

Nuance Communications, Inc.
Form DEF 14A
December 18, 2014

(RULE 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

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

NUANCE COMMUNICATIONS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act rules 14a-6(i)(1) and 0-11.

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

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(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders:

The Annual Meeting of Stockholders of Nuance Communications, Inc. (the Company) will be held at the Company's office located at 1198 East Arques Avenue, Sunnyvale, CA 94085, on January 27, 2015 at 2:00 p.m. local time, for the purpose of considering and acting upon the following proposals:

- (1) To elect nine members of the Board of Directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;
- (2) To approve the Company's Amended and Restated 2000 Stock Plan, as described in the attached Proxy Statement;
- (3) To approve the Company's Amended and Restated 1995 Employee Stock Purchase Plan, as described in the attached Proxy Statement
- (4) To approve the Company's Amended and Restated 1995 Directors' Stock Plan, as described in the attached Proxy Statement
- (5) To approve a non-binding advisory resolution regarding the compensation of the Company's named executive officers;
- (6) To ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2015; and

- (7) To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

We will be using the U.S. Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders via the Internet. Pursuant to these rules, instead of mailing a printed copy of the Company's proxy materials to each stockholder we have elected to provide access to our proxy materials over the Internet. Accordingly, with the exception of certain requesting stockholders who will receive printed copies of the Company's proxy materials by mail, stockholders of record will receive a Notice of Internet Availability of Proxy Materials and may vote at the Annual Meeting and any postponements or adjournments of the meeting. We expect to mail the Notice of Internet Availability of Proxy Materials by December 18, 2014, at least 40 calendar days prior to the Annual Meeting date.

The Board of Directors has fixed the close of business on December 3, 2014 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any postponements or adjournments thereof. A list of stockholders entitled to vote at the Annual Meeting will be available at the meeting being held at 1198 East Arques Avenue, Sunnyvale, CA 94085 and for ten days prior to the Annual Meeting.

The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 accompanies this Notice of Annual Meeting of Stockholders and Proxy Statement. These documents may also be accessed on the Broadridge Financial hosted site www.proxyvote.com.

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

By Order of the Board of Directors,

Adam Bruce Bowden

Secretary

Burlington, Massachusetts

December 18, 2014

NUANCE COMMUNICATIONS, INC.

1 Wayside Road

Burlington, MA 01803

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

Important Notice Regarding the Availability of Proxy Materials for

the Annual Meeting of Stockholders to be Held on January 27, 2015

- 1. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.**
- 2. The Company's proxy statement and Annual Report on Form 10-K for the fiscal year ended September 30, 2014 are available at the Broadridge Financial hosted site www.proxyvote.com. Please have the information that is printed in the box marked by the arrow g and follow the sample instructions to vote.**
- 3. If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before January 13, 2015 to facilitate timely delivery. Shareholders may select one of the following methods:**
 - 1) By Internet: www.proxyvote.com**
 - 2) By Telephone: [1-800-579-1639](tel:1-800-579-1639)**
 - 3) By E-Mail*: sendmaterials@proxyvote.com**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

January 27, 2015

This Proxy Statement is furnished in connection with the solicitation by Nuance Communications, Inc. (the "Company") on behalf of the Board of Directors (the "Board" or the "Board of Directors") of proxies for use at the Annual Meeting of Stockholders of the Company to be held on January 27, 2015 at 2:00 p.m., local time, at the Company's office located at 1198 East Arques Avenue, Sunnyvale, CA 94085 (the "Annual Meeting"). We intend to mail and make available this Proxy Statement and the accompanying form of proxy to stockholders on or about December 18, 2014.

VOTING RIGHTS

Each share of the Company's common stock (the "Common Stock") entitles the holder thereof to one vote on matters to be acted upon at the Annual Meeting, including the election of directors. Votes cast in person or by proxy at the Annual Meeting will be tabulated by Broadridge Financial Solutions, Inc., the Inspector of Elections. Any proxy that is returned using the form of proxy enclosed or voted by Internet according to the instructions included on the proxy card will be voted in accordance with the instructions thereon, and if no instructions are given, will be voted (i) FOR the election of the director nominees as provided under Proposal 1 herein, (ii) FOR approval of the Company's Amended and Restated 2000 Stock Plan under Proposal 2 herein, (iii) FOR approval of the Company's Amended and Restated 1995 Employee Stock Purchase Plan under Proposal 3 herein, (iv) FOR approval of the Company's Amended and Restated 1995 Directors' Stock Plan under Proposal 4 herein, (v) FOR the nonbinding advisory resolution regarding the compensation of the Company's named executive officers under Proposal 5 herein, (vi) FOR ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm under Proposal 6 herein, and (vii) as the proxy holders deem advisable in their sole discretion on any other matters that may properly come before the Annual Meeting. A stockholder may indicate on the enclosed proxy or its substitute that it is abstaining from voting on a particular matter (an "abstention"). A broker may indicate on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter (a "broker non-vote"). Abstentions and broker non-votes are each tabulated separately.

