.1 million, respectively, partially offset by an increase in the EMEA reportable segment of \$2.1 million. During 2013, the Company completed several large, complex projects that resulted in the release of deferred revenues in the period of completion. The number and magnitude of such projects was lower in 2014. Additionally, the Company's customers continue to transition from on premise to hosted software solutions. Services work performed in relation to the Company's hosted software solutions is recognized over a longer service period and is classified as hosting revenue.

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

Hosting revenue during the year ended December 31, 2014 as compared to the same period in 2013 increased \$156.5 million, or 59%. The increase was primarily due to \$155.6 million of incremental revenue from ORCC and OPAY and the addition of ReD.

Operating Expenses

	2014			2013		
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Operating expenses:						
Cost of license	\$ 24,565	2%	\$ (759)	-3%	\$ 25,324	3%
Cost of maintenance, services and hosting	430,191	42%	111,676	35%	318,515	37%
Research and development	144,207	14%	1,650	1%	142,557	16%
Selling and marketing	112,047	11%	12,219	12%	99,828	12%
General and administrative	95,065	9%	(4,235)	-4%	99,300	11%
Depreciation and amortization	71,902	7%	15,546	28%	56,356	7%
Total operating expenses	\$ 877,977	86%	\$ 136,097	18%	\$ 741,880	86%

Total operating expenses for the twelve months ended December 31, 2014 increased \$136.1 million, or 18%, as compared to the same period of 2013 primarily due to \$134.4 million of incremental operating expenses related to the operations of ORCC, OPAY and ReD.

Cost of License

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

Cost of software licenses fees decreased \$0.8 million, or 3%, during the twelve months ended December 31, 2014 compared to the same period in 2013 primarily due to a decrease in third-party royalty fees.

Cost of Maintenance, Services and Hosting

Cost of maintenance, services and hosting includes costs to provide hosting services and both the costs of maintaining our software products as well as the service costs required to deliver, install and support software at customer sites. Maintenance costs include the efforts associated with providing the customer with upgrades, 24-hour help desk, post go-live (remote) support and production-type support for software that was previously installed at a customer location. Service costs include human resource costs and other incidental costs such as

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travel and training required for both pre go-live and post go-live support. Such efforts include project management, delivery, product customization and implementation, installation support, consulting, configuration, and on-site support. Hosting costs related to the acquired EBPP products include payment card interchange fees, assessments payable to banks and payment card processing fees.

Cost of maintenance, services, and hosting fees increased \$111.7 million, or 35%, during the twelve months ended December 31, 2014 compared to the same period in 2013. Included in the cost of maintenance, services and hosting fees for the twelve months ended December 31, 2014 were \$105.2 million of incremental operating expenses related to the added operations of ORCC, OPAY and ReD. Excluding these expenses, the cost of maintenance, services and hosting fees increased \$6.5 million in the twelve months ended December 31, 2014 compared to the same period in 2013 primarily due to higher third-party contractor expenses as a result of redeployment of resources from research and development activities to maintenance, services and hosting activities.

Research and Development

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

Research and development expense increased \$1.7 million, or 1%, during the twelve months ended December 31, 2014 compared to the same period in 2013. Included in this expense, were \$9.0 million of incremental operating expenses related to the added operations of ORCC, OPAY and ReD. Excluding these expenses, the cost of research and development decreased \$7.3 million in the twelve months ended December 31, 2014 compared to the same period in 2013 primarily due to a decrease in third party contractor expenses as a result of redeployment of resources to maintenance, services and hosting activities.

Selling and Marketing

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

Selling and marketing expense increased \$12.2 million, or 12%, during the twelve months ended December 31, 2014 compared to the same period in 2013. There were \$5.1 million of incremental operating expenses related to the added operations of ORCC, OPAY and ReD. Excluding these expenses, the cost of sales and marketing increased \$7.1 million in the twelve months ended December 31, 2014 compared to the same period in 2013 primarily due to a \$5.0 million increase in sales commission expenses and a \$2.0 million increase in advertising and promotional expenses.

General and Administrative

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

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General and administrative expense decreased \$4.2 million, or 4%, during the twelve months ended December 31, 2014. There were \$2.8 million of incremental operating expenses related to the added operations of ORCC, OPAY and ReD. In addition, there were approximately \$16.7 million and \$19.4 million of significant transaction related expenses incurred in the twelve months ended December 31, 2014, and December 31, 2013, respectively. Significant transaction related expenses for the twelve months ended December 31, 2014 included \$10.4 million of personnel related charges and \$6.3 million of professional and other expenses related to the acquisition of ORCC, OPAY and ReD. Excluding these expenses, total general and administrative expenses decreased \$4.3 million during the twelve months ended December 31, 2014 primarily due to \$3.5 million in lower management incentive compensation expense and \$2.7 million in lower share-based compensation expense.

Depreciation and Amortization

Depreciation and amortization expense increased \$15.5 million, or 28%, during the twelve months ended December 31, 2014 compared to the same period in 2013 primarily due to amortization costs for acquisition related intangibles.

Other Income and Expense

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Other income (expense):						
Interest expense	\$ (39,738)	-4%	\$ (12,517)	46%	\$ (27,221)	-3%
Interest income	575	0%	(84)	-13%	659	0%
Other, net	(240)	0%	3,087	-93%	(3,327)	0%
Total other income (expense)	\$ (39,403)	-4%	\$ (9,514)	32%	\$ (29,889)	-3%

Interest expense for the year ended December 31, 2014 increased \$12.5 million, or 46%, as compared to the same period in 2013 due to a full year of expense on the Senior Notes. Interest income for the year ended December 31, 2014 was flat compared to the same period in 2013.

Other, net consists of foreign currency losses and other non-operating items. Foreign currency losses for the years ended December 31, 2014 and 2013 were \$0.1 million and \$2.7 million, respectively.

Income Taxes

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Income tax expense	\$ 31,209	3%	\$ 1,918	7%	\$ 29,291	3%
Effective Income tax rate	32%				31%	

The effective tax rates for the years ended December 31, 2014 and 2013 were approximately 32% and 31%, respectively. Our effective tax rate each year varies from our federal statutory rate because we operate in multiple foreign countries where we apply their tax laws and rates which vary from those that we apply to the income we generate from our domestic operations. Of the foreign jurisdictions in which we operate, our December 31, 2014 effective tax rate was most impacted by our operations in Ireland, South Africa and United Kingdom and our December 31, 2013 effective tax rate was most impacted by our operations in Canada, Singapore, South Africa and United Kingdom where the tax rates are significantly less than the United States. Our effective rate is negatively impacted by the inclusion of certain foreign earnings in our US tax return. In addition to the tax

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benefit from foreign operations that are taxed at lower rates than the domestic rate, the effective tax rate for the year ended December 31, 2014 was also positively impacted by a \$3.4 million benefit related to Research and Development tax incentives and negatively impacted by the recording of \$3.5 million additional valuation allowance primarily related to foreign tax credits. The effective tax rate for the year ended December 31, 2013 was positively impacted by a \$4.0 million benefit related to Research and Development tax incentives, the recognition of \$1.4 million in tax benefits, including \$0.5 million of R&D credits, as a result of implementing the 2012 American Taxpayer Relief Act, and the release of \$1.6 million valuation allowance, primarily related to US capital losses that were utilized in the year.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**Revenues**

	2013				2012	
	Amount	% of Total Revenue	\$ Change vs 2012	% Change vs 2012	Amount	% of Total Revenue
Revenues:						
Initial license fees (ILFs)	\$ 139,192	16%	\$ 13,495	11%	\$ 125,697	19%
Monthly license fees (MLFs)	94,739	11%	(1,410)	-1%	96,149	14%
License	233,931	27%	12,085	5%	221,846	33%
Maintenance	245,954	28%	46,078	23%	199,876	30%
Services	122,085	14%	(9,451)	-7%	131,536	20%
Hosting	262,958	30%	149,637	132%	113,321	17%
Total revenues	\$ 864,928	100%	\$ 198,349	30%	\$ 666,579	100%

Total revenue for the year ended December 31, 2013 increased \$198.3 million, or 30%, as compared to the same period in 2012. The increase is the result of a \$12.1 million, or 5%, increase in license revenue, a \$46.1 million, or 23%, increase in maintenance revenue and a \$149.6 million, or 132%, increase in hosting revenue partially offset by a \$9.5 million, or 7%, decrease in services revenue.

The increase in total revenue for the year ended December 31, 2013 as compared to the year ended December 31, 2012 was due to a \$189.6 million, or 54%, increase in the Americas reportable segment and a \$10.7 million, or 5%, increase in the EMEA reportable segment partially offset by a \$2.0 million, or 2%, decrease in the Asia/Pacific reportable segment.

The addition of ORCC contributed \$120.8 million, or 18%, of the increase in total revenue for the year ended December 31, 2013. The addition of OPAY contributed \$23.3 million, or 4%, of the increase in total revenue for the year ended December 31, 2013. Excluding the impact of the addition of ORCC and OPAY, total revenue for the year ended December 31, 2013 increased \$54.2 million, or 8%. The increase in total revenue, excluding the addition of ORCC and OPAY, is primarily due to the inclusion of S1 operations for a full year as well as increased sales and an increase in the number and size of projects that were completed and recognized during the year ended December 31, 2013 as compared to the same period in 2012.

License Revenue

As a result of the maturation of certain retail payment engine products, certain of our initial license fees are being recognized ratably over an extended period. Initial license and capacity fees that are recognized as revenue ratably over an extended period are included in our monthly license revenues. Due to the relative size and varying periods over which these revenues are being recognized, our monthly license revenues have decreased as compared to the same period in 2012.

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Initial License Revenue

Initial license revenue increased by \$13.5 million, or 11%, during the year ended December 31, 2013, as compared to the same period in 2012 with the Americas reportable segment increasing by \$25.5 million partially offset by decreases in the EMEA and Asia/Pacific reportable segments of \$5.1 million and \$6.9 million, respectively. The decrease in initial license revenue in the Asia/Pacific reportable segment is largely attributable to a larger number of customers converting from perpetual license arrangements to term and transaction based license arrangements during the year ended December 31, 2012 as compared to the same period in 2013. Included in the above are capacity related revenue increases of \$23.6 million and \$3.9 million in the Americas and Asia/Pacific reportable segments, respectively, partially offset by a decrease of \$3.3 million in the EMEA reportable segment during the year ended December 31, 2013 as compared to the same period in 2012.

Monthly License Revenue

Monthly license revenue decreased \$1.4 million, or 2%, during the year ended December 31, 2013, as compared to the same period in 2012 with the Americas and EMEA reportable segments decreasing by \$2.2 million and \$0.1 million, respectively, partially offset by an increase in the Asia/Pacific reportable segment of \$0.9 million. The decrease in monthly license revenue is primarily due to a decrease in the amount of initial license revenue that is being recognized ratably over an extended period as a result of the maturation of certain retail payment engine products.

Maintenance Revenue

Maintenance revenue during the year ended December 31, 2013, as compared to the same period in 2012 increased \$46.1 million, or 23%, of which \$1.3 million, or less than 1%, was due to the addition of ORCC. Maintenance revenue increased in the Americas, EMEA and Asia/Pacific reportable segments by \$14.0 million, \$23.1 million and \$9.0 million, respectively. Increases in maintenance revenue are primarily driven by increases in our customer installation base, expanded product usage from existing customers, and increased adoption of our enhanced support services programs.

Services Revenue

Services revenue during the year ended December 31, 2013 as compared to the same period in 2012 decreased by \$9.5 million, or 7%. Implementation and professional services decreased in the EMEA and Asia/Pacific reportable segment by \$9.4 million and \$5.0 million, respectively, partially offset by an increase in the Americas reportable segment of \$4.9 million. Services revenue in the Americas reportable segment increased \$0.9 million due to the addition of ORCC.

Hosting Revenue

Hosting revenue during the year ended December 31, 2013 as compared to the same period in 2012 increased \$149.6 million, or 132%, of which \$141.8 million, or 125%, was due to the addition of ORCC and OPAY. The remaining increase is attributed to new customers adopting our on-demand or hosted offerings and existing customers adding new functionality or services.

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	2013			2012		
	Amount	% of Total Revenue	\$ Change vs 2012	% Change vs 2012	Amount	% of Total Revenue
Operating expenses:						
Cost of license	\$ 25,324	3%	\$ 1,732	7%	\$ 23,592	4%
Cost of maintenance, services and hosting	318,515	37%	116,463	58%	202,052	30%
Research and development	142,557	16%	8,798	7%	133,759	20%
Selling and marketing	99,828	12%	12,774	15%	87,054	13%
General and administrative	99,300	11%	(9,447)	-9%	108,747	16%
Depreciation and amortization	56,356	7%	19,353	52%	37,003	6%
Total operating expenses	\$ 741,880	86%	\$ 149,673	25%	\$ 592,207	89%

Total operating expenses for the year ended December 31, 2013 increased \$149.7 million, or 25%, as compared to the same period of 2012. Included in operating expenses for the year ended December 31, 2013 were approximately \$108.1 million and \$22.9 million of operating expenses from the addition of ORCC and OPAY, respectively. There were approximately \$26.2 million and \$31.5 million of significant transaction related expenses incurred in the years ended December 31, 2013, and December 31, 2012, respectively. Significant transaction related expenses for the year ended December 31, 2013 included \$10.6 million of personnel related charges and \$15.6 million of professional and other expenses related to the acquisition of ORCC and OPAY. Excluding these expenses, total operating expenses increased \$24.0 million in the year ended December 31, 2013 compared to the same period in 2012 primarily due to the inclusion of S1 operations for a full twelve months.

Cost of License

Cost of license increased \$1.7 million, or 7%, in the twelve months ended December 31, 2013 compared to the same period in 2012 primarily due to an increase in third party royalty fees.

Cost of Maintenance, Services and Hosting

Cost of maintenance, services, and hosting increased \$116.5 million, or 58%, in the twelve months ended December 31, 2013 compared to the same period in 2012. There were \$79.4 million and \$18.8 million of ORCC and OPAY expenses, respectively, added in the twelve months ended December 31, 2013. Excluding these expenses, the cost of maintenance, services and hosting increased \$18.3 million in the twelve months ended December 31, 2013 compared to the same period in 2012 primarily due the inclusion of S1 operations for a full twelve months.

Research and Development

Research and development expense increased \$8.8 million, or 7%, in the twelve months ended December 31, 2013 compared to the same period in 2012. There were \$7.2 million and \$0.6 million of ORCC and OPAY expenses, respectively, added in the twelve months ended December 31, 2013. Excluding these expenses, the cost of research and development increased \$1.0 million in the twelve months ended December 31, 2013 compared to the same period in 2012 primarily due to the inclusion of S1 operations for a full twelve months.

Selling and Marketing

Selling and marketing expense increased \$12.8 million, or 15%, in the twelve months ended December 31, 2013 compared to the same period in 2012. There were \$6.3 million and \$1.0 million of ORCC and OPAY expenses, respectively, added in the twelve months ended December 31, 2013. Excluding these expenses, the cost of selling

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and marketing increased \$5.5 million in the twelve months ended December 31, 2013 compared to the same period in 2012 primarily due to the inclusion of S1 operations for a full twelve months.

General and Administrative

General and administrative expense decreased \$9.4 million, or 9%, in the twelve months ended December 31, 2013. There were approximately \$26.2 million and \$31.5 million of significant transaction related expenses incurred in the years ended December 31, 2013 and December 31, 2012, respectively. Significant transaction related expenses for the year ended December 31, 2013 included \$10.6 million of personnel related charges and \$15.2 million of professional and other expenses related to the acquisition of ORCC and OPAY. Excluding these expenses, total general and administrative expenses decreased \$4.1 million in the twelve months ended December 31, 2013, primarily due to a net release of bad debt allowances.

Depreciation and Amortization

Depreciation and amortization expense increased \$19.4 million, or 52%, in the twelve months ended December 31, 2013 compared to the same period in 2012 primarily due to acquisition related intangibles.

Other Income and Expense

	2013				2012	
	Amount	% of Total Revenue	\$ Change vs 2012	% Change vs 2012	Amount	% of Total Revenue
Other income (expense):						
Interest expense	\$ (27,221)	-3%	\$ (16,804)	161%	\$ (10,417)	-2%
Interest income	659	0%	(255)	-28%	914	0%
Other, net	(3,327)	0%	(3,726)	-934%	399	0%
Total other income (expense)	\$ (29,889)	-3%	\$ (20,785)	228%	\$ (9,104)	-1%

Interest expense for the year ended December 31, 2013 increased \$16.8 million, or 161%, as compared to the same period in 2012 due to the increase in debt obtained in 2013 partially used to fund acquisitions. Interest income for the year ended December 31, 2013 decreased \$0.3 million as compared to the same period in 2012.

Other, net consists of foreign currency losses and other non-operating items. Foreign currency losses for the years ended December 31, 2013 and 2012 were \$2.7 million and \$0.8 million, respectively. We also realized a gain of \$1.6 million on the shares of S1 stock previously held as available-for-sale during the year ended December 31, 2012.

Income Taxes

	2013				2012	
	Amount	% of Total Revenue	\$ Change vs 2012	% Change vs 2012	Amount	% of Total Revenue
Income tax expense	\$ 29,291	3%	\$ 12,869	78%	\$ 16,422	2%
Effective Income tax rate		31%				25%

The effective tax rates for the years ended December 31, 2013 and 2012 were approximately 31% and 25%, respectively. Our effective tax rate each year varies from our federal statutory rate because we operate in multiple foreign countries where we apply their tax laws and rates which vary from those that we apply to the income we generate from our domestic operations. Of the foreign jurisdictions in which we operate, our December 31, 2013 effective tax rate was most impacted by our operations in Canada, Singapore, South Africa and United Kingdom

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and our December 31, 2012 effective tax rates were most impacted by our operations in Canada, Ireland and United Kingdom where the tax rates are significantly less than the United States. Our effective rate is negatively impacted by the inclusion of certain foreign earnings in our US tax return. The effective tax rate for the year ended December 31, 2013 was positively impacted by (i) a \$4.0 million benefit related to Research and Development tax incentives, (ii) the recognition of \$1.4 million in tax benefits, including \$0.5 million of Research and Development credits, as a result of implementing the 2012 American Taxpayer Relief Act and (iii) the release of \$1.6 million valuation allowance, primarily related to US capital losses that were utilized in the year. The effective tax rate for the year ended December 31, 2012 was positively impacted by (i) a \$1.6 million release of an accrued tax liability and (ii) a favorable adjustment of \$1.7 million to our uncertain tax positions. The accrued tax liability and the accrual for uncertain positions are no longer required as the statute of limitations expired for the tax returns to which they are associated during 2012.

Segment Results for Years Ended December 31, 2014, 2013 and 2012

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

	Years Ended December 31,		
	2014	2013	2012
Revenues:			
Americas	\$ 701,767	\$ 541,890	\$ 352,197
EMEA	230,879	228,679	218,015
Asia/Pacific	83,503	94,359	96,367
	\$ 1,016,149	\$ 864,928	\$ 666,579
Income before income taxes:			
Americas	\$ 143,379	\$ 145,496	\$ 103,165
EMEA	116,120	87,522	78,848
Asia/Pacific	38,853	33,923	32,673
Corporate	(199,583)	(173,782)	(149,418)
	\$ 98,769	\$ 93,159	\$ 65,268

Reportable segment results are impacted by both direct expenses and allocated shared function costs such as global product development, global customer operations and global product management. Shared function costs are allocated to the geographic reportable segments as a percentage of revenue or as a percentage of headcount. All administrative costs that are not directly attributable or reasonably allocable to a geographic segment as well as amortization on acquired intangibles are reported in the Corporate line item.

