

AFFILIATED COMPUTER SERVICES INC

Form DEF 14A

April 11, 2008

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

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Affiliated Computer Services, 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)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:
  
  - 2) Form, Schedule or Registration Statement No.:
  
  - 3) Filing Party:
  
  - 4) Date Filed:
-

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**AFFILIATED COMPUTER SERVICES, INC.  
2828 North Haskell Avenue  
Dallas, Texas 75204**

**April 11, 2008**

Dear Stockholder:

It is my pleasure to invite you to the Annual Meeting of Stockholders of Affiliated Computer Services, Inc. to be held on May 22, 2008 at 11:00 a.m., CDT at Cityplace Conference Center, 2711 North Haskell Avenue, Dallas, Texas 75204. The Notice of the Annual Meeting and Proxy Statement, which are attached, provide information concerning the matters to be considered at the Annual Meeting. The Annual Meeting will cover only the business contained in the Proxy Statement and will not include a management presentation.

Pursuant to new rules promulgated by the Securities and Exchange Commission, we are providing access to our proxy materials over the Internet. As a result, we are mailing to all of our stockholders a Notice of Internet Availability of Proxy Materials (Notice) instead of a paper copy of this Proxy Statement and our Annual Report. The Notice contains instructions on how to access those documents over the Internet, as well as instructions on how to request a paper copy of our proxy materials. We believe that this new process will reduce the environmental impact and lower the costs of printing and distributing our proxy materials.

Please note that only stockholders of record as of the close of business on March 28, 2008 will be eligible to vote at the Annual Meeting. Your vote is important. You may vote by Internet or by telephone using the instructions on the Notice, or, if you received a paper copy of the proxy card, by signing and returning it in the envelope provided.

We look forward to seeing you at the meeting.

Very truly yours,

Darwin Deason  
*Founder and Chairman of the Board*

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**AFFILIATED COMPUTER SERVICES, INC.  
2828 North Haskell Avenue  
Dallas, Texas 75204**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

- Date and Time:** May 22, 2008, 11:00 a.m., Central time, Dallas, Texas
- Place of Meeting:** Cityplace Conference Center, 2711 North Haskell Avenue, Dallas, Texas 75204
- Business to be Conducted:**
1. To elect directors to hold office for a one-year term and until their respective successors shall have been duly elected and qualified.
  2. To consider and vote on the fiscal year 2008 performance-based incentive compensation for certain of our executive officers.
  3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.
  4. To consider and vote on a stockholder proposal if properly presented at the annual meeting.
  5. To transact such other business as may properly come before the meeting.
- Adjournments and Postponements:** Any action on the business to be conducted may be considered at the date and time of the annual meeting as specified above or at any time or date to which the annual meeting may be properly adjourned and postponed.
- Record Date:** You are entitled to vote at the Annual Meeting if you were a stockholder of record as of the close of business on March 28, 2008.
- Voting Rights:**
- A holder of shares of ACS Class A common stock is entitled to one vote, in person or by proxy, for each share of Class A common stock on all matters properly brought before the Annual Meeting.
- A holder of shares of ACS Class B common stock is entitled to ten votes, in person or by proxy, for each share of Class B common stock on all matters properly brought before the Annual Meeting.
- By Order of the Board of Directors
- Tas Panos  
*Corporate Secretary*

**Your vote is very important.**

**Whether or not you plan to attend the Annual Meeting you are encouraged to read the Proxy Statement and vote your shares as soon as possible.**

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**AFFILIATED COMPUTER SERVICES, INC.  
2828 North Haskell Avenue  
Dallas, Texas 75204**

**PROXY STATEMENT  
for  
ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 22, 2008**

**GENERAL INFORMATION**

**QUESTIONS AND ANSWERS**

**Why did I receive this proxy statement?**

This proxy statement is being furnished to you as a stockholder of record, as of March 28, 2008, of Affiliated Computer Services, Inc., a Delaware corporation, in connection with the solicitation by our Board of Directors of proxies to be voted at the Annual Meeting of Stockholders to be held on May 22, 2008. As a stockholder, you are invited to attend the Annual Meeting and are entitled to and are requested to vote on the items of business described in this proxy statement. On or about April 11, 2008, we mailed to our stockholders of record as of the close of business on March 28, 2008 a Notice Regarding the Availability of Proxy Materials containing instructions on how to access this proxy statement and our annual report online.

All references, unless otherwise noted, to the Company, we, our, us and ACS in this proxy statement refer to Affiliated Computer Services, Inc. (and its subsidiaries).

**When and where is the Annual Meeting to be held?**

The Annual Meeting of Stockholders will be held at Cityplace Conference Center, 2711 North Haskell Avenue, Dallas, Texas 75204, on May 22, 2008, at 11:00 a.m., Central time, Dallas, Texas, or at any adjournments thereof, for the purposes stated in the Notice of Annual Meeting.

**Internet Availability of Proxy Materials**

Under rules recently adopted by the Securities and Exchange Commission ( SEC ), we are now primarily furnishing proxy materials to our stockholders on the Internet, rather than mailing paper copies of the materials (including our Annual Report on Form 10-K for the fiscal year ended June 30, 2007, as amended by our Form 10-K/A filed on October 19, 2007 and as further amended by our Form 10-K/A filed on April 11, 2008) to each stockholder. If you received only a Notice Regarding the Availability of Proxy Materials (the Notice ) by mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice will instruct you as to how you may vote your shares. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet. If you received a Notice by mail or electronic mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice.

The Notice was mailed to our stockholders of record on the record date on or about April 11, 2008.

**What information is contained in this proxy statement?**

This proxy statement lets our stockholders know when and where we will hold the Annual Meeting. Additionally, this proxy statement:

Includes information regarding the matters that will be discussed and voted on at the Annual Meeting, and

Provides information about the Company that our stockholders should consider in order to make an informed decision at the Annual Meeting.

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**What items of business will be voted on at the Annual Meeting?**

The items of business scheduled to be voted on at the Annual Meeting are:

Proposal 1: A proposal to elect directors to hold office for a one-year term or until their respective successors shall have been duly elected and qualified.

Proposal 2: A proposal to approve the fiscal year 2008 performance-based incentive compensation for our executive officers.

Proposal 3: A proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

Proposal 4: A stockholder proposal.

We also will consider any other business that properly comes before the Annual Meeting.

**What shares can I vote at the Annual Meeting?**

Our Board of Directors has fixed the close of business on March 28, 2008 as the record date for the Annual Meeting. Only holders of record of the outstanding shares of Class A common stock and Class B common stock at the close of business on the record date are entitled to vote at the Annual Meeting or any adjournments thereof.

A holder of shares of Class A common stock is entitled to one vote, in person or by proxy, for each share of Class A common stock standing in his or her name on our books on the record date on any matter properly presented to a vote of the stockholders at the Annual Meeting.

A holder of shares of Class B common stock is entitled to ten votes, in person or by proxy, for each share of Class B common stock standing in his name on our books on the record date on any matter properly presented to a vote of the stockholders at the Annual Meeting.

Our Chairman, Darwin Deason, has agreed to limit the voting power of certain of his Class A and Class B shares. See the discussion of Mr. Deason's voting rights under the section entitled "Deason Voting Agreement" beginning on page 18.

As of the close of business on the record date, we had outstanding 89,669,072 shares of Class A common stock, \$0.01 par value per share, and 6,599,372 shares of Class B common stock, \$0.01 par value per share.

**What is the voting requirement to approve each of the proposals?**

Proposal 1 (the proposal to elect directors) requires the affirmative vote of the holders of shares of Class A common stock and Class B common stock, voting together as a class, having a plurality of the voting power, in person or by proxy. Stockholders may not cumulate their votes in the election of directors. Abstentions and broker nonvotes (shares held by brokers or nominees as to which they have no discretionary power to vote on a particular matter and have received no instructions from the beneficial owners of such shares or persons entitled to vote on the matter), if any, will have no effect on the election of directors.

Each of Proposal 2 (the proposal to approve the fiscal year 2008 performance-based incentive compensation for our executive officers), Proposal 3 (the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008) and Proposal 4 (the stockholder proposal) require the affirmative vote of the holders of shares of Class A common stock and Class B common stock, voting together as a class, having a majority of the voting power eligible to vote and voting, either in person or by proxy, at the Annual Meeting. Abstentions will have the same effect as a vote against Proposal 2, Proposal 3 and Proposal 4, and broker nonvotes will have no effect on such proposals.

**How many shares must be present or represented to conduct business at the Annual Meeting?**

The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Class A common stock and Class B common stock entitled to vote at the Annual Meeting or any adjournment thereof is

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necessary to constitute a quorum to transact business. Abstentions and broker nonvotes will be counted for the purpose of determining whether a quorum is present.

### **How do I vote?**

Stockholders can vote in person at the Annual Meeting or by proxy. There are three ways to vote by proxy:

**By Telephone** Stockholders located in the United States can vote by telephone by calling (800) 690-6903 and following the instructions on the Notice, or if you received a proxy card, by following the instructions on the proxy card;

**By Internet** Stockholders can vote over the Internet at *www.proxyvote.com* by following the instructions on the Notice, or if you received a proxy card, by following the instructions on the proxy card; or

**By Mail** If you received your proxy materials by mail, you can vote by mail by signing, dating and mailing the enclosed proxy card or voter instruction form.

Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day and will close at 11:59 p.m. (EDT) on May 21, 2008. Internet and telephone voting is convenient, saves on postage and mailing costs and is recorded immediately, minimizing risk that postal delays may cause votes to arrive late and therefore not be counted. Stockholders who attend the Annual Meeting may vote in person, and any previously submitted votes will be superseded by the vote cast at the Annual Meeting.

Shares represented by duly executed proxies in the accompanying form will be voted in accordance with the instructions indicated on such proxies or voter instruction forms, and, if no such instructions are indicated thereon, will be voted **FOR** the nominees for election of directors named below, the approval of the fiscal year 2008 performance-based compensation for our executive officers, the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008, and will be voted **AGAINST** the stockholder proposal. Abstentions and broker non-votes will have no effect on the election of directors. Abstentions will have the same effect as a vote against Proposal 2, Proposal 3 and Proposal 4 and broker nonvotes will have no effect on such proposals.

### **What if I want to change my vote?**

You may revoke your proxy at any time before it is voted at the meeting. To do this, you must:

enter a new vote by telephone, over the Internet, or by signing and returning another proxy card at a later date;

provide written notice of the revocation to our Corporate Secretary or deliver another duly executed proxy or voter instruction form dated subsequent to the date thereof to the addressee named in the proxy or voter instruction form; or

attend the meeting and vote in person.

### **Who will pay for the cost of this solicitation?**

The cost of preparing, assembling, printing and distributing this proxy statement and related materials and the cost of soliciting proxies related to the Annual Meeting will be borne by us. We will request banks and brokers to solicit their customers who are beneficial owners of shares of common stock listed of record in names of nominees, and will

reimburse such banks and brokers for the reasonable out-of-pocket expenses for such solicitation.

**Who will serve as inspector of elections?**

A representative of Broadridge Financial Solutions, Inc. (formerly ADP Investor Communications Services), the independent inspector of elections appointed for the meeting, will separately tabulate affirmative and negative votes, and abstentions. Voting results will be announced at the meeting and will be posted shortly after the meeting

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on our website at *www.acs-inc.com* under the caption Investor Relations. Voting results will also be published in our Form 10-K for the fiscal year ended June 30, 2008. After the report is filed, you may obtain a copy by:

visiting our website at *www.acs-inc.com*;

contacting our Investor Relations department at 214-841-8281; or

viewing our Form 10-K for the fiscal year ended June, 30, 2008 on the SEC's website at *www.sec.gov*, when filed.

**PROPOSALS**

**PROPOSAL 1:**

**ELECTION OF DIRECTORS**

The Board of Directors consists of seven directors. All directors must stand for election at the Annual Meeting and hold office for a one-year term and until their respective successors are elected and qualified.

Shares represented by proxies or voter instruction forms returned duly executed will be voted, unless otherwise specified, in favor of each of the nominees for the Board of Directors named below. You cannot vote for more than seven nominees. The nominees have indicated that they are able and willing to serve as directors. If any (or all) such persons should be unable to serve, the persons named in the proxy or voter instruction form will vote the shares covered thereby for such substitute nominee (or nominees) as the Board of Directors may select pursuant to the recommendation of the Nominating and Corporate Governance Committee of the Board. You may withhold authority to vote for all nominees or withhold authority to vote for any nominee by following the voting instructions provided.

**Nominees for Election as Director**

The following table lists the name and principal occupation of each nominee for director and the year in which each such person was first elected as a director.

<b>Name</b>	<b>Principal Occupation</b>	<b>Served as Director Since</b>
Darwin Deason	Chairman of the Board of Directors	1988
Lynn R. Blodgett	President and Chief Executive Officer	2005
Robert Druskin	Investor	2008
Kurt R. Krauss	Investor/Managing Member of Sachem Investments, LLC	2007
Ted B. Miller Jr.	Investor	2007
Paul E. Sullivan	Member, Frost Brown Todd, LLC	2008
Frank Varasano	Investor	2007

**Business Experience of each Nominee**

Set forth below is certain information with respect to each of the nominees for the office of director.

**Darwin Deason**, age 67, has served as our Chairman of the Board since our formation in 1988. Mr. Deason also served as Chief Executive Officer from our formation until February 1999. Prior to our formation, Mr. Deason spent 20 years with MTech Corp., a data processing subsidiary of MCorp, a bank holding corporation based in Dallas, Texas, serving as MTech's Chief Executive Officer and Chairman of the Board from 1978 until April 1988, and also serving on the boards of various subsidiaries of MTech and MCorp.

**Lynn R. Blodgett**, age 53, has served as President and Chief Executive Officer since November 2006 and has served as a director since September 2005. Mr. Blodgett previously served as Executive Vice President and Chief Operating Officer from September 2005 to November 2006. Prior to that time he had served as Executive Vice

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President and Group President Commercial Solutions since July 1999. From March 1990 until July 1999 Mr. Blodgett served as President of ACS Business Process Solutions, Inc. (formerly Unibase Technologies, Inc., an entity that we acquired in 1996).

**Robert Druskin**, age 60, has served as a director since March 2008. From December 2006 to December 2007, Mr. Druskin served as Chief Operating Officer of Citigroup and a member of its Office of the Chairman. He was also a member of the Citi Business Heads, Operating, and Management committees. From April 1996 to August 1997 he served as head of Asset Management and the Futures Division. In August 1997, he returned to the position of Chief Administrative Officer and in September 2000 he became Chief Operations and Technology Officer for Citigroup. From August 2002 through December 2003, he was the President and Chief Operating Officer of Citi Markets & Banking and from December 2003 to December 2006 served as Chief Executive Officer of that business. Prior to Citigroup, Mr. Druskin worked at Smith Barney, which he joined in 1991 as Chief Administrative Officer. Before joining Smith Barney, Mr. Druskin was the Chief Financial Officer of Shearson Lehman Brothers Inc. and Shearson Lehman Brothers Holdings Inc. and a member of its Executive Committee. Mr. Druskin is a member of the board of directors of E\*Trade Financial Corporation. Mr. Druskin serves on the Rutgers Board of Trustees, the Board of Overseers for the Rutgers University Foundation. Additionally, he is a Trustee of the NYU Downtown Hospital, and is on the board of directors of the United Negro College Fund. Mr. Druskin received his B.A. from Rutgers University.