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

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

RECORD DATE AND SHARE OWNERSHIP

Holders of record of Common Stock as of the close of business on December 3, 2014 have the right to receive notice of and to vote at the Annual Meeting. On December 3, 2014, the Company had issued and outstanding 322,715,600 shares of Common Stock.

PROXIES

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

STOCKHOLDER PROPOSALS

Proposals of stockholders that are intended to be presented at the Company's 2016 Annual Meeting of Stockholders must comply with the requirements of SEC Rule 14a-8 and must be received by the Company no later than August 20, 2015 in order to be included in the Company's proxy statement and form of proxy relating to the meeting. A stockholder proposal or a nomination for director for the Company's 2016 Annual Meeting of Stockholders that is not to be included in the Company's proxy statement and form of proxy relating to the meeting must be received by the Company no earlier than September 29, 2015 and no later than October 29, 2015. The Company's bylaws require that certain information and acknowledgements with respect to the proposal or nomination be set forth in the stockholder's notice. A copy of the relevant bylaw provision is available upon written request to Nuance Communications, Inc., 1 Wayside Road, Burlington, MA 01803, Attention: Investor Relations. Further, our Amended and Restated Bylaws dated as of November 6, 2007 (the "Bylaws") were filed as an exhibit to our Current Report on Form 8-K, filed with the Securities and Exchange Commission (the "SEC") on November 13, 2007.

PROXY SOLICITATION COSTS

The expense of solicitation of proxies will be borne by the Company. In addition to solicitation of proxies by mail, certain officers, directors and Company employees, who will receive no additional compensation for their services, may solicit proxies by telephone, telegraph or in person. The Company is required to request brokers and nominees who hold stock in their name to furnish this proxy material to beneficial owners of the stock and will reimburse such brokers and nominees for their reasonable out-of-pocket expenses in so doing. In addition, we have engaged Alliance Advisors to assist in the solicitation of proxies and provide related advice and informational support for a service fee of \$16,000 plus reimbursement of out-of-pocket expenses.

PROPOSAL NUMBER 1

ELECTION OF DIRECTORS

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

Information Regarding the Nominees for Election as Directors

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

Paul A. Ricci, 58, has served as our Chairman since March 2, 1999 and our Chief Executive Officer since August 21, 2000. From May 1992 to August 2000, Mr. Ricci held several positions at Xerox including, President, Desktop Systems Division, President, Software Solutions Division, and Vice President, Corporate Business Development. Between June 1997 and March 1999, Mr. Ricci served as Chairman of the Board of Directors of Nuance Communications, Inc. (formerly, ScanSoft Inc.), which was then operating as an indirect wholly-owned subsidiary of Xerox. Mr. Ricci's leadership position at the Company, his management abilities and experience, and his extensive knowledge of our industry qualify him to serve as a member of our Board of Directors.

Robert J. Frankenberg, 67, has served as a director since March 13, 2000. Mr. Frankenberg is owner of NetVentures, a management consulting firm. From December 1999 to July 2006, Mr. Frankenberg served as Chairman of Kinzan, Inc., an Internet Services software platform provider. From May 1997 to July 2000, Mr. Frankenberg served as Chairman, President and Chief Executive Officer of Encanto Networks, Inc., a developer of hardware and software designed to enable the creation of businesses on the Internet. From April 1994 to August 1996, Mr. Frankenberg was Chairman, President and Chief Executive Officer of Novell, Inc., a producer of network and office software. Mr. Frankenberg is a director of Wave Systems, Inc., Polycom Inc. and Rubicon Project, Inc. Mr. Frankenberg also serves on several boards of privately held companies. Previously, Mr. Frankenberg served as a director of National Semiconductor, Electroglas, Inc., Extended Systems Incorporated and Secure Computing Inc. Mr. Frankenberg serves as Chairman of our Audit and Compensation Committees and also serves on our Governance and Nominating Committees. Mr. Frankenberg's experience as chairman, president and chief executive officer of numerous technology companies and his significant board experience (both with the Company and elsewhere) provides expertise in technology, business operations, corporate development, strategy, financial reporting, governance and board best practices.