The increase in 2014 revenues for the Americas geographic segment is primarily due to incremental revenue from ORCC and OPAY as well as the addition of ReD in 2014. The Americas income before income taxes decreased primarily as a result of an increase in the allocation of costs from shared functions that are allocated as a percentage of revenues. The EMEA segment's income before income taxes increased as a result of increased revenue as well as lower relative personnel related costs. The Asia/Pacific segment's income before income taxes increased primarily as a result of lower relative personnel related costs. The Corporate line item's loss before income taxes increased for the year ended December 31, 2014 compared to the same period in 2013. This is primarily due to an increase in Corporate depreciation and amortization charges of \$16.3 million and an increase in interest expense of \$12.5 million in 2014 compared to 2013. This was partially offset by a decrease of significant transaction related expenses in 2014 of approximately \$3.3 million compared to 2013.

The increase in 2013 revenues and income before taxes for the Americas geographic segment is primarily due to the acquisitions completed during the year ended December 31, 2013. The Corporate line item's loss before

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income taxes increased for the year ended December 31, 2013 compared to the same period in 2012. This is primarily due to an increase in Corporate depreciation and amortization charges of \$12.4 million and an increase in interest expense of \$19.6 million in 2013 compared to 2012. This was partially offset by a decrease of significant transaction related expenses in 2013 of approximately \$5.3 million compared to 2012.

LIQUIDITY AND CAPITAL RESOURCES**General**

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

As of December 31, 2014, we had \$77.3 million in cash and cash equivalents. Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

As of December 31, 2014, \$57.0 million of the \$77.3 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds were needed for our operations in the U.S. we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

Cash Flows

The following table sets forth summary cash flow data for the periods indicated (amounts in thousands).

	Years Ended December 31,		
	2014	2013	2012
Net cash provided by (used in):			
Operating activities	\$ 149,026	\$ 138,418	\$ (9,265)
Investing activities	(240,690)	(410,714)	(342,940)
Financing activities	78,082	291,640	233,901

2014 compared to 2013

Net cash flows provided by operating activities for the year ended December 31, 2014 was \$149.0 million compared to \$138.4 million during the same period in 2013. The comparative period increase was primarily due to stronger earnings and higher non-cash expenses for depreciation and amortization in 2014 compared to the same period in 2013. This was partially offset by an increase in interest paid in 2014 compared to the same period in 2013. Our current policy is to use our operating cash flow primarily to meet interest and principal payments on outstanding debt, as well as for funding capital expenditures, lease payments, stock repurchases and acquisitions.

During 2014, we paid \$204.3 million, net of \$0.8 million in cash acquired, to acquire ReD. In addition, we used \$36.4 million to purchase software, property and equipment and other investments during the year ended December 31, 2014. During 2013, we paid \$250.2 million, net of \$9.9 million in cash acquired, to acquire ORCC. In addition, we paid \$113.9 million, net of \$25.9 million in cash acquired, to acquire OPAY. We paid \$14.0 million, net of \$0.2 million in cash acquired, to acquire PTESA.

In 2014, we used \$70.0 million to repurchase common stock. We received proceeds of \$150.0 million and repaid \$57.4 million on the Term Credit Facility during the year ended December 31, 2014. We received proceeds of

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\$169.5 million and repaid \$125.5 million for the Revolving Credit Facility during the year ended December 31, 2014. In addition, during the year ended December 31, 2014, we received proceeds of \$31.0 million, including corresponding excess tax benefits, from the exercises of stock options and the issuance of common stock under our 1999 Employee Stock Purchase Plan, as amended, and used \$5.1 million for the repurchase of restricted stock and performance shares for tax withholdings. In 2013, we received proceeds of \$300.0 million from our Term Credit Facility to fund our purchase of ORCC. In addition, we received proceeds of \$300.0 million from our Senior Notes during the year ended December 31, 2013. We used a portion of the proceeds to pay the \$188.0 million balance of the Revolving Credit Facility and to repurchase \$80.9 million of common stock.

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

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

2013 compared to 2012

Net cash flows provided by operating activities for the year ended December 31, 2013 was \$138.4 million compared to used of \$9.3 million during the same period in 2012. The comparative period increase was primarily due to an additional \$72.6 million in cash receipts from customers and an increase in net income of \$15.0 million. In addition, we paid \$20.7 million to settle the IBM alliance liability in 2012. Our current policy is to use our operating cash flow primarily for funding capital expenditures, lease payments, stock repurchases and acquisitions.

During 2013, we paid \$250.2 million, net of \$9.9 million in cash acquired, to acquire ORCC. In addition, we paid \$113.9 million, net of \$25.9 million in cash acquired, to acquire OPAY. We paid \$14.0 million, net of \$0.2 million in cash acquired, to acquire PTESA. We also used cash of \$32.6 million to purchase software, property and equipment.

In 2013, we received proceeds of \$300.0 million from our Term Credit Facility to fund our purchase of ORCC. In addition, we received proceeds of \$300.0 million from our Senior Notes during the year ended December 31, 2013. We used a portion of the proceeds to pay the \$188.0 million balance of the Revolving Credit Facility and to repurchase \$80.9 million of common stock. We repaid \$30.9 million of the Term Credit Facility during the year ended December 31, 2013. In addition, during the year ended December 31, 2013, we received proceeds of \$28.7 million, including corresponding excess tax benefits, from the exercises of stock options and the issuance of common stock under our 1999 Employee Stock Purchase Plan, as amended, and used \$6.2 million for the repurchase of restricted stock and performance shares for tax withholdings. We paid \$17.0 million in debt issuance costs in 2013. We also made payments to third-party institutions, primarily related to debt and capital leases, totaling \$14.0 million.

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

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

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Debt

Credit Agreement

As of December 31, 2014, we had \$44.0 million and \$547.9 million outstanding under our Revolving and Term Credit Facility portions of our Credit Agreement, respectively, with up to \$206.0 million of unused borrowings under the Revolving Credit Facility. The amount of unused borrowings actually available varies in accordance with the terms of the agreement. The Credit Agreement contains certain affirmative and negative covenants, including limitations on the incurrence of indebtedness, asset dispositions, mergers, advances, acquisitions, investments, dividends and other restricted payments, liens, transactions with affiliates and change in nature of the business. The Credit Agreement also contains financial covenants relating to maximum permitted leverage ratio and the minimum fixed charge coverage ratio. The Credit Agreement does not contain any subjective acceleration features and does not have any required payment or principal reduction schedule and is included as a long-term liability in our consolidated balance sheet. At December 31, 2014 (and at all times during the period) we were in compliance with our debt covenants. The interest rate in effect at December 31, 2014 for our Credit Agreement was 2.67%.

On August 20, 2013, we completed a \$300.0 million offering of 6.375% Senior Notes due in 2020 (the Senior Notes) at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The Senior Notes bear an interest rate of 6.375% per annum, payable semi-annually in arrears on August 15 and February 15 of each year. The Senior Notes will mature on August 15, 2020.

On August 12, 2014, we borrowed an additional \$150 million under our Term Credit Facility as amended. These additional borrowings were used in connection with the ReD acquisition that was completed on August 12, 2014.

On August 12, 2014, the Fifth Amendment to the Credit Agreement became effective. The Fifth Amendment, among other things, permitted the acquisition of ReD, increased the aggregate amount of permitted intercompany indebtedness between us and our subsidiaries that are guarantors under the credit facility and our subsidiaries that are not guarantors under the credit facility from \$75 million to \$225 million and increased the amount of unsecured indebtedness permitted under the credit facility from \$350 million to \$500 million, in each case subject to the terms of the Credit Agreement, as amended. The Fifth Amendment also amends the Collateral Agreement dated November 10, 2011 (as amended prior to August 12, 2014) among us, OPAY, the other grantors party thereto and Wells Fargo Bank, National Association, as administrative agent, to release the administrative agent's security interest in, and lien on, certain property of OPAY.

In connection with the incremental borrowings under the Term Credit Facility and the Fifth Amendment, we incurred debt issuance costs of \$4.5 million, all of which have been paid as of December 31, 2014.

Stock Repurchase Program

As of September 12, 2012, our Board of Directors had approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to \$262.1 million of our common stock. On September 13, 2012, our Board of Directors approved the repurchase of up to 7,500,000 shares of our common stock, or up to \$113.0 million in place of the remaining repurchase amounts previously authorized. On September 26, 2012, we repurchased 7,477,800 common stock warrants from IBM for \$29.6 million.

In July 2013, our Board of Directors approved an additional \$100 million for the stock repurchase program. On February 24, 2014, our Board of Directors approved an additional \$100 million for the stock repurchase program.

We repurchased 3,578,427 shares for \$70.0 million under the program during the year ended December 31, 2014. Under the program to date, we have purchased 37,108,467 shares for approximately \$395.8 million. The maximum remaining authorized for purchase under the stock repurchase program was approximately \$138.3 million as of December 31, 2014.

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

Contractual Obligations and Commercial Commitments

We lease office space and equipment under operating leases that run through October 2028. Additionally, we have entered into a Credit Agreement that matures in 2018 and have issued Senior Notes that mature in 2020.

Contractual obligations as of December 31, 2014 are as follows (in thousands):

	Total	Payments due by Period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
Contractual Obligations					
Operating lease obligations	\$ 93,650	\$ 17,315	\$ 28,335	\$ 19,766	\$ 28,234
Term Credit Facility	547,935	87,352	190,586	269,997	
Revolving Credit Facility	44,000			44,000	
Senior Notes	300,000				300,000
Term Credit Facility interest (1)	38,386	13,808	20,143	4,435	
Revolving Credit Facility interest (1)	4,308	1,175	2,350	783	
Senior Notes Interest (2)	114,750	19,125	38,250	38,250	19,125
Financed internally used software (3)	6,300	3,100	3,200		
Total	\$ 1,149,329	\$ 141,875	\$ 282,864	\$ 377,231	\$ 347,359

(1) Based upon the Credit Facility debt outstanding and interest rate in effect at December 31, 2014 of 2.67%.

(2) Based upon Senior Notes issued of \$300 million at per annum rate of 6.375%.

(3) During the year ended December 31, 2012, we financed through the vendor a five-year license agreement for certain internally used software for \$14.8 million with annual payments due in April through 2016. Of this amount, \$6.3 million remains outstanding at December 31, 2014 with \$3.1 million included in other current liabilities and \$3.2 million included in other non-current liabilities in our consolidated balance sheet.

We are unable to reasonably estimate the ultimate amount or timing of settlement of our reserves for income taxes under ASC 740, *Income Taxes*. The liability for unrecognized tax benefits at December 31, 2014 is \$14.8 million.

Off-Balance Sheet Arrangements*Settlement Accounts*

We enter into agreements with certain clients to process payment funds on their behalf. When an automated clearing house or automated teller machine network payment transaction is processed, a transaction is initiated to withdraw funds from the designated source account and deposit them into a settlement account, which is a trust account maintained for the benefit of our clients. A simultaneous transaction is initiated to transfer funds from the settlement account to the intended destination account. These back to back transactions are designed to settle at the same time, usually overnight, such that we receive the funds from the source at the same time as it

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sends the funds to their destination. However, due to the transactions being with various financial institutions there may be timing differences that result in float balances. These funds are maintained in accounts for the benefit of our clients which are separate from our corporate assets. As we do not take ownership of the funds, the settlement accounts are not included in our balance sheet. We are entitled to interest earned on the fund balances. The collection of interest on these settlement accounts is considered in our determination of our fee structure for clients and represents a portion of the payment for services performed by us. The amount of settlement funds as of December 31, 2014 was \$224.9 million.

We do not have any other obligations that meet the definition of an off-balance sheet arrangement and that have or are reasonably likely to have a material effect on our consolidated financial statements.

Critical Accounting Policies and Estimates

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

The following key accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. See Note 1, *Nature of Business and Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements for a further discussion of revenue recognition and other significant accounting policies.

Revenue Recognition

For software license arrangements for which services rendered are primarily related to installation of core software and are not considered essential to the functionality of the software, we recognize revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable, and (3) the fee is fixed or determinable. In most arrangements, because vendor-specific objective evidence of fair value does not exist for the license element, we use the residual method to determine the amount of revenue to be allocated to the license element. Under the residual method, the fair value of all undelivered elements, such as post contract customer support or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered element. For software license arrangements in which we have concluded that collectability issues may exist, revenue is recognized as cash is collected, provided all other conditions for revenue recognition have been met. In making the determination of collectability, we consider the creditworthiness of the customer, economic conditions in the customer's industry and geographic location, and general economic conditions.

Our sales focus continues to shift to more complex arrangements involving multiple products. As a result of this shift to more complex, multiple product arrangements, absent other factors, we initially experience an increase in deferred revenue and a corresponding decrease in current period revenue due to differences in the timing of revenue recognition for the respective products. Revenues from more complex arrangements involving our newer products are typically recognized upon acceptance or first production use by the customer or are recognized over an extended implementation period. For those arrangements where revenues are being deferred and we determine that related direct and incremental costs are recoverable, such costs are deferred and subsequently expensed as the revenues are recognized.

When a software license arrangement includes services to provide significant modification or customization of software, those services are considered essential to the functionality of the software and are not considered to be

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separable from the software. Accounting for such services delivered over time is referred to as contract accounting. Under contract accounting, we generally use the percentage-of-completion method. Under the percentage-of-completion method, we record revenue for the software license and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. Estimated total labor hours for each contract are based on the project scope, complexity, skill level requirements, and similarities with other projects of similar size and scope. For those contracts subject to contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. We recognize revenue under these arrangements based on the lesser of payments that become due or the revenue calculated under the percentage-of-completion method based on progress toward completion in a given reporting period. For arrangements where we believe it is assured that no loss will be incurred under the arrangement and fair value for maintenance services does not exist, all revenue is deferred until services are completed.

Certain of our arrangements are through unrelated distributors or sales agents. In these situations, we evaluate additional factors such as the financial capabilities, the distribution capabilities, and risks of rebates, returns, or credits in determining whether revenue should be recognized upon sale to the distributor or sales agent (sell-in) or upon distribution to an end-customer (sell-through). Judgment is required in evaluating the facts and circumstances of our relationship with the distributor or sales agent as well as our operating history and practices that can impact the timing of revenue recognition related to these arrangements.

We may execute more than one contract or agreement with a single customer. The separate contracts or agreements may be viewed as one multiple-element arrangement or separate arrangements for revenue recognition purposes. We evaluate whether the agreements were negotiated as part of a single project, whether the products or services are interrelated or interdependent, whether fees in one arrangement are tied to performance in another arrangement, and whether elements in one arrangement are essential to the functionality in another arrangement in order to reach appropriate conclusions regarding whether such arrangements are related or separate. Those conclusions can impact the timing of revenue recognition related to those arrangements.

Allowance for Doubtful Accounts

We maintain a general allowance for doubtful accounts based on our historical experience, along with additional customer-specific allowances. We regularly monitor credit risk exposures in our accounts receivable. In estimating the necessary level of our allowance for doubtful accounts, management considers the aging of our accounts receivable, the creditworthiness of our customers, economic conditions within the customer s industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management would also change, which in turn would impact the level of our future provision for doubtful accounts. Specifically, if the financial condition of our customers were to deteriorate, affecting their ability to make payments, additional customer-specific provisions for doubtful accounts may be required. Also, should deterioration occur in general economic conditions, or within a particular industry or region in which we have a number of customers, additional provisions for doubtful accounts may be recorded to reserve for potential future losses. Any such additional provisions would reduce operating income in the periods in which they were recorded.

Intangible Assets and Goodwill

Our business acquisitions typically result in the recording of intangible assets, and the recorded values of those assets may become impaired in the future. As of December 31, 2014 and December 31, 2013 our intangible assets, excluding goodwill, net of accumulated amortization, were \$261.4 million and \$237.7 million, respectively. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect the consolidated financial statements. We assess potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an

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asset may not be recovered. Judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of our businesses, market conditions and other factors. Although there are inherent uncertainties in this assessment process, the estimates and assumptions used, including estimates of future cash flows, volumes, market penetration and discount rates, are consistent with our internal planning. If these estimates or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our intangible assets. Furthermore, we cannot predict the occurrence of future impairment-triggering events nor the impact such events might have on our reported asset values. Future events could cause us to conclude that impairment indicators exist and that intangible assets associated with acquired businesses are impaired. Any resulting impairment loss could have an impact on our results of operations.

Other intangible assets are amortized using the straight-line method over periods ranging from three years to 20 years.

As of December 31, 2014 and 2013, our goodwill was \$781.2 million and \$669.2 million, respectively. In accordance with ASC 350, *Intangibles Goodwill and Other*, we assess goodwill for impairment annually during the fourth quarter of our fiscal year using October 1 balances or when there is evidence that events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. We evaluate goodwill at the reporting unit level and have identified our reportable segments, Americas, EMEA, and Asia/Pacific, as our reporting units. Recoverability of goodwill is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved. Use of a discounted cash flow model is common practice in impairment testing in the absence of available transactional market evidence to determine the fair value.

The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital (WACC). The WACC considers market and industry data as well as Company-specific risk factors. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. If the calculated fair value is less than the current carrying value, impairment of the reporting unit may exist. If the recoverability test indicates potential impairment, we calculate an implied fair value of goodwill for the reporting unit. The implied fair value of goodwill is determined in a manner similar to how goodwill is calculated in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded to write down the carrying value. The calculated fair value substantially exceeded the current carrying value for all reporting units. No reporting units were deemed to be at risk of failing Step 1 of the goodwill impairment test under ASC No. 350.

Business Combinations

We apply the provisions of ASC 805, *Business Combinations*, in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of income.

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Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer relationships, covenants not to compete and acquired developed technologies; brand awareness and market position, as well as assumptions about the period of time the brand will continue to be used in our product portfolio; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed, as more fully discussed in Note 2, *Acquisitions*, to the consolidated financial statements.

Stock-Based Compensation

Under the provisions of ASC 718, *Compensation - Stock Compensation*, stock-based compensation cost for stock option awards is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option-pricing model and is recognized as expense ratably over the requisite service period. We recognize stock-based compensation costs for only those shares that are expected to vest. The impact of forfeitures that may occur prior to vesting is estimated and considered in the amount of expense recognized. Forfeiture estimates are revised in subsequent periods when actual forfeitures differ from those estimates. The Black-Scholes option-pricing model requires various highly judgmental assumptions including volatility and expected option life. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially for future awards from that recorded for existing awards.

Long term incentive program performance share awards (LTIP Performance Shares) were granted during the years ended December 31, 2014, 2013 and 2012 pursuant to our 2005 Incentive Plan. These awards are earned, if at all, based on the achievement over a specified period of performance goals related to certain performance metrics. In order to determine compensation expense to be recorded for these LTIP Performance Shares, each quarter management evaluates the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment.

During the years ended December 31, 2014, 2013 and 2012, pursuant to our 2005 Incentive Plan, we granted restricted share awards (RSAs). These awards have requisite service periods of three years and vest in increments of 33% on the anniversary dates of grants. Under each arrangement, stock is issued without direct cost to the employee. We estimate the fair value of the RSAs based upon the market price of our stock at the date of grant. The RSA grants provide for the payment of dividends on our common stock, if any, to the participant during the requisite service period (vesting period) and the participant has voting rights for each share of common stock.