**Kurt R. Krauss**, age 58, has served as a director since November 2007. From 1978 to 1992, Mr. Krauss was a partner with Booz Allen Hamilton. He also served on the firm's Board of Directors. From 1992 to 1997, Mr. Krauss was Managing Partner of the Mead Point Group, a management consulting firm which he founded with offices in Greenwich, Connecticut, and London, England. From 1997 to 2000, he served as Chief Financial Officer of Burson-Marsteller, a leading global public relations and public affairs firm. Currently, Mr. Krauss is the Managing Member of Sachem Investments LLC, an investment company he founded in 2001. Mr. Krauss currently serves on the Board of Directors of Prescient Medical Inc., for which he is the Audit Committee Chairman, and he has served on the Boards of Directors of Zila, Inc., Loudeye Corporation and several other not-for-profit organizations. Mr. Krauss received a Master of Science in Industrial Administration from Carnegie-Mellon University and a Bachelor of Arts in Mathematics from Heidelberg College.

**Ted B. Miller Jr.**, age 56, has served as a director since November 2007. From 1996 to 2001, Mr. Miller was the Chief Executive Officer of Crown Castle International Corp. (NYSE: CCI), a wireless communications company he founded in 1995 which grew from start up to a multi billion market capitalization. He was Chairman of the Crown Castle Board of Directors from 1999 to 2002. Prior to founding Crown Castle, Mr. Miller was involved in the commercial real estate development, management and brokerage business and various investments including the media business as an original licensee of Blockbuster Video. Mr. Miller is currently Managing Director of Imperium International LLC and President of 4M Investments LLC, both international private investment companies. He is currently the Chairman and majority shareholder of M7 Aerospace LP, an internationally diversified privately held aerospace service, manufacturing and technology company. He is also Vice Chairman and majority shareholder of Intercomp Technologies LLC, a privately held payroll outsourcing company with operations in Europe. Mr. Miller received a Juris Doctor from Louisiana State University and a Bachelor of Business Administration from the University of Texas.

**Paul E. Sullivan**, age 63, has served as a director since February 2008. Mr. Sullivan is a member of the law firm of Frost Brown Todd, LLC in Lexington, Kentucky. He has practiced law for over 35 years and has a substantial legal practice in complex corporate transactions and commercial litigation within the banking, manufacturing and minerals extraction industries. From 1975 to 1981, Mr. Sullivan practiced in his own law firm in Lexington, Kentucky, which he merged with Brown Todd & Heyburn, predecessor to Frost Brown Todd, in 1981. Prior to that time, Mr. Sullivan served as General Counsel to the Kentucky Department of Banking and Securities and as General Counsel to the

Department of Labor for the State of Kentucky. Mr. Sullivan serves on the Board of Directors for the Central Bank and Trust Company (the largest Kentucky based bank). In addition to serving as a director, Mr. Sullivan has served on the Bank's audit, trust (chairman) and compensation committees. Mr. Sullivan also serves on the boards of Central Bancshares, Inc., the holding company for the Bank and Central Bank, FSB, an affiliate savings bank. Mr. Sullivan received both a Juris Doctor and a Bachelor of Arts from the University of Kentucky.

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**Frank Varasano**, age 62, has served as a director since November 2007. From 1999 to 2001, Mr. Varasano served as Executive Vice President of Oracle Corporation. Prior to that, Mr. Varasano held several senior management positions during his 26-year tenure at Booz Allen Hamilton. As a Senior Vice President he led Booz Allen Hamilton's largest practice (Engineering and Manufacturing), largest office (New York) and largest regional profit center (United States). He also served on the firm's Board of Directors and Executive Committee. Currently, Mr. Varasano is Chief Executive Officer of a start-up company he founded. From 2005 to 2006, Mr. Varasano served as a director of Loudeye Corporation, serving on the Compensation Committee and the Special Committee that led the analysis and review of the sale of Loudeye to Nokia. Mr. Varasano holds a Masters in Business Administration from Harvard Business School and a Bachelor of Science Degree from the United States Naval Academy. He also served as an officer aboard the USS Patrick Henry, a nuclear submarine.

Except as set forth above, none of the nominees holds a directorship in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of the Securities Exchange Act or any company registered as an investment company under the Investment Company Act of 1940, as amended.

**THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES FOR DIRECTOR SET FORTH ABOVE.**

## **Corporate Governance**

### ***Director Independence***

On February 3, 2004, our Board of Directors restated our Director Independence Standards to be consistent with the independence standards set forth in Section 303A.02 of the New York Stock Exchange ( NYSE ) listing standards. The Board of Directors has made an affirmative determination that Messrs. Druskin, Krauss, Miller, Sullivan and Varasano are independent and have no material relationship with the Company. The Director Independence Standards, a copy of which is attached hereto as Appendix A, can be located on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the Investor Relations and Corporate Governance captions.

### ***Corporate Governance Guidelines***

On August 10, 2005, our Board of Directors restated our Corporate Governance Guidelines. The Corporate Governance Guidelines provide for, among other things:

submission of the auditors selected by our Audit Committee to stockholders for ratification annually;

adoption of an auditor rotation policy;

formation of a Nominating and Corporate Governance Committee comprised solely of independent directors;

the implementation of stock ownership guidelines for both directors and executive officers;

a prohibition on stock option re-pricing;

formalization of the ability of independent directors and committees of the Board of Directors to retain outside advisors;

formation of a Compensation Committee comprised solely of independent directors;

performance of a periodic formal Board evaluation; and

limitation of four additional company boards on which a director may serve.

Our Corporate Governance Guidelines are available on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. Our Corporate Governance Guidelines are also available free of charge to any stockholder upon written request to 2828 North Haskell Avenue, Dallas, Texas 75204, Attention: Tas Panos, Corporate Secretary.

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**Board of Directors Committees and Meetings**

During fiscal year 2007, we had four standing committees of the Board of Directors, including the Audit Committee, the Compensation Committee, the Special Transaction Committee and the Nominating and Corporate Governance Committee. The charters for each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are available on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the Investor Relations and Corporate Governance captions.

***Audit Committee***

Until January 24, 2007 our Audit Committee consisted of four independent directors (Messrs. Frank A. Rossi (Chairman), Joseph P. O Neill, J. Livingston Kosberg and Dennis McCuistion). On January 24, 2007, Robert B. Holland, III was elected as a director and our Audit Committee was reconstituted to consist of three members (Messrs. Rossi (Chairman), McCuistion and Holland). On November 21, 2007, Messrs. Rossi, O Neill, Kosberg, McCuistion and Holland resigned from the Board of Directors, and Messrs. Krauss, Miller, Varasano and Richard W. Spears were appointed to the Board of Directors. On November 25, 2007, the Board of Directors appointed Messrs. Krauss (Chairman), Miller and Spears to the Audit Committee. On January 5, 2008, Mr. Spears passed away. On February 23, 2008, Mr. Sullivan was appointed as a director and our Audit Committee was reconstituted to consist of Messrs. Krauss (Chairman), Miller and Sullivan. On March 19, 2008, Mr. Druskin was appointed as a director and our Audit Committee was reconstituted to consist of Messrs. Krauss (Chairman), Miller and Druskin. All of the aforementioned Audit Committee members are independent as defined in the current NYSE listing standards. Upon consideration of the attributes of an audit committee financial expert as set forth in Section 407(d) of Regulation S-K promulgated by the SEC, the Board of Directors determined that Mr. Krauss (i) possessed those attributes, which were gained through his experience as summarized on page 5 of Proposal 1 (the proposal to elect directors) and he was designated as the Audit Committee Financial Expert and (ii) is independent as that term is defined in the NYSE listing standards.

The Audit Committee of the Board of Directors is responsible for:

- monitoring the integrity of our consolidated financial statements;
- discussing with management and our independent registered public accounting firm our annual audited financial statements, quarterly financial statements and reported earnings prior to the release thereof to the public;
- monitoring our auditing, accounting and financial reporting processes;
- monitoring our system of internal controls and the independence and performance of our internal auditors; and
- appointing and monitoring our independent registered public accounting firm.

The Audit Committee operates under a written charter that was restated by the Board of Directors on May 25, 2006, and is available on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. Our Audit Committee Charter is also available free of charge to any stockholder upon written request to 2828 North Haskell Avenue, Dallas, Texas 75204, Attention: Tas Panos, Corporate Secretary.

***Compensation Committee***

Until January 24, 2007 the Compensation Committee consisted of two independent directors (Messrs. Kosberg and O Neill). On January 24, 2007, Mr. Holland was elected as a director and our Compensation Committee was reconstituted to consist of three members (Messrs. Kosberg (Chairman), O Neill and Holland). On November 21, 2007, Messrs. Rossi, O Neill, Kosberg, McCuiston and Holland resigned from the Board of Directors, and Messrs. Krauss, Miller, Varasano and Spears were appointed to the Board of Directors. On November 25, 2007, the Board of Directors appointed Messrs. Miller (Chairman), Krauss and Varasano to the Compensation Committee. On March 19, 2008, the Compensation Committee was reconstituted to consist of Messrs. Miller (Chairman), Sullivan

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and Varasano. All of the aforementioned Compensation Committee members are independent as defined in the current New York Stock Exchange listing standards. The Compensation Committee is responsible for:

recommending to the Board of Directors policies and plans concerning the salaries, bonuses and other compensation of our executive officers (including reviewing the salaries of the executive officers and recommending bonuses and other forms of additional compensation for the executive officers);

compliance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code ), with respect to the review of compensation to executive officers whose annual compensation exceeds \$1 million so that such amounts may be deductible by us for federal income tax purposes; and

the grant of all awards under the stock option plans (other than those to independent directors).

A copy of the restated Compensation Committee Charter approved by the Board of Directors on February 3, 2004 is attached hereto as Appendix B and is available on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. Our Compensation Committee Charter is also available free of charge to any stockholder upon written request to 2828 North Haskell Avenue, Dallas, Texas 75204, Attention: Tas Panos, Corporate Secretary.

***Nominating and Corporate Governance Committee***

Until November 21, 2007 the Nominating and Corporate Governance Committee consisted of two independent directors (Messrs. McCuiston and O Neill). Mr. McCuiston served as the Chairman of the Nominating and Corporate Governance Committee throughout fiscal year 2007. On November 21, 2007, Messrs. Rossi, O Neill, Kosberg, McCuiston and Holland resigned from the Board of Directors, and Messrs. Krauss, Miller, Varasano and Spears were appointed to the Board of Directors. On November 25, 2007, the Board of Directors appointed Mr. Spears (Chairman) and Mr. Varasano to the Nominating and Corporate Governance Committee. On January 5, 2008, Mr. Spears passed away. On February 7, the Board of Directors reconstituted the Nominating and Corporate Governance Committee to consist of Messrs. Varasano (Chairman), Krauss and Miller. On February 23, 2008, Mr. Sullivan was appointed as a director and our Nominating and Corporate Governance Committee was reconstituted to consist of Mr. Sullivan (Chairman) and Mr. Varasano. On March 19, 2008, Mr. Druskin was appointed as a director and our Nominating and Corporate Governance Committee was reconstituted to consist of Messrs. Druskin (Chairman), Krauss and Varasano. All of the aforementioned Nominating and Corporate Governance Committee members are independent as defined in the current New York Stock Exchange listing standards. The Nominating and Corporate Governance Committee is responsible for considering, evaluating and recommending to the Board of Directors the slate of director nominees. On September 11, 2003, our Board of Directors approved the Nominating and Corporate Governance Committee Charter, a copy of which is attached hereto as Appendix C and is available on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. Our Nominating and Corporate Governance Committee Charter is also available free of charge to any stockholder upon written request to 2828 North Haskell Avenue, Dallas, Texas 75204, Attention: Tas Panos, Corporate Secretary.

For fiscal year 2008, the Nominating and Corporate Governance Committee considered our current directors and other candidates to fill the slate of nominees for election to the Board of Directors. Based on an evaluation of the background, skills and areas of expertise represented by the various candidates against the qualifications for directors set forth in our Corporate Governance Guidelines and our current requirements, the Nominating and Corporate Governance Committee determined that our current directors possess the appropriate skill level, expertise and qualifications and recommended that Messrs. Deason, Blodgett, Druskin, Krauss, Miller, Sullivan and Varasano be re-elected to the Board of Directors.

*Director Qualifications.* The Nominating and Corporate Governance Committee establishes the qualifications for directors and reviews them annually with the Board of Directors. The Nominating and Corporate Governance Committee seeks director candidates with the ability to make a significant contribution to the Board of Directors and the stockholders based on their background, skill and expertise. To be recommended by the Nominating and Corporate Governance Committee, a director nominee should also possess the qualifications set forth in the Corporate Governance Guidelines, including integrity, wisdom, judgment,

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policy-making experience, complementary areas of expertise, and sufficient time to devote to applicable Board and committee activities.

*Identification and Evaluation of Director Candidates.* The Nominating and Corporate Governance Committee identifies, screens and recommends a qualified slate of nominees to the Board of Directors for election each fiscal year based on the qualifications set forth above and the need to fill vacancies or expand the size of the Board of Directors. The Nominating and Corporate Governance Committee generally identifies director nominees through the personal, business and organizational contacts of existing directors and management. However, the Nominating and Corporate Governance Committee may use a variety of sources to identify director nominees, including third-party search firms and stockholder recommendations. Candidates recommended by our stockholders are generally evaluated in the same manner as candidates from other sources. However, the Nominating and Corporate Governance Committee will seek additional information concerning the relationship between the stockholder and the stockholder candidate to assess whether such nominee has the ability to represent the interests of a broad range of stockholders.

*Stockholder Recommendations of Director Nominees.* Any of our stockholders entitled to vote for the election of directors may recommend for nomination one or more persons for election to our Board of Directors. Pursuant to Section 7 of our Corporate Governance Guidelines and Section 8(c) of our Bylaws, to be considered by the Nominating and Corporate Governance Committee, recommended stockholder nominees for election to the Board of Directors must be received not more than 150 calendar days nor less than 120 calendar days prior to the date our proxy statement was released to stockholders for our previous annual meeting, unless our annual meeting date has moved by more than 30 days from the first year anniversary of the previous year's annual meeting, in which case the Board of Directors shall provide a reasonable time for stockholders to provide their nominees for election. For information regarding the deadline for submission of stockholder nominees for director in connection with our 2008 Annual Meeting of Stockholders, please see the section entitled STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING beginning on page 50.

Recommendations for nominees should be submitted to the Nominating and Corporate Governance Committee by following our method for stockholders to communicate with our Board of Directors which is published on our web site at <http://www.acs-inc.com> under the Investor Relations and Corporate Governance captions. Written recommendations should be submitted to ACS Board of Directors, Affiliated Computer Services, Inc., c/o ACS Ethics Office, 2828 N. Haskell, Bldg 4, 3rd Floor, Dallas, Texas 75204 or by e-mail to [director@acs-inc.com](mailto:director@acs-inc.com). Recommendations must include (i) the nominee's name, (ii) the nominee's resume or curriculum vitae, (iii) a summary demonstrating how the nominee meets the qualifications set forth in Section 8 of our Corporate Governance Guidelines, and (iv) the submitting stockholder's name, number of shares held and a description of any arrangement or understanding between such stockholder and the proposed nominee.