Brett Icahn, 35, has served as a director since October 7, 2013. Mr. Icahn is currently responsible for co-executing an investment strategy across all industries as a Portfolio Manager of the Sargon Portfolio for Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds. Prior to April 2010, Mr. Icahn served as an investment analyst for Icahn Capital LP and in a variety of investment advisory roles for Carl Icahn since 2002. Mr. Icahn was previously a director of: Cadus Corporation, a company engaged in the ownership and licensing of yeast-based drug discovery technologies, from January 2010 to February 2014; Voltari Corporation, a mobile data services provider, from January 2010 to August 2014; American Railcar Industries, Inc., a railcar manufacturing company, from January 2007 to June 2014; Take-Two Interactive Software Inc., a publisher of interactive entertainment products, from April 2010 to November 2013; and The Hain Celestial Group, Inc., a natural and organic products company, from July 2010 to November 2013. American Railcar Industries is indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in our

Company, Hain Celestial, Take-Two Interactive Software, Cadus, and Voltari through the ownership of securities. Brett Icahn is Carl Icahn's son. Mr. Icahn received a B.A. from Princeton University. Mr. Icahn was appointed to the Board pursuant to the Nomination and Standstill Agreement. Mr. Icahn serves on our Board of Directors as a designee of Carl Icahn and his affiliated entities. Mr. Icahn's experience in investing and service on other boards of directors provides expertise in investing, corporate strategy and corporate governance.

William H. Janeway, 71, has served as a director since April 2004. Mr. Janeway is a Senior Advisor at Warburg Pincus LLC and has been employed by Warburg Pincus LLC since July 1988. Prior to joining Warburg Pincus LLC, Mr. Janeway served as Executive Vice President and a director at Eberstadt Fleming Inc. from 1979 to July 1988. Mr. Janeway is a director of several privately held companies. Mr. Janeway holds a B.A. from Princeton University and a Ph.D. from Cambridge University, where he studied as a Marshall Scholar. From 2004 through 2013 affiliates of Warburg Pincus owned more than 10% of the shares of the Company. Mr. Janeway serves on our Nominating Committee. As a private equity investor, Mr. Janeway brings strategic insights and financial experience to the Board. He has evaluated, invested in and served as a board member on numerous companies and is familiar with a full range of corporate and board functions.

Mark R. Laret, 60, has served as a director since June 3, 2010. Since April 2000, Mr. Laret has served as CEO of the University of California San Francisco Medical Center. Mr. Laret serves as a director of Varian Medical Systems, Inc. Mr. Laret earned a B.A. from UCLA and a master's degree in political science from the University of Southern California. Mr. Laret serves on our Audit and Governance Committees. Mr. Laret's corporate executive experience in the healthcare industry, his significant professional expertise and background in medical and technical issues qualifies him to be a member of our Board of Directors.

Katharine A. Martin, 52, has served as a director since December 17, 1999. Since September 1999, Ms. Martin has served as a Member of Wilson Sonsini Goodrich & Rosati, Professional Corporation. Prior thereto, Ms. Martin was a Partner of Pillsbury Madison & Sutro LLP. Ms. Martin also serves on the board of directors of Wilson Sonsini Goodrich & Rosati, a Professional Corporation, the Wilson Sonsini Goodrich & Rosati Foundation, a nonprofit organization, The Ronald McDonald House at Stanford, a nonprofit organization and WildAid, a nonprofit organization. Ms. Martin serves as Chairman of our Governance Committee. Ms. Martin has twenty-six years' experience practicing corporate and securities law, and has extensive experience representing public companies. Ms. Martin brings to the Board expertise in corporate governance, acquisitions, capital market transactions and securities law.

Mark B. Myers, 76, has served as a director since March 2, 1999. Dr. Myers served as Senior Vice President, Xerox Research and Technology from February 1992 until April 2000. From 2000 to 2005, Dr. Myers was a Senior Fellow, and from 2002 to 2005 was a visiting Executive Professor, at the Wharton School, University of Pennsylvania. Dr. Myers serves as Chairman of our Nominating Committee and also serves on our Audit and Compensation Committees. Mr. Myers brings to the Board his extensive experience in the technology industry and his service as a director of the Company since 1999, which affords him unique perspectives on our growth and evolution.