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

Under the terms of the Transaction Agreement with S1, upon the acquisition, the S1 Transaction RSAs were converted to RSAs of our common stock. These awards have requisite service periods of four years and vest in increments of 25% on the anniversary of the original grant date of November 9, 2011. If an employee is terminated without cause within 12 months from the acquisition date, the RSAs 100% vest. Stock is issued without direct cost to the employee. The RSA grants provide for the payment of dividends on our common stock, if any, to the participant during the requisite service period (vesting period) and the participant has voting rights for each share of common stock. The conversion of the Transaction RSAs was treated as a modification and as

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such, they were valued immediately prior to and after modification. We recognize compensation expense for RSAs on a straight-line basis over the requisite service period. The incremental fair value as measure upon modification will be recognized on a straight-line basis from modification date through the end of the requisite service period.

The assumptions utilized in the Black-Scholes option-pricing model as well as the description of the plans the stock-based awards are granted under are described in further detail in Note 11, *Stock-Based Compensation Plans*, in the Notes to Consolidated Financial Statements.

Accounting for Income Taxes

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood we would realize the benefits of net operating loss carryforwards and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the rates used to measure transactions with foreign subsidiaries. As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. The judgments and estimates used are subject to challenge by domestic and foreign taxing authorities.

We account for income taxes in accordance with ASC 740, *Income Taxes*. As part of our process of determining current tax liability, we exercise judgment in evaluating positions we have taken in our tax returns. We periodically assess our tax exposures and establish, or adjust, estimated unrecognized benefits for probable assessments by taxing authorities, including the IRS, and various foreign and state authorities. Such unrecognized tax benefits represent the estimated provision for income taxes expected to ultimately be paid. It is possible that either domestic or foreign taxing authorities could challenge those judgments or positions and draw conclusions that would cause us to incur tax liabilities in excess of, or realize benefits less than, those currently recorded. In addition, changes in the geographical mix or estimated amount of annual pretax income could impact our overall effective tax rate.

To the extent recovery of deferred tax assets is not more likely than not, we record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Although we have considered future taxable income along with prudent and feasible tax planning strategies in assessing the need for a valuation allowance, if we should determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to deferred tax assets would be charged to income in the period any such determination was made. Likewise, in the event we are able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to deferred tax assets would increase income in the period any such determination was made.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. This ASU supersedes the revenue recognition requirements in Accounting Standard Codification 605, *Revenue Recognition*, and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The standard permits the use of either the retrospective or cumulative effect transition method. At this time we have not selected a transition method. We are currently assessing the impact of the adoption of ASU 2014-09 on our financial position, results of operations, and cash flow.

In June 2014, FASB issued ASU No. 2014-12, *Compensation – Stock Compensation*. This ASU is an amendment to the Accounting Standard Codification 718, *Compensation – Stock Compensation*, to explicitly address the

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accounting treatment of share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. As such, a reporting entity should apply the existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. We have assessed the impact of this standard and do not anticipate it having a material impact on our financial position, results of operations or cash flow.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Excluding the impact of changes in interest rates and the uncertainty in the global financial markets, there have been no material changes to our market risk for the year ended December 31, 2014. We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which our revenue contracts are denominated. Thus, any decline in the value of local foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer, and in those instances where our goods and services have already been sold, may result in the receivables being more difficult to collect. Additionally, any decline in the value of the U.S. dollar in jurisdictions where the revenue contracts are denominated in U.S. dollars and operating expenses are incurred in local currency will have an unfavorable impact to operating margins. We at times enter into revenue contracts that are denominated in the country's local currency, principally in Australia, Canada, the United Kingdom and other European countries. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for the purpose of speculation or arbitrage.

The primary objective of our cash investment policy is to preserve principal without significantly increasing risk. Based on our cash investments and interest rates on these investments at December 31, 2014, and if we maintained this level of similar cash investments for a period of one year, a hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest income by less than \$0.1 million annually.

We had approximately \$891.9 million of debt outstanding at December 31, 2014 with \$300.0 million in Senior Notes and \$591.9 million outstanding under our Credit Facility. Our Senior Notes are fixed-rate long-term debt obligations with a 6.375% interest rate. Our Credit Facility has a floating rate which was 2.67% at December 31, 2014. The potential increase (decrease) in interest expense for the Credit Facility from a hypothetical ten percent increase (decrease) in effective interest rates would be approximately \$1.6 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The required consolidated financial statements and notes thereto are included in this Annual Report and are listed in Part IV, Item 15.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as

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defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act) as of the end of the period covered by this report, December 31, 2014.

In connection with our evaluation of disclosure controls and procedures, we have concluded that our disclosure controls and procedures are effective as of December 31, 2014.

b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with United States Generally Accepted Accounting Principles (US GAAP). Under the supervision of, and with the participation of our Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2014. Management based its assessment on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

As permitted by applicable requirements, our evaluation of and conclusion on the effectiveness of internal control over financial reporting exclude Retail Decisions Europe Limited and Retail Decisions, Inc. (collectively ReD), which was acquired by us on August 12, 2014. The assets recorded for this business represented \$249.7 million, or 13% of our total consolidated assets and contributed \$17.9 million, or 2%, to total consolidated revenues for 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by Deloitte & Touche, LLP, an independent registered public accounting firm, and Deloitte & Touche, LLP has issued an attestation report on our internal control over financial reporting.

c) Changes in Internal Control over Financial Reporting

On August 12, 2014 we completed our acquisition of ReD. We believe the internal controls and procedures of ReD have had a material effect on our internal control over financial reporting. See Note 2, *Business Combination*, to the Consolidated Financial Statements included in Item 8 for discussion of the acquisition and related financial data.

We are currently in the process of integrating ReD operations. We anticipate a successful integration of operations and internal controls over financial reporting. Management will continue to evaluate its internal control over financial reporting as it executes integration activities.

There have been no additional changes during our quarter ended December 31, 2014 in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

ACI Worldwide, Inc.

Omaha, Nebraska

We have audited the internal control over financial reporting of ACI Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Retail Decisions Europe Limited and Retail Decisions, Inc. (collectively ReD), which was acquired on August 12, 2014 and whose financial statements constitute \$249.7 million, or 13%, of total consolidated assets and \$17.9 million, or 2% of total consolidated revenue as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting at ReD. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 26, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska

February 26, 2015

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the heading Executive Officers of the Registrant in Part 1, Item 1 of this Form 10-K is incorporated herein by reference.

The information required by this item with respect to our directors is included in the section entitled Nominees under Proposal 1 Election of Directors in our Proxy Statement for the Annual Meeting of Stockholders to be held on June 17, 2015 (the 2015 Proxy Statement) and is incorporated herein by reference.

Information included in the section entitled Section 16(a) Beneficial Ownership Reporting Compliance in our 2015 Proxy Statement is incorporated herein by reference.

Information related to the audit committee and the audit committee financial expert is included in the section entitled Report of Audit Committee in our 2015 Proxy Statement is incorporated herein by reference. In addition, the information included in the sections entitled Board Committees and Committee Meetings, Shareholder Recommendations for Director Nominees and Shareholder Nomination Process within the Corporate Governance section of our 2015 Proxy Statement is incorporated herein by reference.

Code of Business Conduct and Code of Ethics

We have adopted a Code of Business Conduct and Ethics for our directors, officers (including our principal executive officer, principal financial officer, principal accounting officer and controller) and employees. We have also adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the Code of Ethics), which applies to our Chief Executive Officer, our Chief Financial Officer, our Chief Accounting Officer, Controller, and persons performing similar functions. The full text of both the Code of Business Conduct and Ethics and Code of Ethics is published on our website at www.aciworldwide.com in the Investors Corporate Governance section. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Business Conduct and Ethics and the Code of Ethics on our website promptly following the adoption of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

Information included in the sections entitled Director Compensation, Compensation Discussion and Analysis, Compensation Committee Report, Executive Compensation and Compensation Committee Interlocks and Insider Participation in our 2015 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information included in the sections entitled Information Regarding Security Ownership in our 2015 Proxy Statement is incorporated herein by reference.

Information included in the section entitled Information Regarding Equity Compensation Plans in our 2015 Proxy Statement is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information included in the section entitled Certain Relationships and Related Transactions, in our 2015 Proxy Statement is incorporated herein by reference.

Information included in the sections entitled Director Independence and Board Committees and Committee Meetings in the Corporate Governance section of our 2015 Proxy Statement is incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information included in the sections entitled Independent Registered Public Accounting Firm Fees and Pre-Approval of Audit and Non-Audit Services under Proposal 2 Ratification of Appointment of the Company's Independent Registered Public Accounting Firm in our 2015 Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this annual report on Form 10-K:

(1) **Financial Statements.** The following index lists consolidated financial statements and notes thereto filed as part of this annual report on Form 10-K:

	Page
<u>Report of Independent Registered Public Accounting Firm – Deloitte & Touche LLP</u>	68
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	69
<u>Consolidated Statements of Income for each of the three years in the period ended December 31, 2014</u>	70
<u>Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2014</u>	71
<u>Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2014</u>	72
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2014</u>	73
<u>Notes to Consolidated Financial Statements</u>	74

(2) **Financial Statement Schedules.** All schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) **Exhibits.** A list of exhibits filed or furnished with this report on Form 10-K (or incorporated by reference to exhibits previously filed by ACI) is provided in the accompanying Exhibit Index.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

ACI Worldwide, Inc.

Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of ACI Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ACI Worldwide, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2015, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska

February 26, 2015

Table of Contents**ACI WORLDWIDE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 77,301	\$ 95,059
Receivables, net of allowances of \$4,806 and \$4,459, respectively	227,106	203,575
Deferred income taxes, net	44,349	47,593
Recoverable income taxes	4,781	2,258
Prepaid expenses	24,314	22,549
Other current assets	40,417	65,328
Total current assets	418,268	436,362
Property and equipment, net	60,360	57,347
Software, net	209,507	191,468
Goodwill	781,163	669,217
Intangible assets, net	261,436	237,693
Deferred income taxes, net	50,187	48,852
Other noncurrent assets, including \$33.8 million for assets at fair value at December 31, 2014	69,779	40,912
TOTAL ASSETS	\$ 1,850,700	\$ 1,681,851
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 50,351	\$ 43,658
Employee compensation	35,299	35,623
Current portion of long-term debt	87,352	47,313
Deferred revenue	131,808	122,045
Income taxes payable	6,276	1,192
Deferred income taxes, net	225	753
Other current liabilities	67,505	95,016
Total current liabilities	378,816	345,600
Noncurrent liabilities		
Deferred revenue	49,224	45,656
Long-term debt	804,583	708,070
Deferred income taxes, net	13,217	11,000
Other noncurrent liabilities	23,455	27,831
Total liabilities	1,269,295	1,138,157
Commitments and contingencies (Note 14)		
Stockholders equity		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at December 31, 2014 and 2013		
Common stock; \$0.005 par value; 280,000,000 shares authorized; 139,820,388 shares issued at December 31, 2014 and 2013	698	698

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Additional paid-in capital	551,713	542,697
Retained earnings	331,415	263,855
Treasury stock, at cost, 24,182,584 and 23,255,421 shares at December 31, 2014 and 2013, respectively	(282,538)	(240,241)
Accumulated other comprehensive loss	(19,883)	(23,315)
Total stockholders equity	581,405	543,694
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,850,700	\$ 1,681,851

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

Table of Contents**ACI WORLDWIDE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

	FOR THE YEARS ENDED DECEMBER 31,		
	2014	2013	2012
Revenues			
License	\$ 235,157	\$ 233,931	\$ 221,846
Maintenance	255,993	245,954	199,876
Services	105,584	122,085	131,536
Hosting	419,415	262,958	113,321
Total revenues	1,016,149	864,928	666,579
Operating expenses			
Cost of license (1)	24,565	25,324	23,592
Cost of maintenance, services and hosting (1)	430,191	318,515	202,052
Research and development	144,207	142,557	133,759
Selling and marketing	112,047	99,828	87,054
General and administrative	95,065	99,300	108,747
Depreciation and amortization	71,902	56,356	37,003
Total operating expenses	877,977	741,880	592,207
Operating income	138,172	123,048	74,372
Other income (expense)			
Interest expense	(39,738)	(27,221)	(10,417)
Interest income	575	659	914
Other, net	(240)	(3,327)	399
Total other income (expense)	(39,403)	(29,889)	(9,104)
Income before income taxes	98,769	93,159	65,268
Income tax expense	31,209	29,291	16,422
Net income	\$ 67,560	\$ 63,868	\$ 48,846
Earnings per common share			
Basic	\$ 0.59	\$ 0.54	\$ 0.42
Diluted	\$ 0.58	\$ 0.53	\$ 0.41
Weighted average common shares outstanding			
Basic	114,798	117,885	116,089
Diluted	116,771	120,054	119,716

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

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

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ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	FOR THE YEARS ENDED DECEMBER 31,		
	2014	2013	2012
Net income	\$ 67,560	\$ 63,868	\$ 48,846
Other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	22,977		963
Reclassification of unrealized gain to a realized gain on available-for-sale securities			(1,557)
Foreign currency translation adjustments	(19,545)	(9,284)	3,824
Total other comprehensive income (loss):	3,432	(9,284)	3,230
Comprehensive income	\$ 70,992	\$ 54,584	\$ 52,076

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

Table of Contents**ACI WORLDWIDE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands)

	Common Stock	Common Stock Warrants	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2011	\$ 612	\$ 24,003	\$ (163,411)	\$ 322,246	\$ 151,141	\$ (17,261)	\$ 317,330
Net income					48,846		48,846
Other comprehensive income						3,230	3,230
Issuance of 17,355,840 shares of common stock for acquisition of S1 Corporation	86			204,770			204,856
Issuance of 286,500 shares from treasury stock for acquisition of S1 Corporation			2,174				2,174
Repurchase of 4,313,076 shares of common stock			(57,836)				(57,836)
Issuance of 1,084,410 shares from treasury stock for common stock warrant exercises		(2,769)	9,404	5,231			11,866
Cash settlement of common stock warrants		(21,234)		(8,362)			(29,596)
Stock-based compensation				15,186			15,186
Shares issued and forfeited, net, under stock plans including income tax benefits			26,158	(4,584)			21,574
Repurchase of restricted stock for tax withholdings			(3,273)				(3,273)
Balance at December 31, 2012	698		(186,784)	534,487	199,987	(14,031)	534,357
Net Income					63,868		63,868
Other comprehensive loss						(9,284)	(9,284)
Stock-based compensation				13,572			13,572
Shares issued and forfeited, net, under stock plans including income tax benefits			33,677	(5,362)			28,315
Repurchase of 4,970,424 shares of common stock			(80,912)				(80,912)
Repurchase of restricted stock and performance shares for tax withholdings			(6,222)				(6,222)
Balance as of December 31, 2013	698		(240,241)	542,697	263,855	(23,315)	543,694
Net Income					67,560		67,560
Other comprehensive income						3,432	3,432
Stock-based compensation				11,045			11,045
Shares issued and forfeited, net, under stock plans including income tax benefits			32,823	(2,029)			30,794
Repurchase of 3,578,427 shares of common stock			(70,000)				(70,000)
Repurchase of restricted stock and performance shares for tax withholdings			(5,120)				(5,120)
Balance as of December 31, 2014	\$ 698	\$	\$ (282,538)	\$ 551,713	\$ 331,415	\$ (19,883)	\$ 581,405

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

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ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	FOR THE YEARS ENDED DECEMBER 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	\$ 67,560	\$ 63,868	\$ 48,846
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	20,506	18,751	13,284
Amortization	66,177	51,216	37,497
Amortization of deferred debt issuance costs	5,877	5,388	2,450
Deferred income taxes	8,437	9,573	4,775
Stock-based compensation expense	11,045	13,572	15,186
Excess tax benefit of stock options exercised	(11,807)	(6,960)	(3,543)
Other	1,852	(593)	150
Changes in operating assets and liabilities, net of impact of acquisitions:			
Receivables	(30,643)	22,496	(61,965)
Accounts payable	(3,422)	(13,548)	5,981
Accrued employee compensation	(6,360)	(24,501)	(29,026)
Repayment of IBM Alliance agreement liability			(20,667)
Current income taxes	10,968	9,360	(5,660)
Deferred revenue	15,738	(23,613)	(11,816)
Other current and noncurrent assets and liabilities	(6,902)	13,409	(4,757)
Net cash flows from operating activities	149,026	138,418	(9,265)
Cash flows from investing activities:			
Purchases of property and equipment	(17,627)	(21,104)	(13,050)
Purchases of software and distribution rights	(17,273)	(11,497)	(3,612)
Acquisition of businesses, net of cash acquired	(204,290)	(378,113)	(325,232)
Other	(1,500)		(1,046)
Net cash flows from investing activities	(240,690)	(410,714)	(342,940)
Cash flows from financing activities:			
Proceeds from issuance of common stock	2,780	2,186	1,426
Proceeds from exercises of stock options	16,461	19,561	16,730
Excess tax benefit of stock options exercised	11,807	6,960	3,543
Repurchases of common stock	(70,000)	(80,912)	(57,836)
Repurchase of restricted stock and performance shares for tax withholdings	(5,120)	(6,222)	(3,273)
Proceeds from exercises of common stock warrants			11,866
Cash settlement of common stock warrants			(29,596)
Proceeds from revolving credit facility	169,500	40,000	119,000
Proceeds from term portion of credit agreement	150,000	300,000	200,000
Proceeds from issuance of senior notes		300,000	
Repayments of revolving credit facility	(125,500)	(228,000)	(6,000)
Repayment of term portion of credit agreement	(57,449)	(30,867)	(13,750)
Payments on other debt and capital leases	(8,344)	(14,024)	(7,115)
Payment for debt issuance costs	(4,662)	(17,042)	(1,094)
Distribution to noncontrolling interest	(1,391)		
Net cash flows from financing activities	78,082	291,640	233,901
Effect of exchange rate fluctuations on cash	(4,176)	(614)	(2,465)
Net increase (decrease) in cash and cash equivalents	(17,758)	18,730	(120,769)

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Cash and cash equivalents, beginning of period	95,059	76,329	197,098
Cash and cash equivalents, end of period	\$ 77,301	\$ 95,059	\$ 76,329
Supplemental cash flow information			
Income taxes paid, net	\$ 23,082	\$ 20,191	\$ 28,900
Interest paid	\$ 33,269	\$ 14,598	\$ 8,275

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Nature of Business and Summary of Significant Accounting Policies***Nature of Business*

ACI Worldwide, Inc., a Delaware corporation, and its subsidiaries (collectively referred to as *ACI* or the *Company*), develop, market, install, and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to its own products, the Company distributes, or acts as a sales agent for software developed by third parties. These products and services are used principally by financial institutions, retailers, and electronic-payment processors, both in domestic and international markets.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Recently acquired subsidiaries that are included in the Company's consolidated financial statements as of the date of their acquisition include: Retail Decisions Europe Limited (*ReD Europe*) and all its subsidiaries and Retail Decisions, Inc. (*ReD, Inc.*) (collectively *ReD*) acquired during the year ended December 31, 2014, Official Payments Holdings, Inc. (*OPAY*), Online Resources Corporation (*ORCC*), and Profesionales en Transacciones Electronicas S.A. (*PTESA*) acquired during the year ended December 31, 2013 and S1 Corporation (*S1*), North Data Uruguay S.A. (*North Data*), and Distra Pty Ltd. (*Distra*) acquired during the year ended December 31, 2012. All intercompany balances and transactions have been eliminated.

Capital Stock

The Company's outstanding capital stock consists of a single class of common stock. Each share of common stock is entitled to one vote upon each matter subject to a stockholders vote and to dividends if and when declared by the Board of Directors.