### ***Special Transaction Committee***

The Special Transaction Committee, which was formed in August 1997 and on which Mr. Deason serves, has the responsibility of considering, evaluating, and approving the terms of potential transactions resulting in the acquisition of assets, businesses, or stock of third parties for cash, our Class A common stock, or other consideration with a dollar value of up to \$100,000,000. The Special Transaction Committee has delegated to the Chief Executive Officer the authority to consider, evaluate, and approve the terms of potential transactions resulting in the acquisition of assets, businesses, or stock of third parties for cash or other consideration with a dollar value of up to \$50,000,000.

### ***Fiscal Year 2007 Meetings***

During the fiscal year ended June 30, 2007, there were twelve (12) meetings of our full Board of Directors, three (3) Board meetings in which certain members of management did not attend or recused themselves and one (1) meeting held solely by the independent directors. During the fiscal year, there were twelve (12) meetings held by the Audit Committee and three (3) executive sessions of the Audit Committee to meet with our independent registered public accounting firm, the vice president of internal audit and other outside consultants, eight

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(8) meetings held by the Compensation Committee, five (5) meetings held by the Nominating and Corporate Governance Committee and no meetings held by the Special Transaction Committee. Each incumbent director attended at least 75% of the meetings of the Board and the Board committees of which they were members during their respective tenures.

### ***Executive Sessions and Lead Independent Director***

In compliance with the requirements of the New York Stock Exchange, our Corporate Governance Guidelines require the non-management directors to meet at least twice annually in regularly scheduled executive sessions. Mr. Varasano, as Lead Independent Director, presides over non-management director executive sessions. Mr. O'Neill served as Lead Independent Director during fiscal year 2007 and through November 21, 2007. Three (3) executive sessions were held in fiscal year 2007. However, during fiscal year 2007 the independent directors met on a number of other occasions as the Special Committee to consider alternatives to enhance stockholder value and as the Ad Hoc Committee in connection with matters related to the internal investigation that was conducted by independent counsel concerning stock option matters.

### ***Attendance at Annual Meeting***

It is our policy that all nominees for election or re-election to our Board of Directors at an annual meeting attend the annual meeting. All of the nominees for election to the Board of Directors for fiscal year 2007 attended the 2006 Annual Meeting of Stockholders.

### **Stockholder Communications**

Stockholders may communicate with any member of the Board of Directors, including in their capacities as members of committees of the Board of Directors, or in the alternative, with the non-management directors as a group by submitting an e-mail to [director@acs-inc.com](mailto:director@acs-inc.com) or by sending a written communication to: ACS Board of Directors, Affiliated Computer Services, Inc., c/o ACS Ethics Office, 2828 N. Haskell, Bldg 4, 3rd Floor, Dallas, Texas 75204. Stockholders may also call toll free and leave a message for the Board of Directors, the presiding director or the non-management directors at (800) 443-1946.

### **Code of Conduct**

We are dedicated to earning the trust of our clients and investors and our actions are guided by the principles of honesty, trustworthiness, integrity, dependability and respect. Our Board of Directors has adopted a Code of Ethical Business Conduct that applies to all employees and directors and a Code of Ethics for Senior Financial Officers that applies to designated financial and accounting officers, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. Both of these codes are posted on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Ethics for Senior Financial Officers, if any, by posting such information on our web site at [www.acs-inc.com](http://www.acs-inc.com) under the captions Investor Relations and Corporate Governance. Our Code of Ethical Business Conduct and our Code of Ethics for Senior Financial Officers are also available free of charge to any stockholder upon written request to 2828 North Haskell Avenue, Dallas, Texas 75204, Attention: Tas Panos, Corporate Secretary.

## **PROPOSAL 2:**

### **APPROVAL OF FISCAL YEAR 2008 PERFORMANCE-BASED INCENTIVE COMPENSATION FOR OUR EXECUTIVE OFFICERS**

The Code limits our tax deduction for expense in connection with compensation of our chief executive officer and our three most highly-compensated executive officers (other than our chief executive officer and our chief financial officer) for any fiscal year to the extent that the remuneration of such person exceeds \$1 million during such fiscal year, excluding remuneration that qualifies as performance-based compensation. Section 162(m) of

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the Code provides that in order for remuneration to be treated as qualified performance-based compensation, the material terms of the performance goals must be disclosed to and approved by the stockholders of the employer.

At the Annual Meeting, the stockholders will be asked to approve the terms relating to incentive compensation to be paid to our executive officers for fiscal year 2008. Executive officer compensation for fiscal year 2008, for each of our executive officers, will consist of a base salary, bonus compensation under our fiscal year 2008 performance-based incentive compensation plan and awards under our 2007 Equity Incentive Plan and will be based on criteria that are similar to the criteria used in fiscal year 2007 (as described in the section entitled "FY07 Bonus Plan" beginning on page 24). There are approximately seven hundred fifty (750) of our officers and other senior management personnel who will participate in the fiscal year 2008 performance-based incentive compensation plan, including all of our executive officers. See "Compensation Discussion & Analysis" beginning on page 22. Pursuant to our plan, our executive officers will be eligible to receive up to a certain percentage of their base salaries, as set forth in the table below, upon achievement of bonus performance goals, which (i) for a Consolidated ACS component include our achievement of pre-established growth performance goals in the following targeted financial measures: revenue growth, growth in earnings before interest and taxes and a cash flow metric (determined as earnings before interest, taxes, depreciation and amortization, plus non-operating (income) expense (excluding intercompany interest), plus equity compensation expense per Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)), less such unusual items such as gain or loss on divestiture plus/minus capital expenditures and additions to intangible assets (per the cash flow statement), plus/minus changes in accounts receivables and unearned revenue (per the cash flow statement)); and (ii) for an ACS Corporate component include our achievement of pre-established growth performance goals in the following targeted financial measures: revenue growth, growth in earnings before interest and taxes, growth in earnings per share and a cash flow metric (determined as earnings before interest, taxes, depreciation and amortization, plus non-operating (income) expense (excluding intercompany interest), plus equity compensation expense per SFAS 123(R), less such unusual items such as gain or loss on divestiture plus/minus capital expenditures and additions to intangible assets (per the cash flow statement), plus/minus changes in accounts receivables and unearned revenue (per the cash flow statement)). The bonus performance goals have been pre-established by the Compensation Committee and approved by the Board of Directors for each of the executive officers. We believe that the incentive-related provisions provide performance incentives that are and will be beneficial to our stockholders.

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Since the amounts payable under the performance-based incentive compensation plan are dependent on our financial performance, the actual amounts are not currently determinable. However, the following table sets forth information regarding the maximum incentive compensation that may be earned by the executive officers under the fiscal year 2008 performance-based incentive compensation plan assuming no change in their base salaries for fiscal year 2008.

<b>Name and Position</b>	<b>Maximum Incentive Compensation as Percentage of Base Salary</b>	<b>Maximum Incentive Compensation</b>
Darwin Deason Chairman of the Board	250%	\$ 2,310,395
Lynn Blodgett President and Chief Executive Officer	200%	\$ 1,500,000
Tom Burlin Executive Vice President and Chief Operating Officer	150%	\$ 750,000
Kevin Kyser Executive Vice President and Chief Financial Officer	150%	\$ 495,000
John Rexford Executive Vice President, Corporate Development	150%	\$ 750,000
Ann Vezina Executive Vice President and Group President Commercial Solutions Group	150%	\$ 750,000
Tom Blodgett Executive Vice President and Group President Business Process Solutions	150%	\$ 637,500
Lora Villarreal Executive Vice President and Chief People Officer	150%	\$ 330,750
Tas Panos Executive Vice President, Corporate Secretary and General Counsel	150%	\$ 450,000
All Eligible Executive Officers (9 persons)		\$ 7,973,645

The affirmative vote of the holders of our Class A common stock and Class B common stock, voting together as a single class, having a majority of the voting power eligible to vote and voting, either in person or by proxy, at the Annual Meeting will be required to approve the performance-based incentive compensation for our executive officers.

**THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE FISCAL YEAR 2008 PERFORMANCE-BASED INCENTIVE COMPENSATION PLAN FOR OUR EXECUTIVE OFFICERS.**

**PROPOSAL 3:**

**RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008**

PricewaterhouseCoopers LLP has been selected by the Audit Committee as our independent registered public accounting firm for fiscal year 2008, subject to ratification by the stockholders. PricewaterhouseCoopers LLP was

also our independent registered public accounting firm for fiscal year 2007. A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting. That representative will have an opportunity to make a statement, if desired, and will be available to respond to appropriate questions.

We are asking our stockholders to ratify the appointment of PricewaterhouseCoopers LLP as our registered independent public accounting firm as a matter of good corporate governance even though ratification is not required by our Bylaws. If our stockholders fail to ratify the appointment, the Audit Committee will reconsider

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whether or not to retain PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during fiscal year 2008 if it is determined that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of shares of our Class A common stock and Class B common stock, voting together as a class, having a majority of the voting power eligible to vote and voting, either in person or by proxy, at the Annual Meeting will be required to ratify the appointment of PricewaterhouseCoopers LLP.

**Independent Registered Public Accounting Firm's Fees**

Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories, were as follows:

	2007	2006
Audit Fees	\$ 5,142	\$ 3,741
Audit-Related Fees	136	412
Tax Fees	93	87
All Other Fees	53	93
Total Fees	\$ 5,424	\$ 4,333

Audit Fees includes fees for assistance with and review of documents filed with the SEC, including our annual and interim financial statements and required consents. Audit Fees also include fees (i) for the audit of internal controls over financial reporting and management's evaluation of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and (ii) related to our internal investigation into our stock option grant practices. Audit-Related Fees include fees for accounting consulting services and matters related to mergers, acquisitions and divestitures. Tax Fees include fees for tax consulting and tax compliance and preparation work. All Other Fees include fees for research tools.

All audit and non-audit services provided to us by our independent registered public accounting firm are required to be pre-approved by the Audit Committee in accordance with the policies and procedures set forth in our current Audit Committee Charter. The Audit Committee has approved all of our independent registered public accounting firm's engagements and fiscal year 2007 and 2006 fees presented above pursuant to its pre-approval policy.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008.**

**PROPOSAL 4:**

**STOCKHOLDER PROPOSAL: POLICY ON STOCKHOLDER ADVISORY VOTE TO RATIFY NAMED EXECUTIVE OFFICER COMPENSATION AT FUTURE ANNUAL MEETINGS**

Mr. Gerald W. McEntee on behalf of the American Federation of State, County and Municipal Employees ( AFSCME or proponent ) located at 1625 L. Street N.W., Washington, D.C. 20036, owner of at least \$2,000 of our Class A

common stock for more than one year, has informed us that a representative of such stockholder intends to present a proposed resolution at the Annual Meeting. The text of the proposed resolution and the supporting statement of AFSCME are printed below verbatim from its submission.

RESOLVED, that stockholders of Affiliated Computer Services ( ACS ) request the board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers ( NEOs ) set forth in the proxy statement s Summary Compensation Table (the SCT ) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal

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submitted to stockholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

**SUPPORTING STATEMENT OF AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES**

In our view, senior executive compensation at ACS has not always been structured in ways that best serve stockholders' interests. For example, in 2007 chairman Darwin Deason received \$159,618 in all other compensation, including \$102,110 for non-business use of corporate aircraft. Additionally, Deason is provided with a security program, which cost \$423,011 for 2007 but is not listed as other annual compensation.

We believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listing standards, do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practice, in the United Kingdom, public companies allow shareholders to cast an advisory vote on the directors' remuneration report, which discloses executive compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation. A recent study of executive compensation in the U.K. before and after the adoption of the shareholder advisory vote there found that CEO cash and total compensation became more sensitive to negative operating performance after the vote's adoption. (Sudhakar Balachandran et al., Solving the Executive Compensation Problem through Shareholder Votes? Evidence from the U.K. (Oct. 2007).)

Currently U.S. stock exchange listing standards require shareholder approval of equity-based compensation plans; those plans, however, set general parameters and accord the compensation committee substantial discretion in making awards and establishing performance thresholds for a particular year. Shareholders do not have any mechanism for providing ongoing feedback on the application of those general standards to individual pay packages.

Similarly, performance criteria submitted for shareholder approval to allow a company to deduct compensation in excess of \$1 million are broad and do not constrain compensation committees in setting performance targets for particular senior executives. Withholding votes from compensation committee members who are standing for reelection is a blunt and insufficient instrument for registering dissatisfaction with the way in which the committee has administered compensation plans and policies in the previous year.

Accordingly, we urge ACS's board to allow stockholders to express their opinion about senior executive compensation by establishing an annual referendum process. The results of such a vote could provide ACS with useful information about stockholders' views on the company's senior executive compensation, as reported each year, and would facilitate constructive dialogue between stockholders and the board.

We urge stockholders to vote for this proposal.

**THE POSITION OF THE BOARD OF DIRECTORS WITH RESPECT TO PROPOSAL 4:**

The proponent requests that ACS adopt a practice of submitting the compensation of our named executive officers to our stockholders for a non-binding advisory vote on an annual basis. After careful consideration, the Board of Directors (the Board) does not believe that the adoption of this proposal is in the best interests of our stockholders and recommends that our stockholders vote AGAINST the proposal.

Our executive compensation philosophy is based on the idea that total executive compensation should vary based on the achievement of defined financial and non-financial goals and objectives, both individual and corporate. Our Compensation Committee, which is composed entirely of independent directors who have no direct interest in the

compensation awarded, oversees our executive compensation. In fulfilling this obligation, the Compensation Committee considers a wide range of factors, including corporate and individual performance, strategic goals, economic and industry conditions and competitive market data from companies in the business process and information technology outsourcing industry, as well as companies of similar size and complexity. The Board believes that the Compensation Committee is in the best position to make executive compensation decisions and should have flexibility in making appropriate executive compensation decisions that will attract and retain the necessary executive talent. For more information regarding our compensation philosophy and process with regards

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to our executive officers, please see the section entitled "Compensation Discussion & Analysis" beginning on page 22.

In addition, ACS believes its stockholders already have meaningful methods to communicate their views on executive compensation to the Board. Our stockholders are currently able to influence executive compensation not only through the election of directors, but also through stockholder approval of performance-based incentive compensation for our executive officers and approval of our equity incentive plans. These incentive plans outline the aggregate level of awards that can be granted, the specific provisions under which awards can be made, and the performance metrics that must be achieved. Further, as described in the section entitled "Stockholder Communications" beginning on page 10, our stockholders have various means to directly communicate with the Board and the Compensation Committee. By communicating directly with the Board or the Compensation Committee through these channels, our stockholders can provide us with specific feedback regarding our executive compensation philosophy and decisions. We believe that this direct communication is a much more effective and accurate method of expressing concerns than an annual "for" or "against" advisory vote, which does not communicate a stockholder's specific views on the type or amount of compensation being offered, or any suggested improvements a stockholder may have.

The proponent argues for adoption of the advisory vote based on its purported successes in the United Kingdom. However, the situation in the United Kingdom is different than in the United States. The advisory vote process in the United Kingdom is mandated by law, and therefore applies to all public companies in that jurisdiction. In the U.S. there are no such legal requirements. If ACS adopted an advisory vote on executive compensation, there is no assurance that other companies, including its competitors, would follow. This could put ACS at a competitive disadvantage in recruiting and retaining key executive talent by giving the impression that compensation opportunities at ACS are more restrictive than at its competitors.