Philip J. Quigley, 72, has served as a director since the consummation of our acquisition of the former Nuance Communications, Inc. in September 2005, and was originally appointed to the Board in accordance with the terms of the Merger Agreement pursuant to which the Company acquired the former Nuance Communications, Inc. Mr. Quigley served as Chairman, President, and Chief Executive Officer of Pacific Telesis Group, a telecommunications holding company in San Francisco, California, from April 1994 until his retirement in December 1997. He also serves as a director of Wells Fargo & Company from 1994 to April 2013. Mr. Quigley serves as an advisor or director to several private organizations. Mr. Quigley serves on our Audit Committee. Mr. Quigley has extensive leadership and business management experience, which he acquired over a 30-year career in the telecommunications industry, including during that time as chairman, president and CEO of Pacific Telesis Group. Mr. Quigley's experience at Pacific Telesis included mergers and acquisitions, and also provided him with extensive financial management experience.

David S. Schechter, 39, has served as a director since October 7, 2013. Mr. Schechter is currently responsible for co-executing an investment strategy across all industries as a Portfolio Manager of the Sargon Portfolio for Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds. Prior to April 2010,

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

Required Vote

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

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

CORPORATE GOVERNANCE

Board of Director Meetings and Committees

The Board of Directors held a total of seven meetings during the fiscal year ended September 30, 2014. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and the committees of the Board of Directors on which he or she served.

Board Independence

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

Committees of the Board of Directors

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

Audit Committee

The Audit Committee currently consists of Messrs. Frankenberg, Laret, Myers and Quigley, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable U.S. Securities and Exchange Commission, or SEC, rules and the listing standards of the NASDAQ Stock Market. The Audit Committee held six meetings during the fiscal year ended September 30, 2014. Mr. Frankenberg serves as Chairman of the Audit Committee.

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

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

The Audit Committee Report is included in this Proxy Statement. In addition, the Board of Directors adopted an Amended and Restated Charter for the Audit Committee in February 2004, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/audit-committee/index.htm>

Nominating Committee

The Nominating Committee currently consists of Messrs. Frankenberg, Myers and Janeway, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable U.S. Securities and Exchange Commission, or SEC, rules and the listing standards of the NASDAQ Stock Market. Mr. Myers serves as the Chairman of the Nominating Committee. The Nominating Committee held one meeting during the fiscal year ended September 30, 2014.

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

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

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

Governance Committee

The Governance Committee currently consists of Ms. Martin and Messrs. Frankenberg and Laret, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable SEC rules and the listing standards of the NASDAQ Stock Market. Ms. Martin serves as the Chairman of the Governance Committee. The Governance Committee held one meeting during the fiscal year ended September 30, 2014.

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

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

Compensation Committee

The Compensation Committee currently consists of Messrs. Frankenberg and Myers, each of whom is (i) independent within the meaning of the listing standards of the NASDAQ Stock Market, (ii) a non-employee director within the meaning of Section 16 of the Exchange Act and (iii) an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Frankenberg serves as the Chairman of the Compensation Committee. During the fiscal year ended September 30, 2014, Patrick T. Hackett served on the Compensation Committee until his resignation from the Board of Directors effective August 20, 2014. The Compensation Committee held six meetings during the fiscal year ended September 30, 2014.

The mandate of the Compensation Committee is to review and recommend to the Board of Directors the Company's compensation and benefit policies, and oversee, evaluate and approve compensation plans, policies and practices for the Company's executive officers. The Board of Directors adopted a written charter for the Compensation Committee in February 2004, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/compensation-committee/index.htm>

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

Consideration of Director Nominees

Stockholder Nominees

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

holders. In addition, stockholder nominations should be submitted within the time frame as specified under *Stockholder Proposals* above and addressed to: Nuance Communications, Inc., Attention: General Counsel, 1 Wayside Road, Burlington, MA 01803.

A stockholder that instead desires to merely recommend a candidate for consideration by the Nominating Committee shall direct the recommendation in writing to Nuance Communications, Inc., Attention: General Counsel, 1 Wayside Road, Burlington, MA 01803, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the nominating person's ownership of Company stock.

Director Qualifications

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

Identifying and Evaluating Nominees for Directors

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

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

Compensation Committee Interlocks and Insider Participation

The Compensation Committee currently consists of Messrs. Frankenberg and Myers. Patrick T. Hackett also served on the Compensation Committee until his resignation from the Board of Directors effective August 20, 2014. None of the members of the Compensation Committee has been or is an officer or employee of the Company. None of the Company's executive officers serve on the board of directors or compensation committee of a company that has an executive officer that serves on the Company's Board or Compensation Committee.