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

Noncontrolling Interest

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

Use of Estimates

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

Table of Contents*Revenue Recognition, Receivables and Deferred Revenue*

License. The Company recognizes license revenue in accordance with ASC 985-605, *Revenue Recognition: Software*. For software license arrangements for which services rendered are primarily related to installation of core software and are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (i) there is persuasive evidence of an arrangement, (ii) collection of the fee is considered probable and (iii) the fee is fixed or determinable. In most arrangements, vendor-specific objective evidence (VSOE) of fair value does not exist for the license element; therefore, the Company uses the residual method under ASC 985-605 to determine the amount of revenue to be allocated to the license element. Under ASC 985-605, the fair value of all undelivered elements, such as post contract customer support (maintenance or PCS) or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered element.

When a software license arrangement includes services to provide significant modification or customization of software, those services are considered essential to the functionality of the software and are not separable from the software. These arrangements are accounted for in accordance with ASC 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts*, generally referred to as contract accounting. Under contract accounting, the Company generally uses the percentage-of-completion method. For those contracts subject to percentage-of-completion contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. The Company recognizes revenue under these arrangements based on the lesser of payments that become due or the revenue calculated under the percentage-of-completion method. Under the percentage-of-completion method, the Company records revenue for the license and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. In the event project profitability is assured and estimable within a range, percentage-of-completion revenue recognition is computed using the lowest level of profitability in the range. If it is determined that a loss will result from the performance of a contract, the entire amount of the loss is recognized in the period in which it is determined that a loss will result.

For software license arrangements in which a significant portion of the fee is due more than 12 months after delivery or when payment terms are significantly beyond the Company's standard business practice, the license is deemed not to be fixed or determinable. For software license arrangements in which the fee is not considered fixed or determinable, the license is recognized as revenue as payments become due and payable, provided all other conditions for revenue recognition have been met. For software license arrangements in which the Company has concluded that collection of the fees is not probable, revenue is recognized as cash is collected, provided all other conditions for revenue recognition have been met. In making the determination of collectability, the Company considers the creditworthiness of the customer, economic conditions in the customer's industry and geographic location, and general economic conditions.

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

For those software license arrangements that include customer-specific acceptance provisions, such provisions are generally presumed to be substantive and the Company does not recognize revenue until the earlier of the receipt of a written customer acceptance, objective demonstration that the delivered product meets the customer-

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specific acceptance criteria or the expiration of the acceptance period. The Company recognizes revenues on such arrangements upon the earlier of receipt of written acceptance or the first production use of the software by the customer. In the absence of customer-specific acceptance provisions, software license arrangements generally grant customers a right of refund or replacement only if the licensed software does not perform in accordance with its published specifications. If the Company's product history supports an assessment by management that the likelihood of non-acceptance is remote, the Company recognizes revenue when all other criteria of revenue recognition are met.

For software license arrangements in which the Company acts as a sales agent for another company's products, revenues are recorded on a net basis. These include arrangements in which the Company does not take title to the products, is not responsible for providing the product or service, earns a fixed commission, or assumes credit risk only to the extent of its commission. For software license arrangements in which the Company acts as a distributor of another company's product, and in certain circumstances, modifies or enhances the product, revenues are recorded on a gross basis. These include arrangements in which the Company takes title to the products and is responsible for providing the product or service.

For software license arrangements in which the Company utilizes a third-party distributor or sales agent, the Company recognizes revenue on a sell-in basis when business practices and operating history indicate that there is no risk of returns, rebates, or credits and there are no other risks related to the distributor or sales agent's ability to honor payment or distribution commitments. For other arrangements in which any of the above factors indicate that there are risks of returns, rebates, or credits or any other risks related to the distributor's or sales agent's ability to honor payment or distribution commitments, the Company recognizes revenue on a sell-through basis.

For software license arrangements in which the Company permits the customer to receive unspecified future software products during the software license term, the Company recognizes revenue ratably over the license term, provided all other revenue recognition criteria have been met. For software license arrangements in which the Company grants the customer a right to exchange the original software product for specified future software products with more than minimal differences in features, functionality, and/or price, during the license term, revenue is recognized upon the earlier of delivery of the additional software products or at the time the exchange right lapses. For customers granted a right to exchange the original software product for specified future software products where the Company has determined price, feature, and functionality differences are minimal, the exchange right is accounted for as a like-kind exchange and revenue is recognized upon delivery of the currently licensed product. For software license arrangements in which the customer is charged variable license fees based on usage of the product, the Company recognizes revenue as usage occurs over the term of the licenses, provided all other revenue recognition criteria have been met.

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

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

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

	Years Ended December 31,		
	2014	2013	2012
License	\$ 22,211	\$ 22,190	\$ 38,226
Maintenance	7,699	9,649	14,178
Services	13	10	830
Total	\$ 29,923	\$ 31,849	\$ 53,234

Maintenance. The Company typically enters into multi-year time-based software license arrangements that vary in length but are generally five years. These arrangements include an initial (bundled) PCS term of one year with subsequent renewals for additional years within the initial license period. Effective July 2013, the Company establishes VSOE of the fair value of PCS by reference to stated renewals for all identified market segments. For arrangements in which the Company looks to substantive renewal rates to evidence VSOE of fair value of PCS and in which the PCS renewal rate and term are substantive, VSOE of fair value of PCS is determined by reference to the stated renewal rate. For these arrangements, PCS revenues are recognized ratably over the PCS term specified in the contract. In arrangements where VSOE of fair value of PCS cannot be determined (for example, a time-based software license with a duration of one year or less or when the range of possible PCS renewal amounts is not sufficiently narrow or is significantly below the Company's normal pricing practices), the Company recognizes revenue for the entire arrangement ratably over the longer of the initial PCS term or the Services term (if any).

For those arrangements that meet the criteria to be accounted for under contract accounting, the Company determines whether VSOE of fair value exists for the PCS element. For those arrangements in which VSOE of fair value exists for the PCS element, PCS is accounted for separately and the balance of the arrangement is accounted for under ASC 985-605. For those arrangements in which VSOE of fair value does not exist for the PCS element all revenue is deferred until such time as the services are complete. Once services are complete, revenue is then recognized ratably over the remaining PCS period.

Services. The Company provides various professional services to customers, primarily project management, software implementation and software modification services. Revenues from arrangements to provide professional services are generally recognized as the related services are performed.

For those arrangements in which services revenue is deferred and the Company determines that the direct costs of services are recoverable, such costs are deferred and subsequently expensed in proportion to the related services revenue as it is recognized. For those arrangements that are accounted for under contract accounting, the Company accumulates and defers all direct and indirect costs allocable to the arrangement. For those arrangements that are not accounted for under contract accounting, the Company accumulates and defers all direct and incremental costs attributable to the arrangement.

Hosting. In accordance with ASC 605-25, *Revenue Recognition - Multiple-Element Arrangements*, a multiple-deliverable arrangement is separated into more than one unit of accounting if the delivered item(s) has value to the customer on a stand-alone basis, if the arrangement includes a general right of return relative to the delivered item(s), and if delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. If these criteria are not met, the arrangement is accounted for as a single unit of accounting which would result in revenue being recognized ratably over the contract term or being deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If these criteria are met for each, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative selling price. The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third party evidence (TPE) if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

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The Company enters into hosting-related arrangements that may consist of multiple service deliverables including initial implementation and setup services, on-going support services, and other services. The Company's hosted products operate in a highly regulated and controlled environment which requires a highly specialized and unique set of initial implementation and setup services prior to the commencement of hosting-related services. Due to the essential and specialized nature of the implementation and setup services, these services do not qualify as separate units of accounting separate from the hosting service as the delivered services do not have value to the customer on a stand-alone basis. The on-going support and other services are considered as separate units of accounting as are add-on products that do not impact the availability of functionality currently in use. The total arrangement consideration is allocated to each of the separate units of accounting based on their relative selling price and revenue is recognized over their respective service periods.

Hosting revenue also includes fees paid by our clients as a part of the acquired electronic bill presentment and payment products. Fees may be paid by our clients or directly by their customers and may be a percentage of the underlying transaction amount, a fixed fee per executed transaction or a monthly fee for each customer enrolled. Hosting costs include payment card interchange fees, assessments payable to banks and payment card processing fees.

Multiple Arrangements. The Company may execute more than one contract or agreement with a single customer. The separate contracts or agreements may be viewed as one multiple-element arrangement or separate agreements for revenue recognition purposes. The Company evaluates whether the agreements were negotiated as part of a single project, whether the products or services are interrelated or interdependent, whether fees in one arrangement are tied to performance in another arrangement, and whether elements in one arrangement are essential to the functionality in another arrangement in order to reach appropriate conclusions regarding whether such arrangements are related or separate. The conclusions reached can impact the timing of revenue recognition related to those arrangements.

Deferred Revenue. Deferred revenue includes amounts currently due and payable from customers, and payments received from customers, for software licenses, maintenance, hosting and/or services in advance of recording the related revenue.

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

	December 31,	
	2014	2013
Billed Receivables	\$ 200,392	\$ 173,100
Allowance for doubtful accounts	(4,806)	(4,459)
Billed, net	195,586	168,641
Accrued Receivables	31,520	34,934
Receivables, net	\$ 227,106	\$ 203,575

No customer accounted for more than 10% of the Company's consolidated receivables balance as of December 31, 2014 or 2013.

The Company maintains a general allowance for doubtful accounts based on historical experience, along with additional customer-specific allowances. The Company regularly monitors credit risk exposures in accounts receivable. In estimating the necessary level of our allowance for doubtful accounts, management considers the aging of accounts receivable, the creditworthiness of customers, economic conditions within the customer's industry, and general economic conditions, among other factors.

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The following reflects activity in the Company's allowance for doubtful accounts receivable (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Balance, beginning of period	\$ (4,459)	\$ (8,117)	\$ (4,843)
Provision (increase) decrease	(1,049)	1,161	(3,173)
Amounts written off, net of recoveries	1,053	2,296	35
Foreign currency translation adjustments and other	(351)	201	(136)
Balance, end of period	\$ (4,806)	\$ (4,459)	\$ (8,117)

Provision (increases) decreases recorded in general and administrative expenses during the years ended December 31, 2014, 2013, 2012 reflect increases (decreases) in the allowance for doubtful accounts based upon collection experience in the geographic regions in which the Company conducts business, net of collection of customer-specific receivables which were previously reserved for as doubtful of collection.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company's cash and cash equivalents includes holdings in checking, savings, money market and overnight sweep accounts, all of which have daily maturities, as well as time deposits with maturities of three months or less at the date of purchase. The carrying amounts of cash and cash equivalents on the consolidated balance sheets approximate fair value.

Other Current Assets and Other Current Liabilities

	December 31,	
	2014	2013
Settlement deposits	\$ 13,252	\$ 27,770
Settlement receivables	11,032	20,119
Current debt issuance costs	6,244	5,276
Other	9,889	12,163
Total other current assets	\$ 40,417	\$ 65,328

	December 31,	
	2014	2013
Settlement payables	\$ 21,715	\$ 42,841
Accrued interest	7,256	7,074
Vendor financed licenses	7,340	6,410
Royalties payable	4,070	5,627
Other	27,124	33,064
Total other current liabilities	\$ 67,505	\$ 95,016

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

Table of Contents*Off Balance Sheet Settlement Accounts*

The Company also enters into agreements with certain clients to process payment funds on their behalf. When an automated clearing house or automated teller machine network payment transaction is processed, a transaction is initiated to withdraw funds from the designated source account and deposit them into a settlement account, which is a trust account maintained for the benefit of the Company's clients. A simultaneous transaction is initiated to transfer funds from the settlement account to the intended destination account. These back to back transactions are designed to settle at the same time, usually overnight, such that the Company receives the funds from the source at the same time as it sends the funds to their destination. However, due to the transactions being with various financial institutions there may be timing differences that result in float balances. These funds are maintained in accounts for the benefit of the client which is separate from the Company's corporate assets. As the Company does not take ownership of the funds, the settlement accounts are not included in the Company's balance sheet. The Company is entitled to interest earned on the fund balances. The collection of interest on these settlement accounts is considered in the Company's determination of its fee structure for clients and represents a portion of the payment for services performed by the Company. The amount of settlement funds as of December 31, 2014 and 2013 were \$224.9 million and \$284.0 million, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation of these assets is generally computed using the straight-line method over their estimated useful lives based on asset class. As of December 31, 2014 and 2013, net property and equipment consisted of the following (in thousands):

	Useful Lives	2014	2013
Computer and office equipment	3 to 5 years	\$ 81,850	\$ 72,163
Leasehold improvements	Lesser of useful life of improvement or remaining life of lease	17,193	15,210
Furniture and fixtures	7 years	11,202	10,537
Building and improvements	7 - 30 years	8,884	5,869
Land	Non depreciable	1,785	1,336
		120,914	105,115
Less: accumulated depreciation and amortization		(60,554)	(47,768)
Property and equipment, net		\$ 60,360	\$ 57,347

Software

Software may be for internal use or available for sale. Costs related to certain software, which is available for sale, are capitalized in accordance with ASC 985-20, *Costs of Software to be Sold, Leased, or Marketed*, when the resulting product reaches technological feasibility. The Company generally determines technological feasibility when it has a detailed program design that takes product function, feature and technical requirements to their most detailed, logical form and is ready for coding. The Company does not typically capitalize costs related to software available for sale as technological feasibility generally coincides with general availability of the software.

Amortization of software costs to be sold or marketed externally, begins when the product is available for licensing to customers and is determined on a product-by-product basis. The annual amortization shall be the greater of the amount computed using (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product, including the period being reported on. Due to competitive pressures, it may be possible that the estimates of anticipated future gross revenue or remaining estimated economic life of

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the software product will be reduced significantly. As a result, the carrying amount of the software product may be reduced accordingly. Amortization of internal-use software is generally computed using the straight-line method over estimated useful lives of three to ten years.

Business Combinations

The Company applies the provisions of ASC 805, *Business Combinations*, in the accounting for its acquisitions. It requires the Company to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, it records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of income.

Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer relationships, covenants not to compete and acquired developed technologies, brand awareness and market position, as well as assumptions about the period of time the brand will continue to be used in our product portfolio, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed, as more fully discussed in Note 2, *Acquisitions*.

Goodwill and Other Intangibles

In accordance with ASC 350, *Intangibles – Goodwill and Other*, the Company assesses goodwill for impairment at least annually. During this assessment management relies on a number of factors, including operating results, business plans and anticipated future cash flows. The Company assesses potential impairments to other intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered.

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

The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital (WACC). The WACC considers market and industry data as well as Company-specific risk factors. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. If

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the calculated fair value is less than the current carrying value, impairment of the reporting unit may exist. If the recoverability test indicates potential impairment, the Company calculates an implied fair value of goodwill for the reporting unit. The implied fair value of goodwill is determined in a manner similar to how goodwill is calculated in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded to write down the carrying value. The calculated fair value substantially exceeded the current carrying value for all reporting units for all periods.

Changes in the carrying amount of goodwill attributable to each reporting unit with goodwill balances during the years ended December 31, 2014 and 2013, were as follows (in thousands):

	Americas	EMEA	Asia/Pacific	Total
Gross Balance prior to December 31, 2012	\$ 316,222	\$ 158,653	\$ 73,698	\$ 548,573
Total impairment prior to December 31, 2012	(47,432)			(47,432)
Balance, December 31, 2012	268,790	158,653	73,698	501,141
Goodwill from acquisitions (1)	173,101		(832)	172,269
Foreign currency translation adjustments	(625)	1,505	(5,073)	(4,193)
Balance, December 31, 2013	441,266	160,158	67,793	669,217
Goodwill from acquisitions (2)	36,623	84,515		121,138
Foreign currency translation adjustments	(1,407)	(4,370)	(3,415)	(9,192)
Balance, December 31, 2014	\$ 476,482	\$ 240,303	\$ 64,378	\$ 781,163

(1) Addition relates to the goodwill acquired in the acquisitions of OPAY, ORCC, PTESA and DistrA as discussed in Note 2, *Acquisitions*.

(2) Goodwill from acquisitions relates to the goodwill recorded for the acquisition of ReD, as well as adjustments to goodwill related to the acquisitions of OPAY, ORCC, and PTESA as discussed in Note 2. The purchase price allocation for ReD is preliminary as of December 31, 2014 and accordingly is subject to future changes during the maximum one-year measurement period.

Other intangible assets, which include customer relationships, purchased contracts, trademarks and trade names, and covenants not to compete, are amortized using the straight-line method over periods ranging from three years to 20 years. The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be recoverable. An impairment loss is recorded if the sum of the future cash flows expected to result from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. The amount of the impairment charge is measured based upon the fair value of the asset group.

Treasury Stock

The Company accounts for shares of its common stock that are repurchased without intent to retire as treasury stock. Such shares are recorded at cost and reflected separately on the consolidated balance sheets as a reduction of stockholders' equity. The Company issues shares of treasury stock upon exercise of stock options, issuance of restricted share awards, payment of earned performance shares, and for issuances of common stock pursuant to the Company's employee stock purchase plan. For purposes of determining the cost of the treasury shares re-issued, the Company uses the average cost method.

Table of Contents*Stock-Based Compensation Plans*

In accordance with ASC 718, *Compensation – Stock Compensation*, the Company recognizes stock-based compensation costs for only those shares expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the vesting term. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount of expense recognized. Forfeiture estimates are revised, if necessary, in subsequent periods when actual forfeitures differ from those estimates. Share based compensation expense is recorded in operating expenses depending on where the respective individual's compensation is recorded. The Company generally utilizes the Black-Scholes option-pricing model to determine the fair value of stock options on the date of grant. The assumptions utilized in the Black-Scholes option-pricing model, as well as the description of the plans the stock-based awards are granted under, are described in further detail in Note 11, *Stock-Based Compensation Plans*.

Translation of Foreign Currencies

The Company's foreign subsidiaries typically use the local currency of the countries in which they are located as their functional currency. Their assets and liabilities are translated into United States dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rates during the period. Translation gains and losses are reflected in the consolidated financial statements as a component of accumulated other comprehensive income (loss). Transaction gains and losses, including those related to intercompany accounts, that are not considered to be of a long-term investment nature are included in the determination of net income. Transaction gains and losses, including those related to intercompany accounts, that are considered to be of a long-term investment nature are reflected in the consolidated financial statements as a component of accumulated other comprehensive income.

Since the undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested, the components of accumulated other comprehensive income have not been tax-effected.

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company periodically assesses its tax exposures and establishes, or adjusts, estimated unrecognized tax benefits for probable assessments by taxing authorities, including the Internal Revenue Service (IRS), and various foreign and state authorities. Such unrecognized tax benefits represent the estimated provision for income taxes expected to ultimately be paid.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. This ASU supersedes the revenue recognition requirements in Accounting Standard Codification 605, *Revenue Recognition*, and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The standard permits the use of either the retrospective or cumulative effect transition method. At this time, the Company has not selected a transition method. The Company is currently assessing the impact of the adoption of ASU 2014-09 on its financial position, results of operations, and cash flow.

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In June 2014, FASB issued ASU No. 2014-12, *Compensation – Stock Compensation*. This ASU is an amendment to the Accounting Standard Codification 718, *Compensation – Stock Compensation*, to explicitly address the accounting treatment of share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. As such, a reporting entity should apply the existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company has assessed the impact of this standard and does not anticipate it having a material impact on its financial position, results of operations or cash flow.

2. Acquisitions

Fiscal 2014 Acquisitions

In 2014, the Company completed one acquisition at an aggregate cost of \$205.1 million.

Retail Decisions

On August 12, 2014, the Company completed the acquisition of ReD for \$205.1 million in cash. As a leader in fraud prevention solutions, the acquisition of ReD enhances the Company's Universal Payments strategy and further strengthens the Company's leadership position in the fast-growing payments risk management space.