Any change requiring stockholders to vote in an advisory capacity on executive compensation should be done within a legal and regulatory framework that is developed after full analysis of the public policy and economic issues involved, and should be implemented on a uniform basis for all public companies, as in the United Kingdom. A uniform legal and regulatory framework would reduce the chance that any company would be at a competitive disadvantage. The development of such a legal and regulatory framework would provide an opportunity to deal with important issues, including the international competitive impact of adopting an advisory vote requirement, whether the advisory vote process would work in the U.S. where shareholding is more dispersed than in other countries and the practical and legal issues around discussing compensation decisions with stockholders in advance of annual meetings.

The Board and the Compensation Committee are aware of our stockholders' interest in our executive compensation practices, and we exercise care and discipline in determining and disclosing executive compensation. However, given the inequities and uncertainties that could arise from implementation of an advisory vote on a company-by-company basis that follows a model designed for the United Kingdom where the law is applied uniformly and the ownership structure of companies differs from that in the U.S. and because the concerns raised by this proposal are already addressed by our existing compensation philosophy and because ACS has provided other meaningful ways for stockholders to communicate their views on executive compensation to the Board, the Board believes adopting the proposal would be premature, is unnecessary and is not in the best interests of ACS's stockholders.

**BASED ON THE REASONS DISCUSSED ABOVE, THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE STOCKHOLDER PROPOSAL.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of March 28, 2008, the record date, certain information with respect to the shares of Class A common stock and Class B common stock beneficially owned by (i) stockholders known to us to own more than 5% of the outstanding shares of such classes, (ii) each of our directors and Named Executive Officers, and (iii) all of our executive officers and directors as a group.

Name	Amount and Nature of Beneficial Ownership of Class A Common Stock	Percent of Total Shares of Class A Common Owned Beneficially	Amount and Nature of Beneficial Ownership of Class B Common Stock		Percent of Total Shares of Class A and Class B Common Stock Owned Beneficially	Percent of Total Voting Power Owned Beneficially(1)
			Common Stock	Owned Beneficially		

**BENEFICIAL OWNERS OF MORE THAN 5% OF OUR COMMON STOCK**

Pzena Investment Mgmt.(2)

120 West 45<sup>th</sup> Street,20<sup>th</sup> Floor

New York, NY 10036

8,969,292

10.00%

9.32%

5.76%

Oppenheimer Funds(3)

6803 South Tucson Way

Centennial, CO 80112-

7,885,468

8.79%

8.19%

5.07%

FMR Corp.(4)

82 Devonshire Street

Boston, MA 02109

5,033,176

5.61%

5.23%

3.23%

**SECURITY OWNERSHIP OF MANAGEMENT**

Darwin Deason(5)

2,739,864

3.03%

6,599,372

100%

9.63%

43.94%

Lynn Blodgett(6)

467,300

\*

\*

\*

John Rexford(7)

220,428

\*

\*

\*

Tom Burlin(8)

61,100

\*

\*

\*

Ann Vezina(9)

51,310

\*

\*

\*

Robert Druskin

0

\*

\*

\*

Kurt R. Krauss(10)

2,500

\*

\*

\*

Ted B. Miller Jr.

10,000

\*

\*

\*

Frank Varasano(11)

4,400

\*

\*

\*

Paul E. Sullivan

0

\*

\*

\*

All Current Executive

3,735,598

4.09%

6,599,372

100%

10.55%

44.31%

Officers and Directors as a

Group (15 persons)(12)						
Named Executive Officers who have resigned during fiscal year 2007						
Mark A. King(13)	225,000	*			*	*
Warren D. Edwards(14)	124,874	*			*	*
Directors who have resigned since July 1, 2007						
Frank A. Rossi(15)	72,000	*			*	*
Joseph P. O Neill(16)	109,620	*			*	*
J. Livingston Kosberg(17)	27,000	*			*	*
Dennis McCuistion(18)	22,595	*			*	*
Robert B. Holland, III	0					
Richard W. Spears	0					
All Current and Former Executive Officers and Directors as a Group (24 persons)(19)	4,366,687	4.75%	6,599,372	100%	11.13%	44.56%

\* Less than 1%

(1) In calculating the percent of total voting power, the voting power of shares of Class A common stock (one vote per share) and Class B common stock (ten votes per share) are aggregated. As of March 28, 2008, there were 89,669,072 shares of Class A common stock and 6,599,372 shares of Class B common stock issued and outstanding.

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- (2) Based on filings by the stockholder with the Securities and Exchange Commission dated February 29, 2008. Such stockholder has indicated that it has sole voting power with respect to 6,929,779 shares and no voting power with respect to the remaining shares and sole investment power with respect to all shares.
- (3) Based on filings by the stockholder with the Securities and Exchange Commission dated February 4, 2008. Such stockholder has indicated that it has sole voting power with respect to no shares and shared voting power with respect to the remaining shares and shared investment power with respect to all shares.
- (4) Based on filings by the stockholder with the Securities and Exchange Commission dated February 14, 2008. Such stockholder has indicated that it has sole voting power with respect to 392,569 shares and no voting power with respect to the remaining shares and sole investment power with respect to all shares.
- (5) The shares of our Class A common stock noted in the table include 750,000 shares of Class A common stock which are not outstanding but are subject to options exercisable within 60 days of March 28, 2008; and 6,970 shares owned by Mr. Deason through the ACS Employee Stock Purchase Plan. See discussion of Mr. Deason's voting rights in the section entitled "Deason Voting Agreement" beginning on page 18.
- (6) Includes 463,800 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008.
- (7) Includes 210,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008; 2,100 shares of Class A common stock owned through the ACS 401(k) Plan; 5,828 shares of Class A common stock owned through the ACS Employee Stock Purchase Plan; and 2,500 shares of Class A common stock owned through an individual retirement account.
- (8) Includes 60,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008.
- (9) Includes 49,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008; 41 shares of Class A common stock owned through the ACS 401(k) Plan; and 1,269 shares of Class A common stock owned through the ACS Employee Stock Purchase Plan.
- (10) Includes 2,500 shares of Class A common stock owned through an individual retirement account.
- (11) Includes 2,200 shares of Class A common stock owned through an individual retirement account.
- (12) Includes 1,698,900 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008; 3,452 shares of Class A common stock owned through the ACS 401(k) plan; 14,852 shares of Class A common stock owned through the ACS Employee Stock Purchase Plan; and 7,400 shares of Class A common stock owned through individual retirement accounts.
- (13) Includes 225,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008. Mr. King resigned as a director and our President and Chief Executive Officer effective as of November 26, 2006.
- (14) Includes 120,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008. Mr. Edwards resigned as our Executive Vice President and

Chief Financial Officer effective as of November 26, 2006.

- (15) Includes 22,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008.
- (16) Includes 82,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008.
- (17) Includes 22,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008.
- (18) Includes 22,000 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008; and 595 shares of Class A common stock owned through the McCuiston & Associates profit sharing plan.
- (19) Includes 2,241,900 shares of Class A common stock, which are not outstanding, but are subject to options exercisable within sixty days of March 28, 2008; 3,452 shares of Class A common stock owned through the ACS 401(k) plan; 14,852 shares of Class A common stock owned through the ACS Employee Stock Purchase Plan; and 7,400 shares of Class A common stock owned through individual retirement accounts.

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**Deason Voting Agreement**

During fiscal year 2006 the Board of Directors authorized a modified Dutch Auction tender offer (the Tender Offer ) to purchase up to 55.5 million shares of our Class A common stock. That Tender Offer was completed in March 2006 and 7.4 million shares of Class A common stock were purchased in the Tender Offer. In connection with the Tender Offer, Mr. Deason entered into a Voting Agreement with the Company dated February 9, 2006 (the Voting Agreement ) in which he agreed to limit his ability to cause the additional voting power he would hold as a result of the Tender Offer to affect the outcome of any matter submitted to the vote of the stockholders of the Company after consummation of the Tender Offer.

On December 7, 2007, the Board of the Directors approved an amendment of the Voting Agreement, to provide that Mr. Deason's voting power with respect to 1,989,864 shares of Class A common stock and 6,599,372 shares of Class B common stock held by him as of December 7, 2007, will not exceed 45% as a result of share repurchases by the Company pursuant to the Company's share repurchase program. Other than as expressly set forth in the Voting Agreement, Mr. Deason continues to have the power to exercise all rights attached to the shares he owns, including the right to dispose of his shares and the right to receive any distributions thereon.

The Voting Agreement will terminate on the earliest of (i) the mutual agreement of the Company (authorized by not less than a majority of the vote of the then independent and disinterested directors) and Mr. Deason, (ii) the date on which Mr. Deason ceases to hold any Excess Voting Power, as calculated in the Voting Agreement, or (iii) the date on which all Class B shares are converted into Class A shares.

Mr. Deason and a special committee of the Board of Directors have not reached an agreement regarding the fair compensation to be paid to Mr. Deason for entering into the Voting Agreement. However, whether or not Mr. Deason and our special committee are able to reach agreement on compensation to be paid to Mr. Deason, the Voting Agreement will remain in effect.

This summary of the Voting Agreement is qualified in its entirety by the terms of the Voting Agreement, which is filed as Exhibit 99.1 to our Current Report on Form 8-K filed December 10, 2007.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who beneficially own more than 10% of our outstanding common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock held by such persons within a specified period of time. These persons are also required to furnish us with copies of all forms they file under this regulation. To our knowledge, based solely on a review of the copies of such reports furnished to us and without further inquiry, all required forms for fiscal year 2007 were filed on time except that Lynn Blodgett, our President and Chief Executive Officer, filed a Form 4 on October 25, 2006 with respect to the sale of 10,000 shares on November 7, 2002 and a transfer by gift of 2,000 shares on September 5, 2000.

**BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS**

Other than Messrs. Deason and Blodgett, who are standing for election to the Board of Directors and whose business experience is summarized in this proxy statement under Proposal 1 beginning on page 4, the following is a summary of the business experience of our executive officers:

**John H. Rexford**, age 51, has served as Executive Vice President, Corporate Development since September 2007. Mr. Rexford served as a director from November 2006 to November 2007. From November 2006 to September 2007 he served as Executive Vice President and Chief Financial Officer and served as Executive Vice President Corporate Development from March 2001 to November 2006. Prior to that date Mr. Rexford served as a Senior Vice President in our mergers and acquisitions area from November 1996 until March 2001. For the period from November 1986 until November 1996, Mr. Rexford served in various capacities with Citicorp North America, Inc.

**Tom Burlin**, age 50, has served as Chief Operating Officer since May 2007. Prior to that date, Mr. Burlin served as Chief Operating Officer Government Solutions Group from December 2006 to May 2007, and as

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Executive Vice President and Group President Government Solutions Group from June 2005 to December 2006. From July 1979 to May 2005, Mr. Burlin was employed by International Business Machines Corporation, most recently as their General Manager and Partner U.S. Federal and Global Government.

**Tom Blodgett**, age 54, has served as Executive Vice President and Group President Business Process Solutions since May 2007. Prior to that time, Mr. Blodgett served as President and Managing Director of our Business Process Solutions Group from July 1998 to May 2007 and as Vice President of Operations in Sandy, Utah from 1992 to July 1998. Mr. Blodgett was previously with the sales and marketing team of Siemens Nixdorf Information Systems.

**Ann Vezina**, age 45, has served as Executive Vice President and Group President Commercial Solutions Group since May 2007. Prior to that date, Ms. Vezina served as Chief Operating Officer Commercial Solutions Group from December 2006 to May 2007, as Executive Vice President and Group President Commercial Solutions Group from March 2006 to December 2006, and as Managing Director, Business Process Solutions from May 2003 to March 2006. From July 1985 until May 2003, Ms. Vezina served in various capacities with Electronic Data Systems and was a Client Sales Manager at the time she departed EDS in May 2003.

**Kevin Kyser**, age 40, has served as Executive Vice President, Chief Financial Officer since September 2007. Prior to that time Mr. Kyser served in the following capacities Executive Vice President, Finance and Accounting from March 2007 to September 2007, as Senior Vice President, Chief Financial Officer Commercial Group from April 2006 to March 2007, as Senior Vice President, Investor Relations from October 2001 to April 2006 and as Vice President, Corporate Controller from April 1997 to October 2001. In addition to six years of experience in the oilfield services industry, Mr. Kyser served for approximately three years on the audit staff of KPMG LLP.

**Lora J. Villarreal, Ph.D.**, age 64, has served as Executive Vice President and Chief People Officer since May 2007. Prior to that date, Ms. Villarreal served as Senior Vice President and Chief People Officer from May 1998 to May 2007. Ms. Villarreal has served in several capacities in her more than 20 years of experience in human resources, including as Vice President at Transamerica Real Estate Information Companies and First Data Resources, Inc.

**Tas Panos**, age 52, has served as Executive Vice President, Corporate Secretary and General Counsel since January 2008. From May 2002 until January 2008, Mr. Panos served in various managing capacities within our legal department, most recently as Senior Vice President and Deputy General Counsel. From June 1985 to May 2002, Mr. Panos was in private law practice.

**DIRECTOR COMPENSATION**

**Director s Compensation**

The following table shows compensation information for our non-employee directors for fiscal year 2007.

					Change in Pension Value and	
	Fees	Stock	Option	Non-Equity	Nonqualified	All
	Earned	Awards	Awards	Incentive	Deferred	Other
	or Paid in			Plan	Compensation	Compensation
				Compensation		

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<b>Name</b>	<b>Cash \$(1)</b>	<b>(\$)</b>	<b>\$(2)</b>	<b>(\$)</b>	<b>Earnings (\$)</b>	<b>(\$)</b>	<b>Total (\$)</b>
Frank A. Rossi	217,000		114,058				331,058
Joseph P. O Neill	113,500		123,010				236,510
J. Livingston Kosberg	201,000		105,009				306,009
Dennis McCuiston	107,000		105,009				212,009
Robert B. Holland, III	163,500		44,935				208,435

(1) This column reports the amount of cash compensation paid in fiscal year 2007 for Board and Committee service. This column includes fees paid to our non-employee directors for attending Board and Committee

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meetings (in person or telephonically), service as lead independent director, service as chair of one of the Committees of the Board, annual retainer, participation in the Special Committee overseeing the internal investigation of our stock option grant practices and participation in the Special Committee evaluating the Company's strategic alternatives. The following table shows fees paid to each director as they relate to such categories:

Director	Board	Lead			Fees	Fees	Total (\$)	
	Meeting	Committee	Independent	Chairmanship	Annual	Related		Related
	Fees	Meeting	Director	Chairmanship	Retainer	to	to	
	(\$)	Fees (\$)	Fees (\$)	Fees (\$)	Fees (\$)	Special	Special	
						Committee-	Committee-	
						Stock	Stock	
						Option	Strategic	
						Investigation	Alternatives	
						(\$)	(\$)	
Frank A. Rossi	22,000	15,000		15,000	45,000	20,000	100,000(b)	217,000
Joseph P. O'Neill	22,000	9,000	17,500(a)		45,000	20,000		113,500
J. Livingston								
Kosberg	22,000	9,000		5,000	45,000	20,000	100,000(b)	201,000
Dennis McCuiston	22,000	15,000		5,000	45,000	20,000		107,000
Robert B. Holland, III	9,000	7,000			22,500		125,000(b)	163,500

- (a) Effective July 1, 2007, the lead independent director fee was increased to \$25,000 for fiscal year 2008. The Company inadvertently made a payment to Mr. O'Neill in May 2007 for services based on the fiscal year 2008 lead independent director fee rate, resulting in an additional \$2,500 paid to Mr. O'Neill. This \$2,500 additional compensation amount was adjusted during fiscal year 2008, through a deduction from amounts payable to Mr. O'Neill in fiscal year 2008.
- (b) At the call of the non-management directors, the Board of Directors held a special meeting on April 26, 2007 with only the five non-management directors attending. During that meeting the Board (i) approved fees for the two non-management directors, who were not members of the Special Committee of \$2,500 per meeting, where the purpose of such meeting is to discuss strategic alternatives and whether such meeting is in person or telephonic, and (ii) appointed a Fee Engagement Committee, which was comprised of the two non-management directors who were not members of the Special Committee. The Fee Engagement Committee was authorized by the Board to set fees to be paid to the three members of the Special Committee. The Fee Engagement Committee met immediately after the Board meeting and set fees for the three members of the Special Committee. The amounts reflected are payments made in May 2007 to the three members of the Special Committee in accordance with the action taken by the Fee Engagement Committee. No per meeting fees were paid in fiscal year 2007 to the two non-management directors who were not members of the Special Committee.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of stock options previously granted to the directors. The fair value was estimated using the Black-Sholes option-pricing model in accordance with SFAS 123(R). On November 21, 2007, Messrs. Rossi, O'Neill, Kosberg, McCuiston and Holland resigned from the Board of Directors, and any unvested options held by them as of that date were terminated. As of March 28, 2008, these former directors had the following outstanding option awards: Mr. Rossi (22,000), Mr. O'Neill (82,000), Mr. Kosberg (22,000),

Mr. McCuiston (22,000) and Mr. Holland (None).