Annual Meeting Attendance

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meetings of stockholders, directors are encouraged to attend annual meetings of the Company. Eight of our then-eleven directors attended the 2014 annual meeting of stockholders.

Communication with the Board of Directors

Although we do not have a formal policy regarding communications with the Board of Directors, stockholders who are interested in communicating with the Board of Directors are encouraged to do so by submitting an email to generalcounsel@nuance.com or by writing to us at Nuance Communications, Inc., Attention: General Counsel, 1 Wayside Road, Burlington, MA 01803. Stockholders who would like their submission directed to a member of the Board of Directors may so specify.

Code of Ethics

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees on February 24, 2004. Our Code of Business Conduct and Ethics can be found on our website: <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/code-of-ethics/index.htm> . We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such a request should be made in writing and addressed to Nuance Communications, Inc., Attention: Investor Relations, 1 Wayside Road, Burlington, MA 01803. Further, our Code of Business Conduct and Ethics was filed as an exhibit to our Annual Report on Form 10-K, filed with the SEC on March 15, 2004.

Stock Ownership Guidelines

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

Corporate Governance Guidelines

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

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

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

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

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

Board's Role in Risk Oversight

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

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

The Board's Leadership Structure

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

Compensation Risk Assessment

In November 2014, the Compensation Committee and management considered whether the Company's compensation programs for employees create incentives for employees to take excessive or unreasonable risks that could materially harm the Company. The Compensation Committee believes that our compensation programs are typical for our industry and that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Compensation of Non-Employee Directors

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

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

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

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

The following table provides information regarding the actual cash and equity compensation earned, paid to and received by the non-employee members of the Board of Directors during fiscal 2014:

FISCAL 2014 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1) (2)	Total (\$)
Robert J. Frankenberg	135,000	226,485	361,485
Patrick T. Hackett	61,250	226,485	287,735
Brett Icahn	50,000	554,670	604,670
William H. Janeway	53,750	226,485	280,235
Mark R. Laret	68,750	226,485	295,235
Katharine A. Martin	60,000	226,485	286,485
Mark B. Myers	90,000	226,485	316,485
Philip J. Quigley	65,000	226,485	291,485
David S. Schechter	50,000	554,670	604,670
Robert G. Teresi	13,750	226,485	240,235

- (1) Amounts reported in the Stock Awards column represent the grant date fair value with respect to the restricted stock unit awards granted to their non-employee members of the Board of Directors during fiscal 2014, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation-Stock Compensation* (FASB ASC Topic 718) based on the closing market price of the Company's common stock on the grant date (which was \$15.10 per share for the annual award and \$18.49 for the initial awards issued to Messrs. Icahn and Schechter). During fiscal 2014, non-employee directors forfeited 45,000 shares. Mr. Teresi forfeited 15,000 shares upon his resignation from the Board on February 3, 2014 and Mr. Hackett forfeited 30,000 shares upon his resignation from the Board on August 20, 2014. The grant date fair value of each restricted stock unit award granted during fiscal 2014 is set forth in the following table:

Name	Grant Date	Shares	Value
Mr. Frankenberg	January 1, 2014	15,000	\$ 226,485
Mr. Hackett	January 1, 2014	15,000	\$ 226,485
Mr. Icahn	October 7, 2013	30,000	\$ 554,670
Mr. Janeway	January 1, 2014	15,000	\$ 226,485
Mr. Laret	January 1, 2014	15,000	\$ 226,485
Ms. Martin	January 1, 2014	15,000	\$ 226,485
Mr. Myers	January 1, 2014	15,000	\$ 226,485
Mr. Quigley	January 1, 2014	15,000	\$ 226,485
Mr. Schechter	October 7, 2013	30,000	\$ 554,670
Mr. Teresi	January 1, 2014	15,000	\$ 226,485

(2) The aggregate number of unvested shares of the Company's common stock subject to outstanding stock awards held by each non-employee member of the Board of Director as of September 30, 2014 is set forth in the following table:

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

The aggregate number of shares (all of which are vested) of the Company's common stock subject to outstanding stock options held by each non-employee member of the Board of Director as of September 30, 2014 is set forth in the following table. There were no stock options granted to the non-employee directors during fiscal 2014.

Name	Shares Subject to Outstanding Stock Options
Mr. Frankenberg	30,000
Mr. Hackett	
Mr. Icahn	
Mr. Janeway	