To fund this acquisition and related transaction fees, the Company drew an additional \$60.5 million on the Revolving Credit Facility and increased the Term portion of the Credit Agreement by an additional \$150.0 million. See Note 4, *Debt*, for terms of the financing arrangement.

The Company incurred approximately \$2.7 million in transaction related expenses during the year ended December 31, 2014, including fees to the investment bank, legal and other professional fees, which are included in general and administrative expenses in the accompanying consolidated financial statements.

ReD contributed approximately \$17.9 million in revenue and \$1.9 million in operating income for the year ended December 31, 2014, which includes severance expense related to the integration activities.

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

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In connection with the acquisition, the Company recorded the following amounts based upon its purchase price allocation as of December 31, 2014. The purchase price allocation for ReD is considered preliminary and is subject to completion of valuations and other analyses.

(in thousands, except weighted average useful lives)	Weighted-Average Useful Lives	Retail Decisions
Current assets:		
Cash and cash equivalents		\$ 795
Billed and accrued receivables, net		10,126
Deferred income taxes, net		250
Other current assets		9,932
Total current assets acquired		21,103
Noncurrent assets:		
Property and equipment		3,354
Goodwill		135,643
Software	5-7 years	33,136
Customer relationships	18 years	50,480
Trademarks	5 years	3,980
Deferred income taxes		1,622
Other noncurrent assets		416
Total assets acquired		249,734
Current liabilities:		
Accounts payable		4,624
Employee compensation		7,289
Other current liabilities		6,168
Total current liabilities acquired		18,081
Noncurrent liabilities:		
Deferred income taxes		26,404
Other noncurrent liabilities		164
Total liabilities acquired		44,649
Net assets acquired		\$ 205,085

The Company made adjustments to the purchase price allocation as certain analysis was completed and additional information became available for property and equipment, software, intangibles, deferred income taxes, other current and noncurrent assets and liabilities. These adjustments and any resulting adjustments to the consolidated statements of income were not material to the Company's previously reported operating results or financial position.

Factors contributing to the purchase price that resulted in the goodwill (which is not tax deductible) include the acquisition of management, sales, and technology personnel with the skills to market new and existing products of the Company, enhanced product capabilities, complementary products and customers. Pro forma results for ReD are not presented because they are not material.

Fiscal 2013 Acquisitions

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

Official Payments Holdings, Inc.

On November 5, 2013, the Company completed the tender offer for OPAY and all its subsidiaries. The Company paid cash of \$8.35 per share of common stock or approximately \$139.8 million using funds on hand and \$40

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million drawn on the Revolving Credit Facility, which was repaid prior to year-end. As a leading provider of electronic bill payment solutions in the U.S., serving federal, state and local governments, municipal utilities, higher education institutions and charitable giving organizations, OPAY's team, user base and vertical expertise make it an ideal match for the Company. The acquisition will further extend the Company's presence in the Electronic Bill Presentment and Payment (EBPP) space, expanding its portfolio across key sectors including federal, state and local governments, municipal utilities, higher education institutions and charitable giving organizations.

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

The Company incurred approximately \$1.2 million in transaction related expenses during the year ended December 31, 2013, including fees to the investment bank, legal and other professional fees, which are included in general and administrative expenses in the accompanying consolidated statement of income.

OPAY contributed approximately \$135.7 million and \$23.3 million in revenue for the years ended December 31, 2014 and 2013, respectively. Due to integration activities, the Company is no longer able to separately identify the contribution to operating income generated from the acquisition of OPAY during the year ended December 31, 2014. OPAY contributed less than \$0.1 million in operating losses for the year ended December 31, 2013, which includes severance expense related to the integration activities.

The consideration paid by the Company to complete the acquisition of OPAY has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition, including \$47.4 million of customer relationships and \$29.2 million of goodwill.

The Company made adjustments to finalize the purchase price allocation as additional information became available to deferred income taxes, other current and noncurrent liabilities. These adjustments and any resulting adjustments to the consolidated statements of income were not material to the Company's previously reported operating results or financial position.

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

Online Resources Corporation

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

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

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

The Company incurred approximately \$5.4 million in transaction related expenses during the twelve months ended December 31, 2013, including fees to the investment bank, legal and other professional fees, which are included in general and administrative expenses in the accompanying statement of income.

ORCC contributed approximately \$151.3 million and \$120.8 million in revenue for the years ended December 31, 2014 and 2013, respectively. Due to integration activities, the Company is no longer able to separately identify the contribution to operating income generated from the acquisition of ORCC during the year ended December 31, 2014. ORCC contributed approximately \$6.4 million in operating income for the year ended December 31, 2013, which includes severance expense related to the integration activities.

The consideration paid by the Company to complete the Merger has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition, including \$68.8 million in customer relationships and \$122.2 million in goodwill.

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

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

Profesionales en Transacciones Electronicas S.A.

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

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

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In connection with the 2013 acquisitions, the Company recorded the following amounts based upon its purchase price allocations as of December 31, 2014 (in thousands, except weighted-average useful lives):

	Weighted-Average Useful Lives	Official Payments Holdings, Inc.	Online Resourses Corporation	PTESA
Current assets:				
Cash and cash equivalents		\$ 25,871	\$ 9,930	\$ 193
Billed and accrued receivables, net		2,858	19,394	327
Deferred income taxes, net		4,692	11,726	
Other current assets		27,642	17,643	95
Total current assets acquired		61,063	58,693	615
Noncurrent assets:				
Property and equipment		6,340	7,335	6
Goodwill		29,236	122,247	7,113
Software	10 years	26,125	62,215	
Customer relationships	14 - 15 years	47,400	68,750	7,732
Trademarks	3 - 5 years	3,000	3,050	
Other noncurrent assets		19,178	459	7
Total assets acquired		192,342	322,749	15,473
Current liabilities:				
Accounts payable		9,414	15,394	341
Accrued employee compensation		15,006	10,549	261
Note payable			7,500	
Other current liabilities		27,312	7,559	
Total current liabilities acquired		51,732	41,002	602
Noncurrent liabilities:				
Deferred income taxes, net			18,290	225
Other noncurrent liabilities acquired		828	3,339	439
Total liabilities acquired		52,560	62,631	1,266
Net assets acquired		\$ 139,782	\$ 260,118	\$ 14,207

Fiscal 2012 Acquisition

In 2012, the Company completed three acquisitions at an aggregate cost of \$641.7 million.

Distra Pty Ltd

On September 18, 2012, the Company closed the acquisition of 100% of Distra Pty Ltd (Distra). The Company has included the financial results of Distra in our consolidated financial statements from the date of acquisition. The Distra Universal Payments Platform delivers a fault-tolerant, Service-Oriented Architecture (SOA)-based payments platform that helps to significantly reduce the risk and cost of payments transformation without compromising security, performance, scalability and reliability. The integration of the Company's and Distra's technologies will enable financial institutions, processors and retailers to enhance the flexibility and performance of their existing payments infrastructure to address market needs, such as mobile, social channels and payment service hubs. In addition, this acquisition will enable the Company's payment products to integrate more tightly with customers' enterprise architectures, reducing their total cost of ownership.

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The aggregate purchase price of Distrax was \$49.8 million and was paid with existing cash balances. The consideration paid by the Company to complete the acquisition has been allocated to the assets acquired and

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liabilities assumed based upon their estimated fair values as of the date of the acquisition. The allocation of purchase price is based upon certain external valuations and other analyses that have been completed as of the date of this filing.

Factors contributing to the purchase price that resulted in the goodwill (which is not tax deductible) include the acquisition of management, technical, and services personnel with the skills to support products of the Company in addition to the enhanced focus on product innovation and enabling cross-selling opportunities when coupled with the Company's suite of payments products. Pro forma results are not presented because they are not material.

North Data Uruguay S.A.

On May 24, 2012, the Company closed the acquisition of North Data Uruguay S.A. North Data had been a long-term partner of the Company, serving customers in South America in sales, service and support functions. The addition of the North Data team to the Company reinforces its commitment to serve the Latin American market.

The aggregate purchase price of North Data was \$4.6 million, which included cash acquired of \$0.1 million. The consideration paid by the Company to complete the acquisition has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition, including \$3.5 million of goodwill and \$2.2 million of customer relationships with a weighted-average useful life of 12.6 years.

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

S1 Corporation

On February 10, 2012, the Company completed the exchange offer for S1 Corporation and all its subsidiaries. The acquisition was effectively closed on February 13, 2012 for approximately \$368.7 million in cash and 5.9 million shares of the Company's stock, including 95,500 shares reissued from Treasury stock, resulting in a total purchase price of \$587.3 million (the Merger). The combination of the Company and S1 has created a leader in the global enterprise payments industry. The combined company has enhanced scale, breadth, and additional capabilities, as well as a complementary suite of products that will better serve the entire spectrum of financial institutions, processors and retailers.

Under the terms of the transaction, S1 stockholders could elect to receive \$10.00 in cash or 0.3148 shares of the Company's stock for each S1 share they owned, subject to proration, such that in the aggregate 33.8% of S1 shares were exchanged for the Company's shares and 66.2% were exchanged for cash. No S1 shareholders received fractional shares of the Company's stock. Instead, the total number of shares that each holder of S1 common stock received was rounded down to the nearest whole number, and the Company paid cash for any resulting fractional share determined by multiplying the fraction by \$34.14.

Each outstanding option to acquire S1 common stock was canceled and terminated at the effective time of the Merger and converted into the right to receive the merger consideration with respect to the number of shares of S1 common stock that would have been issuable upon a net exercise of such option, assuming the market value of the S1 common stock at the time of such exercise was equal to the value of the merger consideration as of the close of trading on the day immediately prior to the effective date of the Merger. Any outstanding option with a per share exercise price that was greater than or equal to such amount was cancelled and terminated and no payment was made with respect thereto. In addition, each S1 restricted stock unit award outstanding immediately prior to the effective time of the Merger was fully vested and cancelled, and each holder of such awards became entitled to receive the Merger Consideration for each share of S1 common stock into which the vested portion of the awards would otherwise have been converted. Each S1 restricted stock award was vested immediately prior to the effective time of the Merger and was entitled to receive the Merger Consideration.

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Additionally, the Company had previously purchased 1,107,000 shares of S1 stock that were held as available-for-sale securities prior to the acquisition date. The fair value of those shares as of February 13, 2012, has been included in the total purchase price with the previously unrealized gain of approximately \$1.6 million being recognized as a gain and included in other income (expense) in the statements of operations for the year ended December 31, 2012.

The Company used \$73.7 million of its cash balance for the acquisition in addition to \$295.0 million of senior bank financing arranged through Wells Fargo Securities, LLC. See Note 4, *Debt*, for terms of the financing arrangement.

The consideration paid by the Company to complete the acquisition has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition.

The purchase price of S1 Corporation's common stock as of the date of acquisition was comprised of (in thousands):

	Amount
Cash payments to S1 shareholders	\$ 365,918
Issuance of ACI common stock	204,857
Reissuance of treasury stock	2,174
Cash payments for noncompete agreements	2,778
S1 shares previously held as available-for-sale securities	11,557
 Total Purchase Price	 \$ 587,284

The Company incurred approximately \$6.1 million in transaction related expenses during the year ended December 31, 2012, including fees to the investment bank, legal and other professional fees, which are included in general and administrative expenses in the accompanying consolidated statement of income.

The Company has included the financial results of S1 in its consolidated financial statements from the date of acquisition. S1 contributed an estimated \$161.9 million in revenue during the year ended December 31, 2012. S1 had an estimated \$6.9 million in operating losses for the year ended December 31, 2012, which includes non-recurring severance and accelerated share-based compensation expense related to the integration activities. Certain revenue and expenses have been estimated that are no longer separately identifiable due to integration activities.

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

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In connection with the 2012 acquisitions, the Company recorded the following amounts based upon its purchase price allocations during the year ended December 31, 2013 (in thousands, except weighted-average useful lives):

	Weighted-Average Useful Lives	S1 Corporation	Distra Pty Ltd
Current assets:			
Cash and cash equivalents		\$ 97,748	\$ 2
Billed and accrued receivables, net		65,329	338
Other current assets		16,791	1,152
Total current assets acquired		179,868	1,492
Noncurrent assets:			
Property and equipment		18,440	96
Goodwill		256,244	21,307
Software	5 - 10 years	87,517	18,802
Customer relationships	10 - 20 years	108,690	6,200
Trademarks	3 years	4,500	
Covenant not to compete	3 years	360	
Deferred income tax		40,634	12,331
Other noncurrent assets		11,004	
Total assets acquired		707,257	60,228
Current liabilities:			
Deferred revenue		34,671	320
Accrued employee compensation		34,689	1,205
Other current liabilities		28,387	736
Total current liabilities acquired		97,747	2,261
Noncurrent liabilities:			
Deferred income tax		15,795	8,217
Other noncurrent liabilities acquired		6,431	
Total liabilities acquired		119,973	10,478
Net assets acquired		\$ 587,284	\$ 49,750

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The pro forma financial information in the table below presents the combined results of operations for the Company, OPAY and ORCC as if the acquisitions had occurred January 1, 2012 and S1 as if the acquisition had occurred on January 1, 2011 (in thousands, except per share data). The pro forma information is shown for illustrative purposes only and is not necessarily indicative of future results of operations of the Company or results of operations of the Company that would have actually occurred had the transactions been in effect for the periods presented. This pro forma information is not intended to represent or be indicative of actual results had the acquisition occurred as of the beginning of each period, nor is it necessarily indicative of future results and does not reflect potential synergies, integration costs, or other such costs or savings. Certain pro forma adjustments have been made to net income for the years ended December 31, 2013 and 2012 to give effect to estimated adjustments to expenses to remove the amortization on eliminated OPAY, ORCC and S1 historical identifiable intangible assets and added amortization expense for the value of identified intangibles acquired in the acquisitions (primarily acquired software, customer relationships, trade names, and covenants not to compete), adjustments to interest expense to reflect the elimination of preexisting OPAY, ORCC and S1 debt and added estimated interest expense on the Company's additional Term Credit Facility and Revolving Credit Facility borrowings and to eliminate share-based compensation expense for eliminated positions. Additionally, certain transaction expenses that are a direct result of the acquisitions have been excluded from the years ended December 31, 2013 and 2012.

	Pro Forma Results of Operations for the Year Ended December 31,	
	2013	2012
Total Revenues	\$ 1,027,422	\$ 1,017,681
Net Income	78,002	64,443
Income per share		
Basic	\$ 0.66	\$ 0.56
Diluted	\$ 0.65	\$ 0.54

3. Software and Other Intangible Assets

At December 31, 2014, software net book value totaled \$209.5 million, net of \$121.6 million of accumulated amortization. Included in this amount is software marketed for external sale of \$85.9 million. The remaining software net book value of \$123.6 million is comprised of various software that has been acquired or developed for internal use.

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

Amortization of software marketed for external sale is computed using the greater of the ratio of current revenues to total current and anticipated revenues expected to be derived from the software or the straight-line method over an estimated useful life of generally three to ten years. Software for resale amortization expense recorded during the years ended December 31, 2014, 2013 and 2012 totaled \$14.8 million, \$13.6 million, and \$13.8 million, respectively. These software amortization expense amounts are reflected in cost of license in the consolidated statements of income.

Amortization of software for internal use is computed using the straight-line method over an estimated useful life of three to ten years. Software for internal use amortization expense recorded during the years ended December 31, 2014, 2013 and 2012 totaled \$26.7 million, \$19.1 million, and \$11.6 million, respectively. These software amortization expense amounts are reflected in depreciation and amortization in the consolidated statements of income.

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

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships	\$ 322,216	\$ (68,616)	\$ 253,600	\$ 277,356	\$ (49,410)	\$ 227,946
Purchased contracts	10,768	(10,768)		10,865	(10,865)	
Trademarks and tradenames	15,767	(7,946)	7,821	13,995	(4,383)	9,612
Covenant not to compete	433	(418)	15	438	(303)	135
	\$ 349,184	\$ (87,748)	\$ 261,436	\$ 302,654	\$ (64,961)	\$ 237,693

Other intangible assets amortization expense recorded during the years ended December 31, 2014, 2013 and 2012 totaled \$24.7 million, \$18.5 million, and \$12.1 million, respectively.

Based on capitalized intangible assets at December 31, 2014, and assuming no impairment of these intangible assets, estimated amortization expense amounts in future fiscal years are as follows (in thousands):

Fiscal Year Ending December 31,	Software Amortization	Other Intangible Assets Amortization
2015	\$ 42,379	\$ 22,863
2016	37,138	21,728
2017	30,993	20,225
2018	25,764	19,716
2019	23,054	19,110
Thereafter	50,179	157,794
Total	\$ 209,507	\$ 261,436

4. Debt

As of December 31, 2014, the Company had \$44.0 million, \$547.9 million and \$300.0 million outstanding under its Revolving Credit Facility, Term Credit Facility and Senior Notes, respectively, with up to \$206.0 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended. The amount of unused borrowings actually available varies in accordance with the terms of the agreement.

Credit Agreement

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

On August 20, 2013, upon the consummation of the offering of the 6.375% Senior Notes due in 2020 (the "Senior Notes"), the Fourth Amendment to the Credit Agreement originally entered into on November 10, 2011, became effective. The Fourth Amendment, among other things, extended the maturity date of the loans under the

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credit facility to August 20, 2018, and increased the amount the Company may request for optional incremental term loans and/or increases in the revolving commitment from \$200 million to \$300 million. The Fourth Amendment does not impact the interest rate schedule previously applied to the Credit Agreement.

On August 12, 2014, the Company borrowed an additional \$150 million under the Term Credit Facility. These additional borrowings were used in connection with the ReD acquisition that was completed on August 12, 2014.

On August 12, 2014, the Fifth Amendment to the Credit Agreement became effective. The Fifth Amendment, among other things, permitted the acquisition of ReD, increased the aggregate amount of permitted intercompany indebtedness between the Company and its subsidiaries that are guarantors under the credit facility and subsidiaries of the Company that are not guarantors under the credit facility from \$75 million to \$225 million and increased the amount of unsecured indebtedness permitted under the credit facility from \$350 million to \$500 million, in each case subject to the terms of the Credit Agreement, as amended. The Fifth Amendment also amends the Collateral Agreement dated November 10, 2011 (as amended prior to August 12, 2014) among the Company, OPAY, the other grantors party thereto and Wells Fargo Bank, National Association, as administrative agent, to release the administrative agent's security interest in, and lien on, certain property of OPAY.

In connection with obtaining the credit agreement and its amendments, the Company incurred debt issue costs of \$28.6 million, \$12.8 million of which were paid prior to December 31, 2012, \$11.3 million were paid in 2013, and \$4.5 million were paid in 2014. All debt issuance costs incurred have been paid as of December 31, 2014.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the Company's option, either (a) a base rate determined by reference to the highest of (1) the rate of interest per annum publicly announced by the Administrative Agent as its Prime Rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) a LIBOR based rate determined by reference to the costs of funds for U.S. dollar deposits for a one-month interest period adjusted for certain additional costs plus 1% or (b) a LIBOR based rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is, based on the calculation of the applicable consolidated total leverage ratio, between 0.50% to 1.50% with respect to base rate borrowings and between 1.50% and 2.50% with respect to LIBOR based borrowings. Interest is due and payable monthly. The interest rate in effect at December 31, 2014 for the Credit Facility was 2.67%.

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

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

Senior Notes

On August 20, 2013, the Company completed a \$300 million offering of Senior Notes at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The Senior Notes bear an interest rate of 6.375% per annum, payable semi-annually in arrears on August 15 and February 15 of each year, commencing on February 15, 2014. Interest began accruing beginning August 20, 2013. The Senior Notes will mature on August 20, 2020. In connection with the issuance of the Senior Notes the Company incurred debt issue costs of \$6.1 million. The Company paid \$0.2 million and \$5.9 million of these debt issuance costs during the years ended December 31, 2014 and 2013, respectively.