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The following directors had the following outstanding option awards at the end of fiscal year 2007 (June 30, 2007):

<b>Director</b>	<b>Option Number</b>	<b>Original Option Grant Date</b>	<b>Original Number of Shares Granted</b>	<b>Original Grant Date</b>	<b>Fair Value (\$)</b>
Frank A. Rossi	1757	8/11/03	20,000(a)		309,068
	1897	7/30/04	5,000(a)		89,443
	2861	9/13/05	7,500(a)		96,446
Joseph P. O Neill	852	7/3/01	60,000(b)		855,998
	1754	8/11/03	20,000(a)		309,068
	1896	7/30/04	5,000(a)		89,443
J. Livingston Kosberg	2854	9/13/05	7,500(a)		96,446
	1767	10/28/03	20,000(c)		334,753
	1894	7/30/04	5,000(c)		89,443
Dennis McCuiston	2844	9/13/05	7,500(a)		96,446
	1766	10/28/03	20,000(c)		334,753
	1895	7/30/04	5,000(c)		89,443
Robert B. Holland, III	2851	9/13/05	7,500(a)		96,446
	3473	1/24/07	40,000(c)		521,498

- (a) These options when granted were subject to vesting and become exercisable as follows: on each anniversary date of the grant, commencing with the first such anniversary date and continuing on each such anniversary thereafter through and including the fifth anniversary of the date of the grant, 20% of such options shall vest and become exercisable. Any unvested options held on November 21, 2007 were terminated.
- (b) This option was fully vested and exercisable as of June 30, 2007.
- (c) These options when granted were subject to vesting and become exercisable as follows: on the third anniversary date of the grant, 60% of such options will vest and become exercisable; and on each of the fourth and fifth anniversary dates of the grant, 20% of such options will vest and become exercisable. Any unvested options held on November 21, 2007 were terminated.

Directors who are employees of ACS receive no compensation for their services as a director. Our compensation program for non-employee directors is designed to attract and retain qualified directors by offering compensation that is competitive with other companies and recognizes the time, expertise and accountability required by Board service. The Board of Directors must approve any changes to the director compensation program.

In fiscal year 2007, our non-management directors were eligible to receive the following compensation for their services:

**Fiscal Year 2007**

Independent Director Annual Retainer	\$ 45,000
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Lead Independent Director Annual Retainer	\$	15,000(a)
Audit Committee Chair Annual Retainer	\$	15,000
Nominating and Corporate Governance Committee Chair Annual Retainer	\$	5,000
Compensation Committee Chair Annual Retainer	\$	5,000
Board Meeting (in person)	\$	2,000
Board Meeting (telephonic)	\$	1,000
Audit Committee Meeting (in person)	\$	2,000
Audit Committee Meeting (telephonic)	\$	1,000
Annual Stock Option Grant		7,500 shares
Initial Stock Option Grant		40,000 shares(b)

(a) Effective July 1, 2007, the lead independent director fee was increased to \$25,000 for fiscal year 2008.

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- (b) Effective December 7, 2007 the initial stock option grant to newly appointed directors was increased to 50,000 shares of our Class A Common stock.

Pursuant to our Executive Benefit Plan, as amended, directors are also eligible for reimbursement up to \$1,000 annually for any physical examination for the director performed by a designated physician or other licensed physician of their choice.

## **Stock Ownership Guidelines**

For information regarding the Company's guidelines for stock ownership by its directors and executive officers, see the section entitled "Stock Ownership Guidelines" beginning on page 10.

## **Compensation Discussion and Analysis**

### **Overview of Compensation Program and Philosophy**

Our general compensation philosophy is that total compensation should vary based on our achievement of defined financial and non-financial goals and objectives, both individual and corporate. The Company's compensation structure centers around a "pay for performance" philosophy. Base salaries for our managers are generally maintained at a level below the market median, but managers have the opportunity to receive bonuses if their individual performance and the performance of their business unit meet certain goals, which if full bonuses are earned, results in their total compensation exceeding the market median. This philosophy applies more generally to all of our officers and senior management personnel, with the level of variability and the proportionate amount of bonus compensation increasing as the employee's level of responsibility increases. Each executive officer's bonus is based on our achievement of defined financial goals and objectives, based only on consolidated corporate results. Our named executive officers for fiscal year 2007 were Darwin Deason, Chairman of the Board; Lynn Blodgett, President and Chief Executive Officer; Tom Burlin, Executive Vice President and Chief Operating Officer; Ann Vezina, Executive Vice President and Group President - Commercial Solutions Group; and John Rexford, Executive Vice President, Corporate Development. Mr. Rexford served as our Executive Vice President and Chief Financial Officer from November 2006 to September 2007. Our named executive officers for fiscal year 2007 also included our former President and Chief Executive Officer, Mark King, and our former Executive Vice President and Chief Financial Officer, Warren Edwards.

Our executive compensation program is overseen and administered by the Compensation Committee, which is comprised entirely of independent directors as determined in accordance with various New York Stock Exchange, SEC and Internal Revenue Code rules. The Compensation Committee has reviewed current compensation practices and identified the following key strategic compensation design objectives:

- to attract and retain qualified, motivated executives;
- to closely align the financial interests of our executives with both the short and long-term interests of our stockholders;
- to promote fair treatment of all employees; and
- to encourage equity ownership by our executives.

### ***Comparative Review***

Our executive compensation program is intended to provide our named executive officers with overall levels of compensation that are competitive within the business process and information technology outsourcing industry, as well as within a broader spectrum of companies of similar size and complexity. During fiscal year 2007, the employment agreement of our Chairman, Mr. Deason, provided him with the right to recommend to the Compensation Committee, or as applicable, to the Special Compensation Committee of the Board of Directors, salary, bonus, stock option and other compensation matters for our Chief Executive Officer, President, Chief Financial Officer, Executive Vice Presidents, General Counsel, Secretary and Treasurer. In December 2007, the employment agreement was amended in order to remove certain exclusive governance rights previously held by

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Mr. Deason, including his rights to appoint certain officers and recommend directors for election or removal from the Board of Directors, and the agreement now provides that the Compensation Committee shall consult with Mr. Deason in determining the compensation policies of the Company and the compensation of the Company's executive officers. In fiscal year 2007, our President and Chief Executive Officer, Lynn Blodgett had input on compensation and bonuses for the Company's executive officers other than himself. Mr. Blodgett received compensation market data and history including salary, bonus, and stock options from human resources for each officer. Mr. Blodgett reviewed the information and submitted compensation recommendations to Mr. Deason and the Compensation Committee.

In setting executive compensation for fiscal year 2007, the Compensation Committee commissioned Mercer Human Resource Consulting to provide comparative compensation information on the chief executive officer, chief operating officer and chief financial officer of our outsourcing peers, who were determined without regard to revenue or market capitalization. The companies included in the outsourcing peer group were Electronic Data Systems Corporation, Accenture Ltd., Computer Sciences Corporation, First Data Corporation, Automatic Data Processing, Inc., Unisys Corporation, Fiserv, Inc., Hewitt Associates, Inc., Convergys Corporation, Sabre Holdings Corporation, DST Systems, Inc. and Perot Systems Corporation. The peer group comparison was also used by Mr. Deason in making recommendations to the Compensation Committee for fiscal year 2007 executive compensation that are consistent with our compensation philosophy, as discussed above. The Compensation Committee used the comparative peer group information in considering and approving the recommendation of Mr. Deason.

Based on the study commissioned by the Compensation Committee, the compensation paid to our Chief Executive Officer, Mr. Blodgett, and our Chief Operating Officer, Mr. Burlin, in fiscal year 2007 was between the median and 75th percentile for companies in our outsourcing peer group. The compensation paid to our Chief Financial Officer, who at the time of the study was Mr. Rexford, was above the top 75th percentile for companies in our outsourcing peer group. However, a portion of Mr. Rexford's compensation was attributable to commission based payments related to mergers and acquisitions activity as further described in the section entitled Special Executive FY07 Plan beginning on page 25, in connection with Mr. Rexford's ongoing role in our corporate development efforts. Hence, the compensation paid to Mr. Rexford was greater than what would typically be provided to a chief financial officer of the Company since commission payments are not normally provided for that position.

## **Elements of Compensation**

There are six major elements that comprise our compensation program for our executive officers, including our named executive officers: (i) base salary; (ii) annual incentive opportunities, including bonuses; (iii) long-term incentives — our stock incentive plans; (iv) generally available benefit programs; (v) executive perquisites; and (vi) change of control agreements. ACS has selected these elements because each is considered useful and necessary to meet one or more of the principal objectives of our compensation policy. For example, base salaries and bonus target percentages are set with the goal of attracting employees and adequately compensating and rewarding employees on a day-to-day basis for the time spent and the services they perform, while our equity programs are geared toward providing an incentive and reward for the achievement of long-term business objectives and retaining key talent. The Compensation Committee believes that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the objectives of our compensation program.

Section 162(m) of the Code limits the deductibility of compensation in excess of \$1 million paid to certain executives of public companies with the exception of certain performance-based compensation. Our goal is to structure as many components of any executive officer's compensation so that it qualifies as performance-based to the extent it is in the best interests of the Company and its stockholders. However, certain forms and amounts of compensation may exceed the \$1 million deduction limitation from year to year. Based on the rapidly changing nature of the industry, as well as the continued competitive market for outstanding leadership talent, the Compensation Committee believes it is appropriate and competitive to provide adequate compensation, even though it may not be fully tax-deductible.

The Compensation Committee reviews the compensation program on an annual basis, including each of the above elements. Retirement benefits are reviewed from time to time to ensure that benefit levels remain competitive

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but are not included in the annual determination of an executive's compensation package. In setting compensation levels for a particular executive, the Compensation Committee takes into consideration the proposed compensation package as a whole and each element individually, as well as our stock ownership guidelines and the executive's past and expected future contributions to our business.

### ***Base Salaries***

Each executive officer's base salary is reviewed at least annually and is subject to adjustment on the basis of individual, corporate and, in some instances, business unit performance. The Compensation Committee consults with the Chairman (under the terms of his employment agreement) in determining the compensation policies of the Company and the compensation of the Company's executive officers. Our Chief Executive Officer additionally provides a recommendation regarding the compensation for executive officers other than himself. The Compensation Committee also considers competitive, inflationary and market survey considerations, as well as salaries for comparable positions. As discussed in the section entitled "Comparative Review" beginning on page 22, we utilized the report of Mercer Human Resource Consulting in determining base salaries for fiscal years 2007 and 2008. Other factors in determining any adjustment of base salary include consideration of relative levels of responsibility, amount of business experience and future potential. Mr. Deason's employment agreement provides for annual adjustments to his base salary by a percentage equal to the average percentage adjustments to the annual salaries of our top five executive officers (excluding promotions).

At a meeting of our Compensation Committee in September 2007, the salaries for our current named executive officers for fiscal year 2008 were considered and approved. Mr. Deason's base salary was set at \$924,158, Mr. Blodgett received no increase to his base salary of \$750,000, Mr. Burlin received no increase to his base salary of \$500,000, Mr. Rexford received no increase to his base salary of \$500,000 and Ms. Vezina received no increase to her base salary of \$500,000.

### ***Incentive Bonus***

ACS maintains a performance based incentive plan for its executive officers. During fiscal year 2007, our executive officers participated in one of two performance based incentive compensation plans: (i) the fiscal year 2007 performance based incentive compensation plan (FY07 Bonus Plan); or (ii) the Special Executive FY07 Bonus Plan. The Special Executive FY07 Bonus Plan was created to enable the Company to comply with Section 162(m) of the Code in connection with the promotion during the fiscal year of certain executive officers and a modification of their performance goals in connection with the same as further described in the section entitled "Special Executive FY07 Bonus Plan" beginning on page 25 below.

The FY07 Bonus Plan permits (and the Special Executive FY07 Bonus Plan requires) the exclusion of, and the Compensation Committee has historically excluded, items that it determined were unusual or one time events that were not indicative of the performance of the named executive officers for such year from the calculation of the financial metrics used to determine bonus achievement. Adjustments made to financial metrics in one fiscal year are carried forward to the next fiscal year to determine bonus achievement for that next fiscal year. Most metrics are based on growth from the prior year results. Since the plans allow (and in some cases require) adjustments to actual results to determine the current year bonus achievement, we subsequently make these same adjustments when setting the baseline used for the subsequent year growth metrics.

In fiscal year 2007, the operating income was adjusted to exclude certain unusual items (principally an asset impairment charge and certain legal costs). While operating income on a GAAP basis decreased between fiscal years 2006 and 2007, the operating income for fiscal year 2007, as adjusted under the FY07 Bonus Plan (and the Special Executive FY07 Bonus Plan), exceeded the operating income for fiscal year 2006, as adjusted under the FY06 Bonus

Plan, which resulted in the payment of a bonus to the executive officers.

**FY07 Bonus Plan**

Approximately seven hundred (700) of our officers and other senior management personnel participated in our FY07 Bonus Plan, including our Chairman of the Board, Darwin Deason, and certain other executive officers who were not named executive officers.

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The performance goals were established for Mr. Deason based on the following components:

Consolidated ACS	The Consolidated ACS performance goals are established to ensure that certain consolidated corporate criteria are met before bonuses are paid. The percentage of achievement against the performance goals is multiplied by the percentage of achievement of the ACS Corporate performance goals.
ACS Corporate	The bonus of each of the executive officers is determined based on the achievement of performance goals in this group.