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Maturities on long-term debt outstanding at December 31, 2014 are as follows (amounts in thousands):

Fiscal year ending December 31,	
2015	\$ 87,352
2016	95,293
2017	95,293
2018	313,997
2019	
Thereafter	300,000
Total	\$ 891,935

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

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

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

The Credit Agreement and Senior Notes contain certain customary affirmative covenants and negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, dividends and other restricted payments, mergers, advances, investments, acquisitions, transactions with affiliates, change in nature of business and the sale of the assets. The Company is also required to maintain a consolidated leverage ratio at or below a specified amount and a consolidated fixed charge coverage ratio at or above a specified amount. If an event of default, as specified in the Credit Agreement and Senior Notes agreement, shall occur and be continuing, the Company may be required to repay all amounts outstanding under the Credit Facility and Senior Notes. As of December 31, 2014, and at all times during the period, the Company was in compliance with its financial debt covenants.

	December 31,	
	2014	2013
Term credit facility	\$ 547,935	\$ 455,383
Revolving credit facility	44,000	
6.375% Senior Notes, due August 2020	300,000	300,000
Total debt	891,935	755,383
Less current portion of term credit facility	87,352	47,313
Total long-term debt	\$ 804,583	\$ 708,070

Other

During the year ended December 31, 2012, the Company financed a five-year license agreement for certain internally-used software for \$14.8 million with annual payments due in April through 2016. Of this amount, \$6.3

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million and \$9.3 million was remaining as of December 31, 2014 and 2013, respectively. The Company recorded \$3.1 million and \$3.0 million in other current liabilities as of December 31, 2014 and 2013, respectively. The remaining \$3.2 million and \$6.3 million was recorded in other noncurrent liabilities in the accompanying consolidated balance sheet as of December 31, 2014 and 2013, respectively.

5. Fair Value of Financial Instruments

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Available-for-Sale Securities. Equity securities are reported at fair value utilizing Level 1 inputs. The Company's equity securities of \$33.8 million at December 31, 2014 were comprised entirely of Yodlee, Inc. (Yodlee) common stock and are included in noncurrent assets in the accompanying consolidated balance sheet. The Company utilized quoted prices from an active exchange market to fair value its equity securities.

The Company acquired a cost basis investment in Yodlee with the acquisition of S1 in February of 2012, which was fair valued at \$9.8 million as a part of the purchase price allocation. The Company subsequently made an additional investment in Yodlee of approximately \$1.0 million, bringing the total investment to \$10.8 million as of December 31, 2013. This cost-basis investment was recorded in noncurrent assets in the accompanying consolidated balance sheet. On October 3, 2014 Yodlee common stock began trading on the NASDAQ under the symbol YDLE and the Company transitioned to accounting for the investment as available-for-sale securities. The Company recognized an unrealized gain in accumulated other comprehensive income of approximately \$23.0 million during the year ended December 31, 2014 related to price appreciation of the Yodlee shares from the cost basis of \$10.8 million. As a result of the recognition of the unrealized gain, the Company released a deferred tax asset and an equal and offsetting valuation allowance on the associated deferred tax asset of approximately \$8.7 million during the year ended December 31, 2014. This tax impact was also recorded in accumulated other comprehensive income.

The Company assesses its classifications within the fair value hierarchy at each reporting period. There were no transfers between any levels of the fair value hierarchy during the years ended December 31, 2014 and 2013.

The fair value of our Credit Agreement approximates the carrying value due to the floating interest rate (Level 2 of the fair value hierarchy). The Company measures the fair value of its Senior Notes based on Level 2 inputs, which include quoted market prices and interest rate spreads of similar securities. The fair value of our Senior Notes was \$315 million at December 31, 2014.

The fair values of cash equivalents approximate the carrying values.

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During the year ended December 31, 2014, the Company reduced its headcount by 220 employees as a part of its integration of recent acquisitions. In connection with these actions, approximately \$8.7 million of termination costs were recognized in general and administrative expense in the accompanying consolidated statements of income during the year ended December 31, 2014. The charges by segment were as follows for the year ended December 31, 2014: \$5.7 million in the Americas segment, \$2.0 million in the EMEA segment, and \$1.0 million in the Asia/Pacific segment. Approximately \$6.2 million of these termination costs were paid during the year ended December 31, 2014. The remaining liability for the year ended December 31, 2014 totaled \$2.3 million, of which \$1.6 million is expected to be paid over the next 12 months.

During the year ended December 31, 2013, the Company reduced its headcount by 147 employees as a part of its integration of its recent acquisitions. In connection with these actions, approximately \$8.9 million of termination costs were recognized in general and administrative expense in the accompanying consolidated statements of income during the year ended December 31, 2013. The charges, by segment, were as follows for the year December 31, 2013: \$6.3 million in the Americas segment, \$2.2 million in the EMEA segment, and \$0.4 million in the Asia/Pacific segment. Approximately \$7.4 million of these termination costs were paid during the year ended December 31, 2013. The remaining liability was paid during the subsequent year.

During the year ended December 31, 2012, the Company reduced its headcount by 272 employees as a part of its integration of its recent acquisitions. In connection with these actions, approximately \$9.2 million of termination costs were recognized in general and administrative expense in the accompanying consolidated statements of income during the year ended December 31, 2012. The charges, by segment, were as follows for the year December 31, 2012: \$3.7 million in the Americas segment, \$4.6 million in the EMEA segment, and \$0.9 million in the Asia/Pacific segment. Approximately \$8.4 million of these termination costs were paid during the year ended December 31, 2012. The remaining liability was paid during the subsequent year.

Lease Terminations

During the year ended December 31, 2013, the Company ceased use of all or a portion of its leased facilities in Chantilly, VA, North Brunswick, NJ, Columbus, OH, Duluth, GA, and Bangalore, India, which resulted in additional expense of \$1.7 million that was recorded in general and administrative expenses in the accompanying consolidated statements of income for the year ended December 31, 2013.

During the year ended December 31, 2012, the Company terminated the lease for its facility in New York, New York. Under the terms of the termination agreement, the Company paid a termination fee of approximately \$1.1 million that was recorded in general and administrative expenses in the accompanying consolidated statements of income for the year ended December 31, 2012.

During the year ended December 31, 2012, the Company also terminated the lease for its facility in Dublin, Ireland. Under the terms of the termination agreement, the Company agreed to pay a termination fee of approximately \$2.8 million, of which \$2.3 million was recorded in general and administrative expenses in the accompanying consolidated statements of income for the year ended December 31, 2012. The remaining balance of \$0.5 million had been accounted for as an unfavorable lease liability in the S1 purchase price allocation. The termination fee was paid during the year ended December 31, 2012.

During the year ended December 31, 2012 the Company ceased use of all or a portion of its leased facilities in Toronto, Canada and Chertsey, England, which resulted in additional expense of \$1.3 million that was recorded in general and administrative expenses in the accompanying consolidated statements of income for the year ended December 31, 2012.

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

	Severance	Facility Closures	Total
Balance, December 31, 2012	\$ 618	\$ 1,296	\$ 1,914
Restructuring charges incurred, net	8,885		8,885
Unfavorable lease liability		1,708	1,708
Amounts paid during the period	(7,996)	(1,091)	(9,087)
Foreign currency translation adjustments	(37)	(42)	(79)
Balance, December 31, 2013	1,470	1,871	3,341
Restructuring charges (adjustments) incurred, net	8,671	(136)	8,535
Amounts paid during the period	(7,741)	(1,283)	(9,024)
Foreign currency translation adjustments	(59)		(59)
Balance, December 31, 2014	\$ 2,341	\$ 452	\$ 2,793

Of the \$2.3 million for unpaid severance, \$1.6 million is included in employee compensation and the remaining \$0.7 million is included in other noncurrent liabilities in the accompanying consolidated balance sheet at December 31, 2014. The \$0.5 million for unpaid facilities closures is included in other current liabilities in the accompanying consolidated balance sheet at December 31, 2014.

7. Common Stock and Treasury Stock

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

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

The Company repurchased 3,578,427 shares for \$70.0 million under the program during the year ended December 31, 2014. Under the program to date, the Company has repurchased 37,108,467 shares for approximately \$395.8 million. The maximum remaining authorized for purchase under the stock repurchase program was approximately \$138.3 million as of December 31, 2014.

During the year ended September 30, 2006, the Company began to issue shares of treasury stock upon exercise of stock options, payment of earned performance shares, issuance of restricted stock awards and for issuances of common stock pursuant to the Company's employee stock purchase plan. Treasury shares issued during the year ended December 31, 2012 included 2,541,903 and 679,782 shares issued pursuant to stock option exercises and restricted share award grants, respectively. Treasury shares issued during the year ended December 31, 2013 included 2,493,684, 25,989 and 982,728 shares issued pursuant to stock option exercises, Restricted share award (RSA) grants, and long-term incentive program performance share awards (LTIP Performance Shares) vesting, respectively. Treasury shares issued during the year ended December 31, 2014 included 2,037,467, 106,275 and 635,643 shares issued pursuant to stock option exercises, RSA grants, and LTIP Performance Shares vesting, respectively.

8. Earnings Per Share

Earnings per share is computed in accordance with ASC 260, *Earnings per Share*. Basic earnings per share is computed on the basis of weighted average outstanding common shares. Diluted earnings per share is computed

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on the basis of basic weighted average outstanding common shares adjusted for the dilutive effect of stock options and other outstanding dilutive securities.

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

	Years Ended December 31,		
	2014	2013	2012
Weighted average shares outstanding:			
Basic weighted average shares outstanding	114,798	117,885	116,089
Add: Dilutive effect of stock options, restricted stock awards and other dilutive securities	1,973	2,169	3,627
Diluted weighted average shares outstanding	116,771	120,054	119,716

For the years ended December 31, 2014, 2013, and 2012, respectively, 2.9 million, 4.5 million and 5.1 million options to purchase shares, contingently issuable shares, and common stock warrants were excluded from the diluted net income per share computation as their effect would be anti-dilutive.

Common stock outstanding as of December 31, 2014 and 2013 was 115,637,804 and 116,564,967, respectively.

9. Other, net

Other, net is comprised of the following items (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Foreign currency transaction losses	\$ (67)	\$ (2,697)	\$ (750)
Realized gain on available-for-sale securities			1,557
Other	(173)	(630)	(408)
Total	\$ (240)	\$ (3,327)	\$ 399

10. Segment Information

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

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

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The following is selected segment financial data for the periods indicated (in thousands):

		Years Ended December 31,		
		2014	2013	2012
Revenues:				
Americas	United States	\$ 614,488	\$ 450,251	\$ 277,775
Americas	Other	87,279	91,639	74,422
EMEA		230,879	228,679	218,015
Asia/Pacific		83,503	94,359	96,367
		\$ 1,016,149	\$ 864,928	\$ 666,579
Depreciation and amortization expense:				
Americas		\$ 20,548	\$ 17,030	\$ 10,917
EMEA		4,126	6,310	5,175
Asia/Pacific		1,809	2,574	3,075
Corporate		60,200	44,053	31,614
		\$ 86,683	\$ 69,967	\$ 50,781
Stock-based compensation expense:				
Americas		\$ 2,910	\$ 2,392	\$ 256
EMEA		419	759	439
Asia/Pacific		249	293	314
Corporate		7,467	10,128	14,177
		\$ 11,045	\$ 13,572	\$ 15,186
Income (loss) before taxes:				
Americas		\$ 143,379	\$ 145,496	\$ 103,165
EMEA		116,120	87,522	78,848
Asia/Pacific		38,853	33,923	32,673
Corporate		(199,583)	(173,782)	(149,418)
		\$ 98,769	\$ 93,159	\$ 65,268

		December 31,	
		2014	2013
Long lived assets:			
Americas	United States	\$ 929,459	\$ 832,169
Americas	Other	15,337	18,708
EMEA		360,033	262,906
Asia/Pacific		77,416	82,854
		\$ 1,382,245	\$ 1,196,637

		December 31,	
		2014	2013
Total assets:			

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Americas	United States	\$ 1,210,674	\$ 1,129,064
Americas	Other	32,594	39,995
EMEA		487,629	380,320
Asia/Pacific		119,803	132,472
		\$ 1,850,700	\$ 1,681,851

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Additionally, the Company offers seven primary product categories that are sold in each of the geographic regions listed above. Following are revenues, by product and services (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Retail payments processing	\$ 406,023	\$ 410,200	\$ 372,942
Billers	235,039	101,981	
Online banking and community financial services	227,659	223,902	169,652
Tools and infrastructure	40,427	38,241	37,145
Wholesale banking payments	37,879	35,396	39,717
Payment fraud management	36,235	37,136	25,160
Card and merchant management	32,887	18,072	21,963
Total	\$ 1,016,149	\$ 864,928	\$ 666,579

During the years ended December 31, 2014, 2013 and 2012, approximately 21%, 28%, and 32%, respectively, of the Company's total revenues were derived from licensing the BASE24 product line, which does not include the BASE24-eps product, and providing related services and maintenance.

No country outside of the United States accounted for more than 10% of the Company's consolidated revenues during the years ended December 31, 2014, 2013 and 2012. No single customer accounted for more than 10% of the Company's consolidated revenues during the years ended December 31, 2014, 2013 and 2012.

11. Stock-Based Compensation Plans*Employee Stock Purchase Plan*

Under the Company's 1999 Employee Stock Purchase Plan (the "ESPP"), a total of 4,500,000 shares of the Company's common stock have been reserved for issuance to eligible employees. Participating employees are permitted to designate up to the lesser of \$25,000, or 10% of their annual base compensation, for the purchase of common stock under the ESPP. Purchases under the ESPP are made one calendar month after the end of each fiscal quarter. The price for shares of common stock purchased under the ESPP is 85% of the stock's fair market value on the last business day of the three-month participation period. Shares issued under the ESPP during the years ended December 31, 2014, 2013 and 2012, totaled 154,223, 128,568 and 122,394, respectively.

Additionally, the discount offered pursuant to the Company's ESPP discussed above is 15%, which exceeds the 5% non-compensatory guideline in ASC 718 and exceeds the Company's estimated cost of raising capital. Consequently, the entire 15% discount to employees is deemed to be compensatory for purposes of calculating expense using a fair value method. Compensation costs related to the ESPP for the years ended December 31, 2014, 2013, and 2012 was approximately \$0.5 million, \$0.3 million, and \$0.2 million, respectively.

On July 24, 2007, the Company's stockholders approved a proposal to amend the ESPP to extend the term of the ESPP by ten years to April 30, 2018. The term of the amended ESPP commenced May 1, 2008 and continues until April 30, 2018 subject to earlier termination by the Company's Board of Directors.

Stock Incentive Plans - Active Plans

Subsequent to year-end, on January 26, 2015 the Company's Board of Directors granted stock and performance awards to its employees. The Company has historically made its annual grant of stock and performance awards to its employees in December, however, no grants were made in December of 2014.

The Company has a 2005 Equity and Performance Incentive Plan, as amended (the "2005 Incentive Plan"), under which shares of the Company's common stock have been reserved for issuance to eligible employees or non-

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employee directors of the Company. The 2005 Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, performance awards and other awards. The maximum number of shares of the Company's common stock that may be issued or transferred in connection with awards granted under the 2005 Incentive Plan is the sum of (i) 9,000,000 shares and (ii) any shares represented by outstanding options that had been granted under designated terminated stock option plans that are subsequently forfeited, expire or are canceled without delivery of the Company's common stock.

On July 24, 2007, the stockholders of the Company approved the First Amendment to the 2005 Incentive Plan which increased the number of shares authorized for issuance under the plan from 9,000,000 to 15,000,000 and contained certain other amendments, including an amendment to provide that the exercise price for any options granted under the 2005 Incentive Plan, as amended, may not be less than the market value per share of common stock on the date of grant. On June 14, 2012, the stockholders of the Company approved the Second Amendment to the 2005 Incentive Plan which increased the number of shares authorized for issuance under the plan from 15,000,000 to 23,250,000.

Stock options granted pursuant to the 2005 Incentive Plan are granted at an exercise price not less than the market value per share of the Company's common stock on the date of the grant. Prior to the adoption of the First Amendment to the 2005 Incentive Plan, stock options granted under the 2005 Incentive Plan were granted with an exercise price not less than the market value per share of common stock on the date immediately preceding the date of grant. Under the 2005 Incentive Plan, the term of the outstanding options may not exceed ten years. Vesting of options is determined by the Compensation Committee of the Board of Directors, the administrator of the 2005 Incentive Plan, and can vary based upon the individual award agreements.

Performance awards granted pursuant to the 2005 Incentive Plan become payable upon the achievement of specified management objectives. Each performance award specifies: (i) the number of performance shares or units granted, (ii) the period of time established to achieve the management objectives, which may not be less than one year from the grant date, (iii) the management objectives and a minimum acceptable level of achievement as well as a formula for determining the number of performance shares or units earned if performance is at or above the minimum level but short of full achievement of the management objectives, and (iv) any other terms deemed appropriate.

Restricted stock awards granted pursuant to the 2005 Incentive Plan have requisite service periods of three and four years and vest in increments of 33% and 25%, respectively, on the anniversary of the grant date. Under each arrangement, stock is issued without direct cost to the employee.

In relation to the acquisition of S1 Corporation discussed in Note 2, the Company amended the S1 Corporation 2003 Stock Incentive Plan, as previously amended and restated (the "S1 2003 Incentive Plan"). RSAs were granted to S1 employees by S1 Corporation prior to the acquisition by the Company in accordance with the terms of the Transaction Agreement ("Transaction RSAs") under the S1 2003 Incentive Plan. These are the only equity awards currently outstanding under the S1 2003 Incentive Plan and no further grants will be made.

Stock Incentive Plans - Terminated Plans with Options Outstanding

Upon adoption of the 2005 Incentive Plan in March 2005, the Board terminated the following stock option plans of the Company: (i) the 2002 Non-Employee Director Stock Option Plan, as amended, (ii) the MDL Amended and Restated Employee Share Option Plan, as amended (iii) the 2000 Non-Employee Director Stock Option Plan, as amended (iv) the 1997 Management Stock Option Plan, as amended (v) the 1996 Stock Option Plan, as amended; and (vi) the 1994 Stock Option Plan, as amended. Termination of these stock option plans did not affect any options outstanding under these plans immediately prior to termination thereof.

The Company had a 2002 Non-Employee Director Stock Option Plan that was terminated in March 2005 whereby 750,000 shares of the Company's common stock had been reserved for issuance to eligible non-employee directors of the Company. The term of the outstanding options is ten years. All outstanding options under this plan are fully vested.

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The Company had a 1999 Stock Option Plan, as amended, that expired in February 2009 whereby 12,000,000 shares of the Company's common stock had been reserved for issuance to eligible employees of the Company and its subsidiaries. The term of the outstanding options is 10 years. The options generally vest annually over a period of three or four years. All outstanding options under this plan are fully vested.

A summary of stock options issued under the various Stock Incentive Plans previously described and changes is as follows:

	Number of Shares	Weighted-Average Exercise Price (\$)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options (\$)
Outstanding, December 31, 2011	10,470,168	\$ 7.76		
Granted	1,306,101	14.14		
Exercised	(2,541,903)	6.58		
Forfeited	(316,620)	7.40		
Expired	(12,000)	3.40		
Outstanding, December 31, 2012	8,905,746	9.05		
Granted	1,208,019	19.30		
Exercised	(2,478,183)	7.81		
Forfeited	(225,474)	12.79		
Expired	(1,287)	9.65		
Outstanding, December 31, 2013	7,408,821	11.02		
Granted	27,132	20.13		
Exercised	(2,036,558)	8.08		
Forfeited	(116,702)	17.80		
Outstanding, December 31, 2014	5,282,693	\$ 12.06	5.72	\$ 43,191,137
Exercisable, December 31, 2014	4,325,851	\$ 10.66	5.08	\$ 41,247,183

At December 31, 2014, we expect that 93.2% of options granted will vest over the vesting period.

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2014, 2013, and 2012 was \$9.02, \$8.72, and \$6.85, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2014, 2013, and 2012 was \$22.8 million, \$25.5 million, and \$17.3 million, respectively.

The fair value of options granted in the respective fiscal years was estimated on the date of grant using the Black-Scholes option-pricing model, acceptable under ASC 718, with the following weighted-average assumptions:

	Years Ended December 31,		
	2014	2013	2012
Expected life (years)	5.9	6.2	6.2
Risk-free interest rate	1.8%	1.6%	0.8%
Expected volatility	45.2%	46.0%	51.4%
Expected dividend yield			

Expected volatilities are based on the Company's historical common stock volatility derived from historical stock price data for historic periods commensurate with the options' expected life. The expected life of options granted represents the period of time that options granted are expected to be outstanding, based primarily on historical

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employee option exercise behavior. The risk-free interest rate is based on the implied yield currently available on United States Treasury zero coupon issues with a term equal to the expected life at the date of grant of the options. The expected dividend yield is zero as the Company has historically paid no dividends and does not anticipate dividends to be paid in the future.

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

In relation to the acquisition of ORCC discussed in Note 2, the Company amended the ORCC Stock Incentive Plan, as previously amended and restated (the ORCC Incentive Plan). Stock options were granted to ORCC employees by ORCC prior to acquisition by the Company under the ORCC Incentive Plan. Outstanding ORCC options were converted into ACI options in accordance with the terms of the Transaction Agreement. These are the only equity awards currently outstanding under the ORCC Incentive Plan and no further grants will be made.

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

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options
Outstanding as of December 31, 2012		\$		
Transaction stock options converted upon acquisition of ORCC	112,404	30.64		
Exercised	(15,501)	13.92		
Cancelled	(34,458)	30.21		
Outstanding as of December 31, 2013	62,445	35.03		
Exercised	(909)	13.92		
Cancelled	(15,024)	31.03		
Outstanding as of December 31, 2014	46,512	\$ 36.73	1.61	\$ 43,444
Exercisable as of December 31, 2014	46,512	\$ 36.73	1.61	\$ 43,444

Long-term Incentive Program Performance Share Awards

During the years ended December 31, 2014, 2013, and 2012, pursuant to the Company's 2005 Incentive Plan, the Company granted LTIP Performance Shares. These LTIP Performance Shares are earned, if at all, based upon the achievement, over a specified period that must not be less than one year and is typically a three-year performance period, of performance goals related to (i) the compound annual growth over the performance period in the sales for the Company as determined by the Company, and (ii) the cumulative operating income over the performance period as determined by the Company. In no event will any of the LTIP Performance Shares become earned if the Company's sales growth or cumulative operating income is below a predetermined minimum threshold level at the conclusion of the performance period. Assuming achievement of the predetermined sales growth and cumulative operating income threshold levels, up to 200% of the LTIP Performance Shares may be earned upon achievement of performance goals equal to or exceeding the maximum target levels for the performance goals over the performance period. Management must evaluate, on a quarterly basis, the probability that the threshold performance goals will be achieved, if at all, and the anticipated level of attainment in order to determine the amount of compensation costs to record in the consolidated financial statements.

During the fourth quarter of the year ended December 31, 2013, the Company revised the expected attainment for the awards granted in fiscal 2010 from 175% to 130% due to changes in actual sales and operating income. The awards granted in fiscal 2010 vested during the first quarter of the year ended December 31, 2014 at a final attainment rate of 136%. During the fourth quarter of the year ended December 31, 2014, the Company revised the expected attainment for the awards granted in fiscal years 2012 and 2013 from 100% to 0% and 75%, respectively, due to changes in forecasted sales and operating income. The expected attainment rate for the 2011 grant remains 100%.

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At December 8, 2014, the LTIPs granted in 2011 were earned by the employees and the shares are expected to be issued in the first quarter of 2015. If a grantee voluntarily leaves the Company before issuance, they will be required to forfeit their LTIP awards. As such, the LTIP awards granted in fiscal 2011 are not vested until they are issued to the individuals in 2015.

A summary of the nonvested LTIP Performance Shares is as follows:

	Number of Shares at Expected Attainment	Weighted- Average Grant Date Fair Value
Nonvested LTIP Performance Shares		
Nonvested at December 31, 2011	2,794,713	\$ 7.78
Granted	820,785	14.22
Forfeited	(311,046)	7.71
Nonvested at December 31, 2012	3,304,452	9.38
Granted	798,306	20.30
Vested	(982,728)	5.61
Forfeited	(188,511)	12.33
Change in expected attainment for 2010 grants	(212,943)	8.88
Nonvested at December 31, 2013	2,718,576	13.78
Granted	19,065	20.13
Vested	(635,643)	8.88
Forfeited	(111,599)	16.43
Change in expected attainment for 2012 and 2013 grants	(844,483)	15.86
Nonvested at December 31, 2014	1,145,916	\$ 14.84

During the years ended December 31, 2014 and 2013 the Company had 635,643 and 982,728 LTIP shares vest, respectively. The Company withheld 228,279 and 338,262 of those shares to pay the employees' portion of the minimum payroll withholding taxes for the years ended December 31, 2014 and 2013, respectively. No shares vested during the year ended December 31, 2012.

Restricted Share Awards

During the years ended December 31, 2014, 2013, and 2012, pursuant to the Company's 2005 Incentive Plan, the Company granted restricted share awards (RSAs). The awards have requisite service periods of three years and vest in increments of 33% on the anniversary of the grant dates. Under each arrangement, stock is issued without direct cost to the employee. The Company estimates the fair value of the RSAs based upon the market price of the Company's stock at the date of grant. The RSA grants provide for the payment of dividends on the Company's common stock, if any, to the participant during the requisite service period (vesting period) and the participant has voting rights for each share of common stock. The Company recognizes compensation expense for RSAs on a straight-line basis over the requisite service period.

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A summary of nonvested RSAs are as follows:

Nonvested Restricted Share Awards	Restricted Share Awards	Grant Date Fair Value
Nonvested at December 31, 2011	300,069	\$ 6.43
Granted	169,167	14.94
Vested	(237,897)	6.24
Forfeited	(23,625)	5.59
Nonvested at December 31, 2012	207,714	13.67
Granted	25,989	16.10
Vested	(88,638)	12.35
Nonvested at December 31, 2013	145,065	14.91
Granted	106,275	18.57
Vested	(66,670)	14.59
Forfeited	(1,461)	20.51
Nonvested at December 31, 2014	183,209	\$ 17.11

During the years ended December 31, 2014, 2013 and 2012, the Company had 66,670, 88,638, and 237,897 RSA shares vested, respectively. The Company withheld 26,461, 31,746, and 71,439, of those respective shares to pay the employees' portion of the minimum payroll withholding taxes.

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

A summary of nonvested Transaction RSAs issued under the S1 2003 Stock Incentive Plan as of December 31, 2014 and changes during the period are as follows:

Nonvested Transaction Restricted Share Awards	Number of Restricted Share Awards	Weighted-Average Grant Date Fair Value
Nonvested as of December 31, 2011		\$
Transaction RSAs converted upon acquisition of S1	510,615	11.80
Vested	(302,055)	11.80
Forfeited	(57,828)	11.80
Nonvested as of December 31, 2012	150,732	11.80
Vested	(35,598)	11.80
Forfeited	(57,582)	11.80
Nonvested as of December 31, 2013	57,552	11.80
Vested	(19,822)	11.80
Forfeited	(20,165)	11.80

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Nonvested as of December 31, 2014	17,565	\$	11.80
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During the years ended December 31, 2014, 2013, and 2012, 19,822, 35,598 and 302,055 shares of the Transaction RSAs vested, respectively. The Company withheld 5,980, 11,307 and 114,501 of those respective shares to pay the employees' portion of the minimum payroll withholding taxes.

As of December 31, 2014, there were unrecognized compensation costs of \$6.7 million related to nonvested stock options, \$1.9 million related to the nonvested RSAs, and \$6.7 million related to the LTIP performance shares, which the Company expects to recognize over weighted-average periods of 1.7 years, 0.9 years and 2.0 years, respectively.

The Company recorded stock-based compensation expenses recognized under ASC 718 during the years ended December 31, 2014, 2013, and 2012 related to stock options, LTIP Performance Shares, RSAs, and the ESPP of \$11.0 million, \$13.6 million, and \$15.2 million, respectively, with corresponding tax benefits of \$4.2 million, \$5.2 million, and \$5.5 million, respectively. Tax benefits in excess of the option's grant date fair value are classified as financing cash flows. Estimated forfeiture rates, stratified by employee classification, have been included as part of the Company's calculations of compensation costs. The Company recognizes compensation costs for stock option awards which vest with the passage of time with only service conditions on a straight-line basis over the requisite service period.

Cash received from option exercises for the year ended December 31, 2014, 2013, and 2012 was \$16.5 million, \$19.6 million, \$16.7 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$8.6 million, \$9.7 million, and \$6.3 million, for the year ended December 31, 2014, 2013, and 2012, respectively.

12. Employee Benefit Plans*ACI 401(k) Plan*

The ACI 401(k) Plan is a defined contribution plan covering all domestic employees of the Company. Participants may contribute up to 75% of their annual eligible compensation up to a maximum of \$17,500 (for employees who are under the age of 50 on December 31, 2014) or a maximum of \$23,000 (for employees aged 50 or older on December 31, 2014). After one year of service, the Company matches participant contributions 100% on every dollar deferred to a maximum of 4% of eligible compensation contributed to the plan, not to exceed \$4,000 per employee annually. Company contributions charged to expense during the years ended December 31, 2014, 2013 and 2012 was \$6.0 million, \$5.4 million and \$3.5 million, respectively.

ACI Worldwide EMEA Group Personal Pension Scheme

The ACI Worldwide EMEA Group Personal Pension Scheme is a defined contribution plan covering substantially all ACI Worldwide (EMEA) Limited (ACI-EMEA) employees. For those ACI-EMEA employees who elect to participate in the plan, the Company contributes a minimum of 8.5% of eligible compensation to the plan for employees employed at December 1, 2000 (up to a maximum of 15.5% for employees aged over 55 years on December 1, 2000) or from 6% to 10% of eligible compensation for employees employed subsequent to December 1, 2000. ACI-EMEA contributions charged to expense during the year ended December 31, 2014, was \$1.5 million. ACI-EMEA contributions charged to expense were \$1.3 million for each of the years ended 2013 and 2012.

13. Income Taxes

For financial reporting purposes, income before income taxes includes the following components (in thousands):

	Years Ended December 31,		
	2014	2013	2012
United States	\$ 47,963	\$ 47,640	\$ (4,192)
Foreign	50,806	45,519	69,460
Total	\$ 98,769	\$ 93,159	\$ 65,268

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The expense (benefit) for income taxes consists of the following (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Federal			
Current	\$ 7,895	\$ 7,509	\$ 1,236
Deferred	7,021	9,491	56
Total	14,916	17,000	1,292
State			
Current	1,542	2,492	1,150
Deferred	(2,397)	(1,687)	(142)
Total	(855)	805	1,008
Foreign			
Current	13,335	9,717	9,258
Deferred	3,813	1,769	4,864
Total	17,148	11,486	14,122
Total	\$ 31,209	\$ 29,291	\$ 16,422

Differences between the income tax expense computed at the statutory federal income tax rate and per the consolidated statements of income are summarized as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Tax expense at federal rate of 35%	\$ 34,569	\$ 32,606	\$ 22,844
State income taxes, net of federal benefit	(544)	675	655
Change in valuation allowance	3,521	(1,615)	(2,680)
Foreign tax rate differential	(5,508)	(4,650)	(8,940)
Unrecognized tax benefit increase (decrease)	65	488	(1,665)
Tax effect of foreign operations	(104)	5,906	5,311
Acquisition Costs	289	896	2,659
Tax benefit of research & development	(3,446)	(4,001)	(1,749)
Other	2,367	(1,014)	(13)
Income tax provision	\$ 31,209	\$ 29,291	\$ 16,422

The countries having the greatest impact on the tax rate adjustment line shown in the above table as Foreign tax rate differential for the year ended December 31, 2014 are Ireland, South Africa and United Kingdom. The countries having the greatest impact on the tax rate adjustment line shown in the above table as Foreign tax rate differential for the year ended December 31, 2013, are Canada, Singapore, South Africa, and United Kingdom. The countries having the greatest impact on the tax rate adjustment line shown in the above table as Foreign tax rate differential for the years ended December 31, 2012 are Canada, Ireland and United Kingdom.

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The deferred tax assets and liabilities result from differences in the timing of the recognition of certain income and expense items for tax and financial accounting purposes. The sources of these differences at each balance sheet date are as follows (in thousands):

	December 31,	
	2014	2013
Deferred income tax assets:		
Net operating loss carryforwards	\$ 150,004	\$ 148,499
Tax credits	43,804	32,231
Compensation	24,486	24,902
Deferred revenue	13,486	10,564
Tax basis in investments	5,601	15,536
Other	9,712	10,153
Gross deferred income tax assets	247,093	241,885
Less: valuation allowance	(36,174)	(39,749)
Net deferred income tax assets	\$ 210,919	\$ 202,136
Deferred income tax liabilities:		
Depreciation and amortization	\$ (129,825)	\$ (117,444)
Total deferred income tax liabilities	(129,825)	(117,444)
Net deferred income taxes	\$ 81,094	\$ 84,692
Deferred income taxes / liabilities included in the balance sheet are:		
Deferred income tax asset current	\$ 44,349	\$ 47,593
Deferred income tax asset noncurrent	50,187	48,852
Deferred income tax liability current	(225)	(753)
Deferred income tax liability noncurrent	(13,217)	(11,000)
Net deferred income taxes	\$ 81,094	\$ 84,692

Prior year amounts reflected in the above table have been reclassified for comparability purposes as follows, deferred tax assets of \$5.0 million related to various types of tax credits previously reflected in the other line item and \$27.2 million reflected as foreign tax credits as of December 31, 2013 are now included in the tax credits line item.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers projected future taxable income, carryback opportunities and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, the Company believes it is more likely than not that it will realize the benefits of these deductible differences, net of the valuation allowances recorded. During the year ended December 31, 2014, the Company decreased its valuation allowance by \$3.6 million which relates primarily to a reduction in valuation allowance on the Yodlee investment, partially offset by an increase in valuation allowance related to foreign tax credits.

At December 31, 2014, the Company had domestic tax net operating losses (NOLs) of \$358.1 million which will begin to expire in 2017. The Company had foreign tax NOLs of \$70.6 million, of which \$60.6 million may be utilized over an indefinite life, with the remainder expiring over the next 10 years. The Company has provided a \$6.7 million valuation allowance against the tax benefit associated with the foreign NOLs.

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The Company had U.S. foreign tax credit carryforwards at December 31, 2014 of \$32.9 million, for which a \$9.2 million valuation allowance has been provided. The U.S. foreign tax credits will begin to expire in 2015. The Company also had domestic general business credit carryforwards at December 31, 2014 of \$10.3 million, which will begin to expire in 2020.

The unrecognized tax benefit at December 31, 2014 and December 31, 2013 was \$14.8 million and \$15.0 million, respectively, all of which is included in other noncurrent liabilities in the consolidated balance sheet. Of these amounts, \$13.0 million and \$13.2 million, respectively, represent the net unrecognized tax benefits that, if recognized, would favorably impact the effective income tax rate in respective years.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31 is as follows (in thousands):

	2014	2013	2012
Balance of unrecognized tax benefits at beginning of year	\$ 14,996	\$ 13,079	\$ 4,012
Increases for tax positions of prior years	84	1,560	10,729
Decreases for tax positions of prior years	(412)	(327)	(4)
Increases for tax positions established for the current period	491	1,739	49
Decreases for settlements with taxing authorities		(61)	(27)
Reductions resulting from lapse of applicable statute of limitation	(239)	(901)	(1,697)
Adjustment resulting from foreign currency translation	(140)	(93)	17
Balance of unrecognized tax benefits at end of year	\$ 14,780	\$ 14,996	\$ 13,079

The increases for tax positions of prior years for 2013 and 2012 in the above table include amounts from acquisitions completed during 2013 and 2012, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and many foreign jurisdictions. The U.S., Australia, Canada, India, Ireland, South Africa, and United Kingdom are the main taxing jurisdictions in which the Company operates. The years open for audit vary depending on the tax jurisdiction. In the U.S., the Company's tax returns for years following 2009 are open for audit. In the foreign jurisdictions, the tax returns open for audit generally vary by jurisdiction between 2002 and 2013.

The Internal Revenue Service is currently auditing the Company's calendar year 2010 and 2011 tax returns. The Company does not expect any adjustments from this audit that would have a material effect on the Company's financial statements. The Company's Indian income tax returns covering fiscal years 2002 through 2007 and 2010 through 2012 are under audit by the Indian tax authority. Other foreign subsidiaries could face challenges from various foreign tax authorities. It is not certain that the local authorities will accept the Company's tax positions. The Company believes its tax positions comply with applicable tax law and intends to vigorously defend its positions. However, differing positions on certain issues could be upheld by tax authorities, which could adversely affect the Company's financial condition and results of operations.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months by approximately \$5.0 million due to the settlement of various audits and the expiration of statutes of limitations. The Company accrues interest related to uncertain tax positions in interest expense or interest income and recognizes penalties related to uncertain tax positions in other income or other expense. As of December 31, 2014 and December 31, 2013, \$2.4 million and \$2.3 million, respectively is accrued for the payment of interest and penalties related to income tax liabilities. The aggregate amount of interest and penalties recorded in the statement of income for the years ended December 31, 2014, 2013, and 2012 is \$0.2 million, \$0.4 million, and \$(0.2) million, respectively.

The undistributed earnings of the Company's foreign subsidiaries of approximately \$212.1 million are considered to be permanently reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been provided for such undistributed earnings. The determination of the additional U.S. federal and state income taxes or foreign withholding taxes that have not been provided is not practicable.

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On January 2, 2013 the American Taxpayer Relief Act of 2012 was enacted, which included retroactive reinstatement of several tax laws to January 1, 2012. The effects on the Company of these retroactive changes in the tax law related to fiscal 2012 is \$1.4 million, which was recognized as a benefit to income tax expense in the first quarter of fiscal 2013, the quarter in which the law was enacted.

14. Commitments and Contingencies

In accordance with ASC 460, *Guarantees*, the Company recognizes the fair value for guarantee and indemnification arrangements it issues or modifies, if these arrangements are within the scope of the interpretation. In addition, the Company must continue to monitor the conditions that are subject to the guarantees and indemnifications as required under the previously existing generally accepted accounting principles, in order to identify if a loss has occurred. If the Company determines it is probable that a loss has occurred, then any such estimable loss would be recognized under those guarantees and indemnifications. Under its customer agreements, the Company may agree to indemnify, defend and hold harmless its customers from and against certain losses, damages and costs arising from claims alleging that the use of its software infringes the intellectual property of a third-party. Historically, the Company has not been required to pay material amounts in connection with claims asserted under these provisions and accordingly, the Company has not recorded a liability relating to such provisions.