Equal weight was given to each of the Consolidated ACS and ACS Corporate components in determining the achievement of performance goals by Mr. Deason. The performance goals for the FY07 Bonus Plan were: revenue growth; growth in earnings before interest and taxes; growth in earnings before interest, taxes, depreciation and amortization; and a cash flow metric (determined as earnings before interest, taxes, depreciation and amortization, plus non-operating (income) expense (excluding intercompany interest), plus equity compensation expense per SFAS 123(R), less such unusual items such as gain or loss on divestiture, plus/minus capital expenditures and additions to intangible assets (per the cash flow statement), plus/minus changes in accounts receivables and unearned revenue (per the cash flow statement)). ACS Corporate includes all of the above performance goals in addition to growth in consolidated earnings per share.

No bonuses were payable if the Company's growth in consolidated earnings before interest and taxes was less than 4% and no bonuses were payable to business unit participants in the FY07 Bonus Plan if that particular business unit's growth in earnings before interest and taxes was less than 5%. Further, at least 50% of a particular performance goal must have been achieved before it was included in the calculation of the overall achievement of the performance goals, except for cash flow, which was included if a pre-determined minimum amount was met. The FY07 Bonus Plan performance goals were approved by the Compensation Committee.

We have not disclosed target levels with respect to specific quantitative or qualitative performance-related factors considered by the Compensation Committee because disclosure of the specific performance goals would give our competitors information that could be leveraged for competitive advantage which would result in competitive harm to the Company. In fiscal year 2007, the executive officers earned approximately 80% of the maximum bonus under the FY07 Bonus Plan. In fiscal year 2006, no bonuses were paid to the executives under the fiscal year 2006 performance based incentive compensation plan, which contained similar performance goals as the FY07 Bonus Plan (however, discretionary bonuses were paid to each of the Group President of the Commercial Solutions Group (Ms. Vezina) and the Group President of the Government Solutions Group (Mr. Burlin); to one of our other current executive officers, but who was not an executive officer at the time of payment; and, in accordance with his agreement with us, one of our executive officers was paid a commission for acquisitions and divestitures during the fiscal year). In fiscal year 2005, executive officers earned approximately 53% of the maximum bonus under the fiscal year 2005 performance based incentive compensation plan.

Mr. Deason, the only named executive officer who participated in the FY07 Bonus Plan, was entitled to receive a bonus percentage of up to 250% of his base salary. The maximum bonus that any executive officer received for the fiscal year 2007 under the FY07 Bonus Plan was \$1,835,468, which was the bonus paid to Mr. Deason. The Compensation Committee certified the achievement of the performance goals before the bonuses were paid.

**Special Executive FY07 Plan**

Section 162(m) of the Code provides that in order for remuneration to be treated as qualified performance-based compensation, the material terms of the performance goals must be disclosed to and approved by the stockholders of

the employer. The performance goals must be established before the first 25% of the period of service to which the performance goal relates has elapsed. Due to the resignation of certain executive officers, and as a result, the promotion of certain other executive officers, the Compensation Committee desired to change the performance goals of the promoted executive officers. In order to comply with Section 162(m) of the Code, the Special Executive FY07 Bonus Plan was created with a performance period beginning December 1, 2006 and ending June 30, 2007 (to be referred to as the performance period ), to coincide with the period the promoted officers served in their new positions during fiscal year 2007. The following named executive officers, all of whom were promoted in fiscal year 2007, participated in the Special Executive FY07 Bonus Plan: Lynn Blodgett, our

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Chief Executive Officer; John Rexford, our then Chief Financial Officer; Tom Burlin, our Chief Operating Officer; and Ann Vezina, Executive Vice President and Group President Commercial Solutions Group (together, the Selected Officers ).

Since the Selected Officers were all executive officers, separate financial performance goals were established based on the following components:

Consolidated ACS	The Consolidated ACS performance goals are established to ensure that certain consolidated corporate criteria are met before bonuses are paid. The percentage of achievement against the performance goals is multiplied by the percentage of achievement of the ACS Corporate performance goals.
ACS Corporate	The bonus of each of the executive officers is determined based on the achievement of performance goals in this group.

Equal weight was given to each of the Consolidated ACS and ACS Corporate components in determining the achievement of performance goals for each of Messrs. Blodgett, Burlin and Rexford and Ms. Vezina. The performance goals for the Special Executive FY07 Bonus Plan were: revenue growth; growth in earnings before interest and taxes; growth in earnings before interest, taxes, depreciation and amortization; and a cash flow metric (determined as earnings before interest, taxes, depreciation and amortization, plus non-operating (income) expense (excluding intercompany interest), plus equity compensation expense per SFAS 123(R), less such unusual items such as gain or loss on divestiture plus/minus capital expenditures and additions to intangible assets (per the cash flow statement), plus/minus changes in accounts receivables and unearned revenue (per the cash flow statement)). ACS Corporate includes all of the above performance goals in addition to growth in consolidated earnings per share. Such performance goals were recommended by our Chairman and Chief Executive Officer, subject to approval of the Compensation Committee within the first 25% of the period of service to which the performance goals relate.

No bonuses were paid if the Company's growth in consolidated earnings before interest and taxes did not equal a target dollar threshold during the performance period. Further, at least 16% of a particular performance goal must have been achieved before it would be included in the calculation of the overall achievement of the performance goals, except for cash flow, which was included if a pre-determined minimum amount was met. The Special Executive FY07 Bonus Plan performance goals were approved by the Compensation Committee.

We have not disclosed target levels with respect to specific quantitative or qualitative performance-related factors considered by the Compensation Committee because disclosure of the specific performance goals would give our competitors information that could be leveraged for competitive advantage which would result in competitive harm to the Company. In fiscal year 2007, the Selected Officers earned approximately 80% of the maximum bonus under the Special Executive FY07 Bonus Plan. There was no similar plan in prior fiscal years.

The Selected Officers (other than Mr. Rexford) were entitled to receive varying percentages of their base salaries upon achievement of performance goals for the performance period, upon full achievement of the performance goals. Mr. Blodgett was entitled to receive up to 200% of his base salary and earned a bonus of \$1,200,000 for fiscal year 2007, which was the maximum bonus that any Selected Officer received under the Special Executive FY07 Bonus Plan. Mr. Burlin was entitled to receive up to 150% of his base salary and earned a bonus of \$600,000 for fiscal year 2007. Ms. Vezina was entitled to receive up to 150% of her base salary and earned a bonus of \$600,000 for fiscal year 2007.

Mr. Rexford was entitled to receive the greater of (i) up to 150% of his base salary upon full achievement of the bonus performance goals; or (ii) any commissions earned for acquisitions completed during the performance period, not to

exceed 150% of his base salary. In connection with (ii), Mr. Rexford's bonus compensation was tied to commission payments for closed mergers and acquisitions based on a target percentage related to revenue acquired by the Company in such transactions. Mr. Rexford had an acquisition target revenue for fiscal year 2007, which was based on a percentage of the Company's revenues for fiscal year 2006. The revenue acquired through each closed merger or acquisition transaction contributed, on a percentage basis, towards Mr. Rexford's achievement of the acquisition target revenue. Mr. Rexford earned a bonus of \$600,000 for fiscal year 2007 under the Special Executive FY07 Bonus Plan, as a result of his achievement of 80% of the bonus performance goals.

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***Long Term Incentives Our Stock Incentive Plans***

ACS provides long-term incentive compensation through awards of stock options that generally vest over multiple years. Our equity compensation program is intended to align the interests of the participants, including our named executive officers, with those of our stockholders by creating an incentive for our named executive officers to maximize stockholder value. The equity compensation program also is designed to encourage our named executive officers to remain employed with ACS despite a very competitive labor market.

We granted stock options to our officers in 2007 under our 1997 Stock Incentive Plan and, after approval by our stockholders on June 7, 2007, our 2007 Equity Incentive Plan. All proposed stock option grants to employees, including executive officers, are considered and, if deemed acceptable to the Compensation Committee, approved at a formal meeting of the Compensation Committee. Under the Company's stock option grant policy adopted on May 25, 2006 and revised on January 22, 2007 (hereafter, our Stock Option Grant Policy), among other things: (i) a formal meeting to approve option grants to employees is held on August 15<sup>th</sup> of each year; (ii) a formal meeting to approve option grants to new hires, employees receiving a grant in connection with a promotion, or persons who become ACS employees as a result of an acquisition are to be held on the day prior to or the day of our regularly scheduled quarterly board meeting; (iii) the date of the formal meeting at which a grant is approved is the option grant date; and (iv) the exercise price for each approved grant shall not be less than the fair market value of a share of the Company's Class A Common Stock on the date of grant which shall be determined by reference to the closing price for such stock on such date on the New York Stock Exchange; provided that if a grant is made on a date when the New York Stock Exchange is closed, then the fair market value of a share of the Company's Class A Common Stock on the date of grant shall be determined by reference to the closing price for such stock on the last day on which the New York Stock Exchange was open for trading activities.

On August 15, 2006, the Compensation Committee granted 2,091,500 options to employees under the 1997 Stock Incentive Plan. Based on executive management's recommendation, no stock option grants were made to corporate executive management pending substantive determination regarding corporate executive management's actions in the matters related to the stock option investigation by the SEC and the grand jury subpoena issued by the United States District Court, Southern District of New York. However, the Compensation Committee agreed to grant options to purchase 100,000 shares each to Ann Vezina, Chief Operating Officer, Commercial Solutions Group and Tom Burlin, Chief Operating Officer, Government Solutions Group, but those grants were delayed. The delay in the grants to Ms. Vezina and Mr. Burlin was necessary at the time because there were insufficient shares remaining in the 1997 Stock Incentive Plan to make the grants to Ms. Vezina and Mr. Burlin. Subsequent to August 15, 2006, a number of options granted under the 1997 Stock Incentive Plan terminated, thereby making certain options available to grant to other employees, including Ms. Vezina and Mr. Burlin as discussed below.

Because of the ongoing stock option investigation, we were unable to timely file our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 and our Annual Meeting of Stockholders was delayed, and the regularly scheduled meeting of our Board of Directors that was to have occurred in November 2006 was focused solely on stock option investigation matters and any other matters for consideration were deferred. Under our stock option granting policy, the day prior to or the day of that regularly scheduled November 2006 Board meeting, the Compensation Committee could have granted options to new hires, employees receiving a grant in connection with a promotion, or persons who become ACS employees as a result of an acquisition. On the morning of December 9, 2006 the Compensation Committee met to discuss whether options, that were available under the 1997 Stock Incentive Plan should be granted to new hires, employees receiving a grant in connection with a promotion, or persons who became ACS employees as a result of an acquisition. After consideration of the fact that options would have been granted in November 2006, if the regularly scheduled Board meeting had not deferred consideration of matters other than the stock option investigation, the Compensation Committee granted options to purchase 692,000 shares to new hires, employees receiving a grant in connection with a promotion, or persons who become ACS employees as a result of an

acquisition, with such grants including options to purchase 140,000 shares to Lynn Blodgett, who had been promoted to President and Chief Executive Officer; options to purchase 75,000 shares to John Rexford who had been promoted to Executive Vice President and Chief Financial Officer; and options to purchase 100,000 shares to each of Ann Vezina and Tom Burlin which grants were in recognition of their recent promotions to Chief Operating Officers of the Commercial and Government segments, respectively, and had been approved by the Compensation Committee on August 15, 2006 but were delayed until shares were available for grant.

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During the December 9, 2006 Compensation Committee meeting, it was recognized that the grants made to Mr. Blodgett and Mr. Rexford were for a number of shares that were less than the number of shares that would have been normally granted to a new Chief Executive Officer and new Chief Financial Officer because of the limited number of options remaining available under the 1997 Stock Incentive Plan. The Compensation Committee noted that it should consider a future grant to supplement the number of options made in the earlier grant so that the aggregate number of shares granted to Mr. Blodgett and Mr. Rexford would be equal to the number that would normally be granted to a new Chief Executive Officer and new Chief Financial Officer. To accomplish this purpose, at a meeting on July 2, 2007, the Compensation Committee approved option grants (the Grants ) to Lynn Blodgett to purchase 60,000 shares of the Company's Class A Common Stock under the 2007 Equity Incentive Plan and to John Rexford to purchase 25,000 shares of the Company's Class A Common Stock under the 2007 Equity Incentive Plan, subject to the waiver of the Stock Option Grant Policy by the Board of Directors as the grants were made outside of normal option approval dates set forth in the Policy, which occurred on July 9, 2007 and on which date the grants became effective.

### ***Generally Available Benefit Programs***

We also offer a number of other benefits to our named executive officers pursuant to benefit programs that provide for broad-based employee participation. These benefit programs include accidental death and dismemberment insurance, health and dependent care flexible spending accounts, business travel insurance, wellness programs, relocation/expatriate programs and services, educational assistance and certain other benefits.

### **Retirement Benefits**

To assist our employees in accumulating funds for retirement (or for other purposes permitted by our plans) we provide our employees, including our named executive officers, the opportunity to participate in the ACS Savings Plan and the ACS Supplemental Savings Plan. For a description of these plans, please see the section entitled Retirement Benefits beginning on page 36. While a small number of our non-executive employees may participate in pension or defined benefit plans, we provide these plans in lieu of pension or defined benefit plans for our general employee base, including our named executive officers.

### **Mr. Deason's Supplemental Executive Retirement Agreement and Employment Agreement**

In recognition of his efforts on behalf of the Company and his determination to position the Company for future growth, in fiscal year 1999 we entered into a Supplemental Executive Retirement Agreement and an employment agreement with our Chairman, Darwin Deason. A description of the Supplemental Executive Retirement Agreement, including amounts payable to Mr. Deason under the agreement, is set forth in the section entitled Mr. Deason's Supplemental Executive Retirement Agreement beginning on page 37. A description of Mr. Deason's employment agreement, as amended in fiscal year 2007, including amounts payable to Mr. Deason under the agreement, is set forth in the section entitled Mr. Deason's Employment Agreement beginning on page 36.

### ***Perquisites***

The Compensation Committee reviews and approves any perquisites offered to executives. The Company offers the Executive Benefit Plan to promote the health and well-being of the executives, maximize the value of the compensation provided by the Company and minimize the time that executives spend managing personal affairs so that they may devote their full attention to Company business. While the Compensation Committee does not consider perquisites to be a significant component of executive compensation, it recognizes that such perquisites are an important factor in attracting and retaining talented executives. A description of the Executive Benefit Plan and other perquisites offered to our executive officers are set forth in the section entitled Perquisites beginning on page 37.

***Termination of Employment and Change of Control Benefits***

In fiscal year 2007, Lynn Blodgett, Tom Burlin, John Rexford and Ann Vezina had written change of control agreements for benefits that were due to them upon a change of control. Mr. Blodgett's change of control agreement

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has subsequently been replaced by his employment agreement, dated December 14, 2007, which provides for a severance benefit in the event the Company terminates his employment without cause or Mr. Blodgett terminates his employment for good reason, as defined in the agreement, including upon a change of control. In addition to his severance benefit, Mr. Blodgett's unvested stock options or other equity based awards under any incentive plan shall become fully vested upon such termination.

Additionally, Mr. Deason's employment agreement provides for certain payments to Mr. Deason upon a change of control.

We believe that these change of control benefits are important to our ability to recruit executive officers. We also believe this benefit allows us to retain executives during times of unforeseen events when the executive's future is uncertain, but continued employment of the executive may be necessary for the Company.

Additional information regarding the change of control payments and severance benefits payable to our named executive officers, including estimates of the amounts payable under such agreements assuming a change of control as of June 30, 2007, is set forth in the section entitled "Post Termination Benefits" beginning on page 42.

## **Stock Ownership Guidelines**

On April 19, 2007 the Board of Directors revised the guidelines for stock ownership by the Company's directors and executive officers, which had been originally adopted by the Board of Directors in September 2003. The Board of Directors may evaluate whether exceptions should be made to the guidelines for any director or executive officer and may from time to time change such guidelines.

The revised policy generally provides as follows:

Our Chief Executive Officer is required to own, within five years after he or she becomes subject to the guidelines, shares of our Class A common stock having a value equal to a minimum of five times his or her annual base salary.

Our other executive officers are required to own, within five years after he or she becomes subject to the guidelines, shares of our Class A common stock having a value equal to a minimum of three times his or her annual base salary.

Independent directors serving on the Board of Directors are required to own, within three years after they become subject to the guidelines, shares of our Class A common stock having a value equal to a minimum of three times their annual retainer.

Vested options to purchase Class A common stock may be counted as shares owned in determining compliance with the guidelines.

Our named executive officers currently subject to the guidelines, hold shares and vested options in sufficient number to comply with the minimum ownership requirements of the revised policy. Our independent directors currently subject to the guidelines have not yet completed three years of service and therefore are not yet subject to the minimum requirements of the revised policy.

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**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee reviewed and discussed with management of the Company the foregoing Compensation Discussion and Analysis. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

TED B. MILLER, JR.\* (Chairman)

PAUL E. SULLIVAN\*

FRANK VARASANO\*

Notwithstanding any statement in any of our filings with the SEC that might incorporate part or all of any future filings with the SEC by reference, including this Proxy Statement, the foregoing Report of the Compensation Committee is not incorporated by reference into any such filings.

\* Each of Messrs. Miller and Varasano has served as a member of the Compensation Committee since November 25, 2007. Mr. Sullivan has served as a member of the Compensation Committee since March 19, 2008. Messrs. Miller, Sullivan and Varasano were not involved in and did not participate in any decision of the Compensation Committee prior to the date that they joined the Committee.

**Table of Contents****SUMMARY COMPENSATION TABLE FOR FISCAL 2007**

The following table shows compensation information for fiscal 2007 for our named executive officers, and a former Chief Executive Officer and Chief Financial Officer who resigned during fiscal year 2007 (collectively, the named executive officers ).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)	Option Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$) (3)	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$)	Total (\$)
							Compensation Earnings (\$) (5)		
John Deason Chairman of the Board	2007	916,053			2,048,835(4)	1,835,468	952,710(5)	219,033(6)	5,972,099
Robert Blodgett President and Chief Executive Officer	2007	695,769			1,767,183	1,200,000		29,985(7)	3,692,937
John Oxford Executive Vice President and Financial Officer	2007	429,108			796,062	600,000		291,419(8)	2,116,589
John Burlin Executive Vice President and Operating Officer	2007	420,913			542,306	600,000		25,454(9)	1,588,673
John Mezina Executive Vice President and Operating Officer	2007	422,401			273,499	600,000		33,110(10)	1,328,910
<b>Former Officers:</b>									
John King Executive Vice President and Executive Officer	2007	698,654			1,581,016			32,193(11)	2,311,863
John D. Edwards Executive Vice President and Chief Financial Officer	2007	456,455			687,882			17,611(12)	1,161,948

(1) We did not grant any restricted stock awards or stock appreciation rights ( SARs ) to our named executive officers during fiscal year 2007.



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- (2) The amount shown for each executive officer is the compensation cost recognized in our financial statements for fiscal year 2007 related to outstanding grants of stock options to each named executive officer to the extent we recognized compensation expense in fiscal year 2007 for such awards in accordance with the provisions of SFAS 123(R). (All of Mr. Deason's outstanding option grants were related to prior years.) These amounts are adjusted to reflect the increase in exercise price of certain outstanding stock options on December 28, 2006. For a discussion of valuation assumptions used in the SFAS 123(R) calculations, see Note 2 of the Notes to our Consolidated Financial Statements included in our Form 10-K for the fiscal year ended June 30, 2007. The following table shows for each award, the fiscal year 2007 cost based on the original grant price and the increase in the fiscal year 2007 cost as a result of the change in measurement date:

Named Executive Officer	Option Number	Original Option Grant Date	FY 2007	Increase in	Total
			Cost based on Original Grant Price (\$)	FY 07 Cost as a Result of a Change in the Measurement Date (\$)(a)	
Darwin Deason	1303	7/23/02	671,940	66,273	738,213
	1303a	7/23/02	1,007,912	302,710	1,310,622
Lynn Blodgett	647a	7/11/00	N/A	6,850	6,850
	853	9/26/01	32,104	12,603	44,707
	853a	9/26/01	21,409	41,234	62,643
	1307	7/23/02	83,992	8,284	92,276
	1307a	7/23/02	125,988	37,839	163,827
	1758	8/11/03	309,068	0	309,068
	1888	7/30/04	357,772	(35,538)	322,234
	2326	3/18/05	557,308	0	557,308
John Rexford(b)	3470	12/9/06	208,270	0	208,270
	1241	7/23/02	55,996	5,523	61,519
	1241a	7/23/02	83,992	25,226	109,218
	1755	8/11/03	154,536	0	154,536
	1893	7/30/04	89,444	(8,884)	80,560
	2329	3/18/05	278,656	0	278,656
	3472	12/9/06	111,573	0	111,573
	2572	6/13/05	270,204	123,338	393,542
Tom Burlin	3447	12/9/06	148,764	0	148,764
	1532	7/21/03	30,056	1,623	31,679
Ann Vezina(b)	2054	7/30/04	34,176	(3,505)	30,671
	2349	5/3/05	60,828	1,557	62,385
	3458	12/9/06	148,764	0	148,764
<b>Former Officers:</b>					
Mark King	1305	7/23/02	623,074	3,329	626,403
	1753	8/11/03	250,427	0	250,427

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	1887	7/30/04	109,690	(2,702)	106,988
	2325	3/18/05	597,198	0	597,198
Warren D. Edwards	1310	7/23/02	129,305	832	130,137
	1752	8/11/03	187,822	0	187,822
	1892	7/30/04	73,122	(1,801)	71,321
	2328	3/18/05	298,602	0	298,602

- (a) Represents the incremental increase in compensation cost to the Company in fiscal year 2007 for such awards in accordance with the provisions of SFAS 123(R) resulting from the change in measurement date of the option grant and our agreement to pay to the executive (other than Messrs. King and Edwards) the difference between the original option grant price and the grant price on the revised measurement date, if applicable. See discussion of Mr. King and Mr. Edwards separation agreements in Note 23 in the Notes to our Consolidated Financial Statements included in our Form 10-K for the fiscal year ended June 30, 2007.

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- (b) In connection with the increase in exercise price of certain outstanding stock options held by John Rexford and Ann Vezina on August 8, 2007, we took an additional charge of \$1,995 for such options held by Mr. Rexford and \$7,800 for such options held by Ms. Vezina.
- (3) The amounts shown were earned under our FY07 Bonus Plan and Special Executive FY07 Bonus Plan. For a description of these plans, please see the section entitled Compensation Discussion & Analysis Incentive Bonus beginning on page 24.
- (4) As discussed in the section entitled Mr. Deason's Supplemental Executive Retirement Agreement beginning on page 37, option grants have been made to Mr. Deason to fund his Supplemental Executive Retirement Agreement. The Company recognized \$1,159,005 of compensation costs in our financial statements for fiscal year 2007 in accordance with the provisions of SFAS 123(R) related to one option grant made to fund the Supplemental Executive Retirement Agreement of Mr. Deason. That compensation cost is excluded from the compensation cost reflected in the Option Awards column.
- (5) We estimate that our obligation with respect to Mr. Deason under his Supplemental Executive Retirement Agreement increased from \$8,168,288 on June 30, 2006 to \$9,120,998 on June 30, 2007.
- (6) Represents \$102,110 in non-business use of corporate aircraft calculated or based on the incremental cost to the Company, \$5,228 in auto expense, \$9,002 in group life insurance, \$4,799 in tax and estate planning services, \$86,219 in accounting and administrative services and \$11,675 in medical costs under the Executive Medical Plan. We maintain an overall security program for Mr. Deason due to business-related security concerns. Mr. Deason is provided with security systems and equipment as well as security advice and personal protection services. The cost of these systems and services are incurred as a result of business-related concerns and are not maintained as perquisites or otherwise for the personal benefit of Mr. Deason. As a result, we have not included such costs in the All Other Compensation column. We expended \$423,011 in fiscal year 2007 for such security advice and personal protection services. With regard to the personal protection services, other executive officers and members of our Board of Directors receive the incidental benefit of these services when attending a meeting or other function at which Mr. Deason is also present; such incidental benefit has not been calculated or allocated for purposes of this table.
- (7) Represents \$1,402 in non-business use of corporate aircraft calculated or based on the incremental cost to the Company, \$1,555 in group life insurance, \$6,988 in long term disability insurance and \$20,040 in medical costs under the Executive Medical Plan.
- (8) Represents \$860 in group life insurance, \$8,844 in long term disability insurance, \$6,230 in matching ACS Savings Plan contributions, \$7,638 in medical costs under the Executive Medical Plan and \$267,847 in commission payments related to mergers and acquisitions activity. A part of Mr. Rexford's compensation in fiscal year 2007 was tied to commission payments for closed mergers and acquisitions based on a target percentage related to revenue acquired by the Company in such transactions.
- (9) Represents \$913 in group life insurance and \$24,541 in medical costs under the Executive Medical Plan.
- (10) Represents \$451 in group life insurance, \$323 in tax and estate planning services, \$6,180 in long term disability insurance, \$4,883 in matching ACS Savings Plan contributions, \$12,881 in relocation payments and \$8,392 in medical costs under the Executive Medical Plan.
- (11)

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Represents \$1,477 in group life insurance, \$9,072 in long term disability insurance, \$2,812 in matching ACS Savings Plan contributions and \$19,551 in medical costs under the Executive Medical Plan. Mr. King resigned as a director and our President and Chief Executive Officer effective as of November 26, 2006.

- (12) Represents \$521 in group life insurance, \$4,290 in long term disability insurance, \$2,572 in matching ACS Savings Plan contributions and \$10,440 in medical costs under the Executive Medical Plan. Mr. Edwards resigned as our Executive Vice President and Chief Financial Officer effective as of November 26, 2006.

Table of Contents**Grants of Plan-Based Awards**

The following table shows all plan-based awards granted to the named executive officers during fiscal year 2007, which ended on June 30, 2007.

**GRANTS OF PLAN-BASED AWARDS  
FOR FISCAL 2007**

Name	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares	All Other Option Awards: Number of Securities	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option Awards (\$)(2)
Darwin Deason	9/28/06			2,294,335								
Lynn Blodgett	12/9/06									140,000	\$ 49.55	\$ 1,849,591
	1/17/07			1,500,000								
John Rexford	12/9/06									75,000	\$ 49.55	\$ 990,852
	1/17/07			750,000								
Tom Burlin	12/9/06									100,000	\$ 49.55	\$ 1,321,136
	1/17/07			750,000								
Ann Vezina	12/9/06									100,000	\$ 49.55	\$ 1,321,136
	1/17/07			750,000								
<b>Former Officers</b>												
Mark King	9/28/06			1,575,000(3)								
Warren Edwards	9/28/06			514,500(4)								

(1) Amounts shown represent the maximum awards that could be earned by the named executive officers under the FY07 Bonus Plan and the Special Executive FY07 Bonus Plan, as applicable, for fiscal year 2007. Actual bonuses paid under these plans for fiscal year 2007 are shown in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column.

(2) The value of an option award is based on the fair value as of the grant date of such award determined pursuant to SFAS 123(R). The exercise price for each option grant is 100% of the fair market value of a share of the

Company's Class A Common Stock on the date of grant which was determined by reference to the closing price for such stock on such date on the New York Stock Exchange. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of the Company's common stock at such date in the future when the option is exercised. These options were granted under our 1997 Stock Incentive Plan and vest and become exercisable as follows: on each anniversary date of the grant, commencing with the first such anniversary date and continuing on each such anniversary thereafter through and including the fifth anniversary of the date of the grant, 20% of such options shall vest and become exercisable.

- (3) Mr. King resigned as a director and our President and Chief Executive Officer effective as of November 26, 2006. Under the terms of his separation agreement with the Company, Mr. King was not eligible to receive any non-equity incentive plan based awards for fiscal year 2007.
- (4) Mr. Edwards resigned as our Executive Vice President and Chief Financial Officer effective as of November 26, 2006. Under the terms of his separation agreement with the Company, Mr. Edwards was not eligible to receive any non-equity incentive plan based awards for fiscal year 2007.

## **Stock Plans**

### ***2007 Equity Incentive Plan***

On June 7, 2007, our stockholders approved our 2007 Equity Incentive Plan (the "2007 Equity Plan"). This plan replaced our 1997 Stock Incentive Plan. The 2007 Equity Plan is administered by the Compensation Committee, which has full and final authority to select persons to receive awards and establish the terms of such

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awards, unless authority is specifically reserved (i) to our Board of Directors, (ii) by our certificate of incorporation, as amended, (iii) by our Bylaws, or (iv) by other applicable law.

The 2007 Equity Plan provides that, subject to any required action by the stockholders of the Company, the number of shares of common stock covered by each outstanding award, the number of shares of common stock that have been authorized for issuance under the 2007 Equity Plan, as well as the price per share of common stock covered by each such outstanding award, and the limit on the number of shares that may be issued to an individual (as provided in 2007 Equity Plan) shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock, or any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by the Company, provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board of Directors, whose determination in that respect shall be final, binding and conclusive. Unless otherwise provided in the 2007 Equity Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of common stock subject to an Option.

In the event of a change of control, our 2007 Equity Plan provides that the grant agreement, including those for our named executive officers, may provide that all outstanding options shall become vested and exercisable and all other awards shall become vested effective the day immediately prior to the change of control. A change of control under the 2007 Equity Plan is the merger, consolidation or other reorganization with or into another person, entity or group of entities under common control or the sale of a majority of our outstanding capital stock or all or substantially all of our assets to any other person, entity or group of entities under common control and as a result of such merger, consolidation, reorganization or sale, more than 50% of the combined voting power of the then outstanding voting securities of the surviving person or entity immediately after such transaction are held in the aggregate by a person, entity or group of entities under common control who beneficially owned less than 50% of our combined voting power prior to such transaction. However, (i) any transaction that is effected by the Company for the purposes of internal corporate restructuring of the Company and its affiliated companies, which results in any or all of the combined voting power of the voting securities of the Company being held by an entity affiliated with the Company immediately prior to such transaction, or (ii) any transaction or series of transactions, which results in the ownership by Darwin Deason, and/or any person, entity or group of entities that he controls, of more than 50% of the combined voting power of the Company, shall not constitute or result in a change of control.