Under its customer agreements, the Company also may represent and warrant to customers that its software will operate substantially in conformance with its documentation and that the services the Company performs will be performed in a workmanlike manner, by personnel reasonably qualified by experience and expertise to perform their assigned tasks. Historically, only minimal costs have been incurred relating to the satisfaction of warranty claims. In addition, from time to time, the Company may guarantee the performance of a contract on behalf of one or more of its subsidiaries, or a subsidiary may guarantee the performance of a contract on behalf of another subsidiary.

Other guarantees include promises to indemnify, defend and hold harmless the Company's executive officers, directors and certain other key officers. The Company's certificate of incorporation provides that it will indemnify, and advance expenses to, its directors and officers to the maximum extent permitted by Delaware law. The indemnification covers any expenses and liabilities reasonably incurred by a person, by reason of the fact that such person is or was or has agreed to be a director or officer, in connection with the investigation, defense and settlement of any threatened, pending or completed action, suit, proceeding or claim. The Company's certificate of incorporation authorizes the use of indemnification agreements and the Company enters into such agreements with its directors and certain officers from time to time. These indemnification agreements typically provide for a broader scope of the Company's obligation to indemnify the directors and officers than set forth in the certificate of incorporation. The Company's contractual indemnification obligations under these agreements are in addition to the respective directors' and officers' rights under the certificate of incorporation or under Delaware law.

Operating Leases

The Company leases office space and equipment under operating leases that run through October 2028. The leases that the Company has entered into do not impose restrictions as to the Company's ability to pay dividends or borrow funds, or otherwise restrict the Company's ability to conduct business. On a limited basis, certain of the lease arrangements include escalation clauses which provide for rent adjustments due to inflation changes with the expense recognized on a straight-line basis over the term of the lease. Lease payments subject to inflation adjustments do not represent a significant portion of the Company's future minimum lease payments. A number of the leases provide renewal options, but in all cases such renewal options are at the election of the Company. Certain of the lease agreements provide the Company with the option to purchase the leased equipment at its fair market value at the conclusion of the lease term.

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Total operating lease expense for the years ended December 31, 2014, 2013 and 2012 was \$26.7 million, \$30.9 million, and \$26.5 million, respectively.

Aggregate minimum operating lease payments under these agreements in future fiscal years are as follows (in thousands):

Fiscal Year Ending December 31,	Operating Leases
2015	\$ 17,315
2016	15,959
2017	12,376
2018	10,716
2019	9,050
Thereafter	28,234
Total minimum lease payments	\$ 93,650

Legal Proceedings

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

Indemnities

Under certain customer contracts, the Company indemnifies customers for certain matters including third party claims of intellectual property infringement relating to the use of our products. Our maximum potential exposure under indemnification arrangements can range from a specified dollar amount to an unlimited amount, depending on the nature of the transactions and the agreements. The Company has recorded an accrual for estimated losses for demands for indemnification that have been tendered by certain customers. The Company does not have any reason to believe that we will be required to make any material payments under these indemnity provisions in excess of the balance accrued at December 31, 2014.

15. Accumulated Other Comprehensive Loss

Activity within accumulated other comprehensive loss for the three years ended December 31, 2014, 2013, and 2012 were as follows:

	Unrealized gain on available-for-sale securities	Foreign currency translation	Accumulated other comprehensive loss
Balance at December 31, 2011	\$ 594	\$ (17,855)	\$ (17,261)
Other comprehensive income	963	3,824	4,787
Reclassification of unrealized gain to a realized gain on available-for-sale securities	(1,557)		(1,557)
Balance at December 31, 2012		(14,031)	(14,031)
Other comprehensive loss		(9,284)	(9,284)
Balance at December 31, 2013		(23,315)	(23,315)
Other comprehensive income (loss)	22,977	(19,545)	3,432
Balance at December 31, 2014	\$ 22,977	\$ (42,860)	\$ (19,883)

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The Company had equity securities of \$10.6 million at December 31, 2011 that were comprised entirely of S1 Corporation common stock for which the Company utilized quoted prices from an active exchange market to fair value the equity securities. As discussed in Note 2, *Acquisitions*, the Company acquired S1 during the first quarter of 2012 and the S1 common stock was subsequently delisted. All S1 assets and liabilities have been consolidated into the Company's consolidated financial statements as of December 31, 2014, 2013, and 2012. The Company recognized a gain of approximately \$1.6 million during the year ended December 31, 2012 related to price appreciation of the S1 shares held prior to the acquisition date.

16. Quarterly Financial Data (unaudited)

<i>(in thousands, except per share amounts)</i>	March 31, 2014	June 30, 2014	Quarter Ended September 30, 2014	December 31, 2014	Year Ended December 31, 2014
Revenues:					
License	\$ 35,702	\$ 61,377	\$ 57,653	\$ 80,425	\$ 235,157
Maintenance	62,499	62,309	63,764	67,421	255,993
Services	22,588	24,991	28,194	29,811	105,584
Hosting	100,684	106,131	100,033	112,567	419,415
Total revenues	221,473	254,808	249,644	290,224	1,016,149
Operating expenses:					
Cost of license (1)	5,736	6,897	5,433	6,499	24,565
Cost of maintenance, services and hosting (1)	107,887	112,595	105,319	104,390	430,191
Research and development	37,456	38,876	36,321	31,554	144,207
Selling and marketing	27,909	28,007	27,078	29,053	112,047
General and administrative	25,116	24,682	25,329	19,938	95,065
Depreciation and amortization	17,078	17,010	18,295	19,519	71,902
Total operating expenses	221,182	228,067	217,775	210,953	877,977
Operating income	291	26,741	31,869	79,271	138,172
Other income (expense):					
Interest expense	(9,175)	(9,329)	(10,416)	(10,818)	(39,738)
Interest income	199	135	98	143	575
Other, net	(1,057)	(3,901)	3,614	1,104	(240)
Total other income (expense)	(10,033)	(13,095)	(6,704)	(9,571)	(39,403)
Income (loss) before income taxes	(9,742)	13,646	25,165	69,700	98,769
Income tax expense (benefit)	(3,967)	2,409	9,433	23,334	31,209
Net income (loss)	\$ (5,775)	\$ 11,237	\$ 15,732	\$ 46,366	\$ 67,560
Earnings (loss) per share					
Basic	\$ (0.05)	\$ 0.10	\$ 0.14	\$ 0.40	\$ 0.59
Diluted	\$ (0.05)	\$ 0.10	\$ 0.14	\$ 0.40	\$ 0.58

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

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	Quarter Ended				Year Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
<i>(in thousands, except per share amounts)</i>					
Revenues:					
License	\$ 41,356	\$ 53,714	\$ 56,236	\$ 82,625	\$ 233,931
Maintenance	58,634	57,830	60,457	69,033	245,954
Services	23,929	26,964	30,240	40,952	122,085
Hosting	38,078	67,322	67,006	90,552	262,958
Total revenues	161,997	205,830	213,939	283,162	864,928
Operating expenses:					
Cost of license (1)	5,918	6,169	5,888	7,349	25,324
Cost of maintenance, services and hosting (1)	61,871	82,573	80,948	93,123	318,515
Research and development	37,149	38,391	33,642	33,375	142,557
Selling and marketing	25,074	27,538	24,098	23,118	99,828
General and administrative	25,037	26,147	24,559	23,557	99,300
Depreciation and amortization	10,957	13,490	15,249	16,660	56,356
Total operating expenses	166,006	194,308	184,384	197,182	741,880
Operating income (loss)	(4,009)	11,522	29,555	85,980	123,048
Other income (expense):					
Interest expense	(3,897)	(6,053)	(7,453)	(9,818)	(27,221)
Interest income	131	211	159	158	659
Other, net	3,165	(1,519)	(3,152)	(1,821)	(3,327)
Total other income (expense)	(601)	(7,361)	(10,446)	(11,481)	(29,889)
Income (loss) before income taxes	(4,610)	4,161	19,109	74,499	93,159
Income tax expense (benefit)	(2,444)	2,280	5,347	24,108	29,291
Net income (loss)	\$ (2,166)	\$ 1,881	\$ 13,762	\$ 50,391	\$ 63,868
Earnings (loss) per share					
Basic (2) (3)	\$ (0.02)	\$ 0.02	\$ 0.12	\$ 0.43	\$ 0.54
Diluted (2) (3)	\$ (0.02)	\$ 0.02	\$ 0.12	\$ 0.43	\$ 0.53

- (1) The cost of software license fees excludes charges for depreciation but includes amortization of purchased and developed software for resale. The cost of maintenance, services and hosting fees excludes charges for depreciation.
- (2) The sum of the earnings per share by quarter does not agree to the earnings per share for the year ended December 31, 2013 due to rounding.
- (3) Earnings (loss) per share balances by quarter have been retroactively adjusted for the three-for-one stock split approved on July 10, 2014.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACI WORLDWIDE, INC.

(Registrant)

Date: February 26, 2015

By: /s/ PHILIP G. HEASLEY

Philip G. Heasley
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ PHILIP G. HEASLEY Philip G. Heasley	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	February 26, 2015
/s/ SCOTT W. BEHRENS Scott W. Behrens	Senior Executive Vice President, Chief Financial Officer and Chief Accounting Officer <i>(Principal Financial Officer)</i>	February 26, 2015
/s/ HARLAN F. SEYMOUR Harlan F. Seymour	Chairman of the Board and Director	February 26, 2015
/s/ JAN H. SUWINSKI Jan H. Suwinski	Director	February 26, 2015
/s/ JOHN D. CURTIS John D. Curtis	Director	February 26, 2015
/s/ JOHN M. SHAY JR. John M. Shay Jr.	Director	February 26, 2015
/s/ JAMES C. MCGRODDY James C. McGroddy	Director	February 26, 2015
/s/ JOHN E. STOKELY John E. Stokely	Director	February 26, 2015
/s/ DAVID POE David Poe	Director	February 26, 2015

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Exhibit No.	Description
2.01 (1)	Transaction Agreement by and among ACI Worldwide, Inc., Antelope Acquisition Co., LLC and S1 Corporation
2.02 (2)	Transaction Agreement, dated January 30, 2013, by and among ACI Worldwide, Inc., Ocelot Acquisition Corp. and Online Resources Corporation.
2.03 (3)	Agreement and Plan of Merger, dated September 23, 2013, by and among ACI Worldwide, Inc., Olympic Acquisition Corp. and Official Payments Holdings, Inc.
2.04 (4)	Share Purchase Agreement dated July 21, 2014, by and among ACI Worldwide Corp., Applied Communications Inc. U.K. Holding Limited, Retail Decisions Limited and Cardcast Limited
3.01 (5)	2013 Amended and Restated Certificate of Incorporation of the Company
3.02 (6)	Amended and Restated Bylaws of the Company
4.01 (7)	Form of Common Stock Certificate
4.02 (8)	Indenture, dated as of August 20, 2013, among the ACI Worldwide, Inc., the guarantors listed therein, and Wilmington Trust, National Association, as trustee
4.03	Form of 6.375% Senior Notes due 2020 (included as Exhibit A to Exhibit 4.02)
10.01 (9)*	Stock and Warrant Holders Agreement, dated as of December 30, 1993
10.02 (10)*	ACI Holding, Inc. 1994 Stock Option Plan, as amended
10.03 (11)*	Transaction Systems Architects, Inc. 1996 Stock Option Plan, as amended
10.04 (12)*	ACI Worldwide, Inc. 1999 Stock Option Plan, as amended
10.05 (13)*	ACI Worldwide, Inc. 1999 Employee Stock Purchase Plan, as amended
10.06 (14)*	Transaction Systems Architects, Inc. 2002 Non-Employee Director Stock Option Plan, as amended
10.07 (15)*	ACI Worldwide, Inc. 2005 Equity and Performance Incentive Plan, as amended
10.08 (16)*	Form of Severance Compensation Agreement (Change-in-Control) between the Company and certain officers, including executive officers
10.09 (17)*	Form of Indemnification Agreement between the Company and certain officers, including executive officers
10.10 (18)*	Form of Stock Option Agreement for the Company s 1994 Stock Option Plan
10.11 (19)*	Form of Stock Option Agreement for the Company s 1996 Stock Option Plan
10.12 (20)*	Form of Stock Option Agreement for the Company s 1999 Stock Option Plan
10.13 (21)*	Form of Stock Option Agreement for the Company s 2002 Non-Employee Director Plan
10.14 (22)*	Form of Nonqualified Stock Option Agreement Non-Employee Director for the Company s 2005 Equity and Performance Incentive Plan, as amended
10.15 (23)*	Form of Nonqualified Stock Option Agreement Employee for the Company s 2005 Equity and Performance Incentive Plan, as amended
10.16 (24)*	Form of LTIP Performance Shares Agreement for the Company s 2005 Equity and Performance Incentive Plan, as amended
10.17 (25)*	Amended and Restated Employment Agreement by and between the Company and Philip G. Heasley, dated January 7, 2009
10.18 (26)*	Stock Option Agreement by and between the Company and Philip G. Heasley, dated March 9, 2005

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Exhibit No.	Description
10.19 (27)*	Executive Management Incentive Compensation Plan
10.20 (28)*	ACI Worldwide, Inc. 2013 Executive Management Incentive Compensation Plan
10.21 (29)*	Form of Change-in-Control Employment Agreement between the Company and certain officers, including executive officers
10.22 (30)*	Form of Restricted Share Award Agreement for the Company's 2005 Equity and Performance Incentive Plan, as amended
10.23 (31)*	Amended and Restated Deferred Compensation Plan
10.24 (32)	Credit Agreement, dated November 10, 2011, by and among ACI Worldwide, Inc., Wells Fargo Bank, N.A. and the lenders that are party thereto
10.25 (33)	First Amendment and Consent and Waiver No. 3 to Credit Agreement, dated September 11, 2012, by and among ACI Worldwide, Inc., the subsidiary guarantors thereto, Wells Fargo Bank, National Association and the other lenders party thereto
10.26 (34)	Incremental Term Loan Agreement, dated March 7, 2013, by and among ACI Worldwide, Inc., Wells Fargo Bank, National Association, as Administrative Agent, and the lenders that are party thereto
10.27 (35)	Fourth Amendment to Credit Agreement, dated August 20, 2013, by and among ACI Worldwide, Inc., the subsidiary guarantors thereto, Wells Fargo Bank, National Association, as administrative agent, and the lenders that are party thereto
10.28 (36)	Form of Restricted Share Award Agreement – Non-Employee Director for the Company's 2005 Equity and Performance Incentive Plan, as amended
10.29 (37)	Fifth Amendment to Credit Agreement and Second Amendment to Collateral Agreement, dated August 12, 2014, among ACI Worldwide, Inc., the subsidiary guarantors party thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and Bank of America, N.A., as lead arranger
10.30 (38)	Lender Addition and Acknowledgement Agreement, dated August 12, 2014, by and among ACI Worldwide, Inc., the subsidiary guarantors party thereto, the incremental term lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and Bank of America, N.A., as lead arranger
10.31 (39)	Form of 2015 Supplemental Performance Shares Agreement for the Company's 2005 Equity and Performance Incentive Plan, as amended
10.32 (40)	Form of 2015 Supplemental Non-Qualified Stock Option Agreement for the Company's 2005 Equity and Performance Incentive Plan, as amended
10.33 (41)	Form of 2015 Performance Shares Agreement for the Company's 2005 Equity and Performance Incentive Plan, as amended
10.34 (42)	Form of 2015 Non-Qualified Stock Option Agreement – Employee for the Company's 2005 Equity and Performance Incentive Plan, as amended
21.01	Subsidiaries of the Registrant (filed herewith)
23.01	Consent of Independent Registered Public Accounting Firm (filed herewith) – Deloitte & Touche LLP
31.01	Certification of Chief Executive Officer pursuant to S.E.C. Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.02	Certification of Chief Financial Officer pursuant to S.E.C. Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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Exhibit No.	Description
32.01 **	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.02 **	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
(1)	Incorporated herein by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed October 3, 2011.
(2)	Incorporated herein by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed January 30, 2013.
(3)	Incorporated herein by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed September 23, 2013.
(4)	Incorporated herein by reference to Exhibit 2.04 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2014.
(5)	Incorporated herein by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed June 24, 2014.
(6)	Incorporated herein by reference to Exhibit 3.02 to the registrant's current report on Form 8-K filed December 18, 2008.
(7)	Incorporated herein by reference to Exhibit 4.01 to the registrant's Registration Statement No. 33-88292 on Form S-1.
(8)	Incorporated herein by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed August 20, 2013.
(9)	Incorporated herein by reference to Exhibit 10.9 to the registrant's Registration Statement No. 33-88292 on Form S-1.
(10)	Incorporated herein by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the period ended March 31, 2006.
(11)	Incorporated herein by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q for the period ended March 31, 2006.
(12)	Incorporated herein by reference to Exhibit 10.4 to the registrant's quarterly report on Form 10-Q for the period ended March 31, 2006.
(13)	Incorporated herein by reference to Exhibit 10.5 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2014.
(14)	Incorporated herein by reference to Exhibit 10.7 to the registrant's quarterly report on Form 10-Q for the period ended March 31, 2006.
(15)	Incorporated herein by reference to Exhibit 10.7 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2014.
(16)	Incorporated herein by reference to Exhibit 10.9 to the registrant's annual report on Form 10-K for the year ended December 31, 2009.
(17)	Incorporated herein by reference to Exhibit 10.10 to the registrant's annual report on Form 10-K for the year ended December 31, 2009.
(18)	Incorporated herein by reference to Exhibit 10.18 to the registrant's annual report on Form 10-K for the fiscal year ended September 30, 2004.
(19)	Incorporated herein by reference to Exhibit 10.19 to the registrant's annual report on Form 10-K for the fiscal year ended September 30, 2004.

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- (20) Incorporated herein by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2007.
- (21) Incorporated herein by reference to Exhibit 10.23 to the registrant's annual report on Form 10-K for the fiscal year ended September 30, 2004.
- (22) Incorporated herein by reference to Exhibit 10.17 to the registrant's annual report on Form 10-K for the year ended December 31, 2009.
- (23) Incorporated herein by reference to Exhibit 10.18 to the registrant's annual report on Form 10-K for the year ended December 31, 2009.
- (24) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed December 16, 2009.
- (25) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on January 7, 2009.
- (26) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on March 10, 2005.
- (27) Incorporated herein by reference to Annex A to the registrant's Proxy Statement for its 2008 Annual Meeting (File No. 000-25346) filed on April 21, 2008.
- (28) Incorporated herein by reference to Annex A to the registrant's Proxy Statement for its 2013 Annual Meeting (File No. 000-25346) filed on April 29, 2013.
- (29) Incorporated herein by reference to Exhibit 10.1 the registrant's current report on Form 8-K filed January 7, 2009.
- (30) Incorporated herein by reference to Exhibit 10.29 to the registrant's annual report on Form 10-K for the year ended December 31, 2009.
- (31) Incorporated herein by reference to Exhibit 4.3 to the registrant's Registration Statement No. 333-169293 on Form S-8 filed September 9, 2010
- (32) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed November 14, 2011.
- (33) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed September 17, 2012.
- (34) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed March 11, 2013.
- (35) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed August 20, 2013.
- (36) Incorporated herein by reference to Exhibit 10.28 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2014.
- (37) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed August 18, 2014.
- (38) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed August 18, 2014.
- (39) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed January 30, 2015.
- (40) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed January 30, 2015.
- (41) Incorporated herein by reference to Exhibit 10.3 to the registrant's current report on Form 8-K filed January 30, 2015.
- (42) Incorporated herein by reference to Exhibit 10.4 to the registrant's current report on Form 8-K filed January 30, 2015.

* Denotes exhibit that constitutes a management contract, or compensatory plan or arrangement.

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