***1997 Stock Incentive Plan***

Our stockholders approved the Company's 1997 Stock Incentive Plan (the 1997 Plan) on December 16, 1997. The 1997 Plan permits the grant of nonstatutory stock options, stock purchase rights, stock appreciation rights, deferred stock, dividend equivalents and awards of restricted stock to employees, consultants and outside directors. The 1997 Plan also permits the grant of incentive stock options within the meaning of Section 422 of the Code to our employees.

The 1997 Plan has been previously replaced by our 2007 Equity Plan and has expired.

In the event of a change of control, our 1997 Plan provides that the grant agreement may provide that all outstanding options shall become vested and exercisable and all other awards shall become vested effective the day immediately prior to the change of control. A change of control under the 1997 Plan is the merger, consolidation or other reorganization with or into another person, entity or group of entities under common control or the sale of a majority of our outstanding capital stock or all or substantially all of our assets to any other person, entity or group of entities under common control and as a result of such merger, consolidation, reorganization or sale, more than 51% of the

combined voting power of the then outstanding voting securities of the surviving person or entity immediately after such transaction are held in the aggregate by a person, entity or group of entities under common control who beneficially owned less than 51% of our combined voting power prior to such transaction.

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***Employee Stock Purchase Plan***

Under our 1995 Employee Stock Purchase Plan ( ESPP ), a maximum of 4 million shares of Class A common stock can be issued to substantially all full-time employees who elect to participate. In October 2002, the Board of Directors approved an amendment to the ESPP to increase the number of shares that can be issued under the plan from 2 million to 4 million. Through payroll deductions, eligible participants may purchase our stock at a 5% discount to market value. Prior to December 31, 2005, eligible participants were able to purchase our stock at a 15% discount to market value. The stock is either purchased by the ESPP in the open market or issued from our treasury account, or a combination of both. Our named executive officers are eligible to participate in the ESPP.

**Mr. Deason s Employment Agreement**

We entered an employment agreement with Mr. Deason effective as of February 16, 1999. The employment agreement, which was previously reviewed and approved by the Board of Directors and replaced an earlier change of control, has a term that currently ends on May 18, 2012, provided that such term shall automatically be extended for an additional year on May 18 of each year, unless 30 days prior to May 18 of any year Mr. Deason gives notice to us that he does not wish to extend the term or our Board of Directors (upon a unanimous vote of the directors, except for Mr. Deason) gives notice to Mr. Deason that it does not wish to extend the term. The employment agreement provides for a base salary of \$525,000 with annual adjustments to Mr. Deason s base salary by a percentage equal to the average percentage adjustments to the annual salaries of our top five executive officers (excluding promotions). The employment agreement also provides for an annual bonus based on the achievement of financial goals set for Mr. Deason by the Compensation Committee. This bonus can be up to 250% of Mr. Deason s base salary for that year (or in the discretion of the Compensation Committee, a greater percentage), which is consistent with the bonus percentage Mr. Deason has been eligible to receive since 1996. On December 7, 2007, the employment agreement was amended by the Company and Mr. Deason, in order to remove certain exclusive governance rights previously held by Mr. Deason, including his rights to appoint certain officers and recommend directors for election or removal from the Board of Directors. A discussion of Mr. Deason s severance benefits under the employment agreement is set forth in the section entitled Post Termination Benefits beginning on page 42.

**Mr. Blodgett s Employment Agreement**

We entered into an employment agreement with Mr. Blodgett effective as of December 14, 2007. The employment agreement, which was previously reviewed and approved by the Board and replaced an earlier severance agreement, has a term that currently ends on December 14, 2008, provided that such term shall automatically be extended for an additional one year period, unless 30 days prior to December 14 of any year either Mr. Blodgett or the Board gives notice to the other party that they do not wish to extend the term. The employment agreement provides that Mr. Blodgett s base salary shall be determined by the Board or the Compensation Committee. Further, under the employment agreement, Mr. Blodgett is eligible to receive any discretionary bonus as may be determined by the Board or Compensation Committee. Mr. Blodgett is also eligible to participate in the Company s 1997 Stock Plan or any omnibus stock incentive or award plans adopted by the Company. A discussion of Mr. Blodgett s severance benefits under the employment agreement and former severance agreement is set forth in the section entitled Post Termination Benefits beginning on page 42.

**Retirement Benefits**

*ACS Savings Plan.* The ACS Savings Plan is a defined contribution plan with a 401(k) feature. We currently match 25% of the first 6% of eligible compensation that an employee contributes to the ACS Savings Plan per year. The contributions to the plan are made by us for each of our executive officers on the same terms as applicable to all other employees. Contributions to the plan cannot be made after an employee earns \$225,000 in earnings during the year.

Contributions to the plan are capped at \$15,500 per year. A participant becomes 50% vested in the ACS match portion of his or her contribution to the ACS Savings Plan after the participant completes two years of service, and becomes 100% vested in the ACS match portion of his or her contribution to the ACS Savings Plan after the participant completes three years of service or, if earlier, the participant becomes disabled or dies, or in the case of a termination of the ACS Savings Plan. If a participant's service terminates before he or she is vested, the participant will forfeit the unvested portion of the ACS match and any earnings thereon. According to the ACS Savings Plan,

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employees who are defined as Highly Compensated Employees ( HCE ) in accordance with the Internal Revenue Service guidelines will be capped annually at a specified deferral rate (cap for calendar year 2007 is 5% of eligible earnings). This cap will be determined annually based on the results of the ACS Savings Plan's discrimination testing.

*ACS Supplemental Savings Plan.* Under our ACS Supplemental Savings Plan, HCE's of ACS, including our named executive officers, are permitted to defer receipt of up to 85% of their base salary, bonus and/or commissions. We match 25% of the first 1% of eligible compensation that an employee contributes to the ACS Supplemental Savings Plan per year if they have reached the 5% cap under the ACS Savings Plan (described above).

*Mr. Deason's Supplemental Executive Retirement Agreement.* We entered into a Supplemental Executive Retirement Agreement with Mr. Deason in December 1998, which was amended in August 2003 to conform the normal retirement date specified therein to our fiscal year end next succeeding the termination of the employment agreement between Mr. Deason and us. The normal retirement date under the Supplemental Executive Retirement Agreement was subsequently amended in June 2005 to conform to the termination date of the employment agreement with the exception of the determination of any amount deferred in taxable years prior to January 1, 2005 for purposes of applying the provisions of the American Jobs Creation Act of 2004 and the regulations and interpretive guidance published pursuant thereto (the AJCA). Pursuant to the Supplemental Executive Retirement Agreement, which was reviewed and approved by the Board of Directors, Mr. Deason will receive a benefit upon the occurrence of events described below equal to an actuarially calculated amount based on a percentage of his average monthly compensation determined by his monthly compensation during the highest 36 consecutive calendar months from among the 120 consecutive calendar months ending on the earlier of his termination of employment or his normal retirement date. The amount of this benefit payable by us will be offset by the value of particular options granted to Mr. Deason (including 150,000 shares covered by options granted in October 1998 with an exercise price of \$11.53125 per share and 300,000 shares granted in August 2003 with an exercise price of \$44.10 per share). The Company is considering alternatives with respect to the option grant that will expire in October 2008. To the extent that we determine that our estimated actuarial liability under the Supplemental Executive Retirement Agreement exceeds the in the money value of such options, such deficiency would be reflected in our results of operations as of the date of such determination. In the event that the value of the options granted to Mr. Deason exceeds the benefit, such excess benefit will accrue to Mr. Deason and we will have no further obligation under the Supplemental Executive Retirement Agreement. The percentage applied to the average monthly compensation is 56% for benefit determinations made on or any time after May 18, 2005. The events triggering the benefit are retirement, total and permanent disability, death, resignation, and change of control or termination for any reason other than cause. The benefit will be paid in a lump sum or, at the election of Mr. Deason, in monthly installments over a period not to exceed 10 years. We estimate that our obligation with respect to Mr. Deason under the Supplemental Executive Retirement Agreement was approximately \$9.1 million at June 30, 2007. The value (the excess of the market price over the option exercise price) of the options at June 30, 2007 was \$10.6 million. If the payment is caused by a change of control and at such time Mr. Deason would be subject to an excise tax under the Code with respect to the benefit, the amount of the benefit will be grossed-up to offset this tax.

**Perquisites**

We offer the Executive Benefit Plan to promote the health and well-being of our executives, including our named executive officers. The Executive Benefit Plan consists of the following components:

*Executive Medical Plan.* Under the Executive Medical Plan, normal and customary medical, dental and vision care costs, for executives and their immediate family members are paid by us. We do not pay non-medically necessary costs, such as cosmetic surgery. If costs paid by the Company exceed \$25,000 or relate to services or supplies considered experimental, investigational or under clinical investigation, then the medical expenses that exceed the \$25,000, along with any expenses for experimental, investigational or under clinical investigation

services or supplies, are imputed as income to the executive.

*Executive Long Term Disability Plan.* Certain of our executive officers are eligible to participate in our Executive Long Term Disability Plan which provides additional long-term disability coverage through

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age 65 for certain of our executive officers in addition to the standard policy provided to each of our employees.

*Prescription Benefit.* Paid prescription coverage up to 100% for our executive officers and their immediate family members.

*Annual Physical Examination.* Reimbursement of up to \$1,000 annually for any physical examination for the executive officer, and up to \$500 annually for any physical examination for the executive officer's spouse, performed by a designated physician or other licensed physician of their choice.

*Estate planning services.* Our executive officers receive a benefit of up to \$25,000 for initial estate planning services and up to \$10,000 per annum for subsequent services.

*Income Tax Preparation.* Each of our executive officers may be reimbursed, up to \$1,000 per annum, for income tax preparation services for preparation of their income tax returns.

Additionally, we pay the annual dues for club memberships for a limited number of executive officers. The memberships are intended to be used primarily for business purposes, although the applicable executive officers may use the club for personal purposes. Executive officers are required to pay all costs related to their personal use of the club.

**Outstanding Equity Awards**

The following table shows all outstanding equity awards held by our named executive officers at the end of fiscal year 2007, which ended on June 30, 2007. This table reflects the increase in exercise price subsequent to June 30, 2007, for certain options that were granted to certain of our named executive officers prior to their appointment as executive officers of the Company.

**OUTSTANDING EQUITY AWARDS AT FISCAL 2007 YEAR-END**

Option Awards			Stock Awards			
Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Option Unearned Exercise	Option Expiration	Equity Incentive Plan Awards: Market Value of Awards: or Shares or Units of Unearned or Other Rights that Have Not		
				Number of Shares or Units of Unearned or Other Rights that Have Not	Market Value of Awards: or Shares or Units of Unearned or Other Rights that Have Not	Payout Value of Awards: or Shares or Units of Unearned or Other Rights that Have Not

Name	Exercisable	Unexercisable	Options (#)	Price (\$)	Date	Vested (#)	Vested (\$)	Vested (\$)
Darwin Deason	240,000			35.75	7/23/12			
	240,000	120,000(1)		37.57(19)	7/23/12			
Lynn Blodgett	80,000			16.4375	7/11/10			
	20,000			23.47(19)	7/11/10			
	43,200			38.66	9/26/11			
	28,800			44.87(19)	9/26/11			
	30,000			35.75	7/23/12			
	30,000	15,000(2)		37.57	7/23/12			
	60,000	40,000(3)		44.10	8/11/13			
	40,000	60,000(4)		51.90	7/30/14			
John Rexford	80,000	120,000(5)		50.25	3/18/15			
		140,000(6)		49.55	12/9/16			
	24,000			16.4375	7/11/10			
	6,000			23.47(19)	7/11/10			
	20,000			35.75	7/23/12			
	20,000	10,000(7)		37.57(19)	7/23/12			
	30,000	20,000(8)		44.10	8/11/13			
	10,000	15,000(9)		51.90	7/30/14			
	40,000	60,000(10)		50.25	3/18/15			
		75,000(11)		49.55	12/9/16			

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Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Unearned Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Awards: or Number of Shares or Units of Unearned Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
Tom Burlin	40,000	60,000(12)	51.83	6/13/15		
		100,000(13)	49.55	12/9/16		
Ann Vezina	6,000	4,000(14)	44.10	7/21/13		
		10,000(15)	51.90	7/30/14		
	10,000	15,000(16)	48.14	5/3/15		
		100,000(17)	49.55	12/9/16		
<b>Former Officers</b>						
Mark King	68,000(18)		25.8502	9/28/07		
	100,000(18)		25.8502	9/28/07		
	100,000(18)		25.8502	9/28/07		
	200,000(18)		34.67	9/28/07		
	160,000(18)	40,000(18)	37.57	9/28/07		
	60,000	20,000	44.10	6/30/08		
	30,000	15,000	51.90	6/30/08		
	120,000		50.25	6/30/08		
Warren Edwards	30,000(18)		23.47	9/28/07		
	100,000(18)		34.67	9/28/07		
	40,000(18)	10,000(18)	37.57	9/28/07		
	45,000	15,000	44.10	6/30/08		
	20,000	10,000	51.90	6/30/08		
	60,000		50.25	6/30/08		

(1) This option was granted on July 23, 2002. This option became fully exercisable on July 23, 2007.

(2) This option was granted on July 23, 2002. This option became fully exercisable on July 23, 2007.

- (3) This option was granted on August 11, 2003. 20,000 shares became exercisable on August 11, 2007. Assuming continued employment with the Company, the remaining 20,000 shares will become exercisable on August 11, 2008.
- (4) This option was granted on July 30, 2004. 20,000 shares became exercisable on July 30, 2007. Assuming continued employment with the Company, 20,000 shares will become exercisable on July 30 of each of 2008 and 2009.
- (5) This option was granted on March 18, 2005. 40,000 shares became exercisable on March 18, 2008. Assuming continued employment with the Company, 40,000 shares will become exercisable on March 18 of each of 2009 and 2010.
- (6) This option was granted on December 9, 2006. 28,000 shares became exercisable on December 9, 2007. Assuming continued employment with the Company, 28,000 shares will become exercisable on December 9 of each of 2008, 2009, 2010 and 2011.
- (7) This option was granted on July 23, 2002. This option became fully exercisable on July 23, 2007.
- (8) This option was granted on August 11, 2003. 10,000 shares became exercisable on August 11, 2007. Assuming continued employment with the Company, the remaining 10,000 shares will become exercisable on August 11, 2008.
- (9) This option was granted on July 30, 2004. 5,000 shares became exercisable on July 30, 2007. Assuming continued employment with the Company, 5,000 shares will become exercisable on July 30 of each of 2008 and 2009.
- (10) This option was granted on March 18, 2005. 20,000 shares became exercisable on March 18, 2008. Assuming continued employment with the Company, 20,000 shares will become exercisable on March 18 of each of 2009 and 2010.

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- (11) This option was granted on December 9, 2006. 15,000 shares became exercisable on December 9, 2007. Assuming continued employment with the Company, 15,000 shares will become exercisable on December 9 of each of 2008, 2009, 2010 and 2011.
- (12) This option was granted on June 13, 2005. Assuming continued employment with the Company, 20,000 shares will become exercisable on June 13 of each of 2008, 2009 and 2010.
- (13) This option was granted on December 9, 2006. 20,000 shares became exercisable on December 9, 2007. Assuming continued employment with the Company, 20,000 shares will become exercisable on December 9 of each of 2008, 2009, 2010 and 2011.
- (14) This option was granted on July 21, 2003. 2,000 shares became exercisable on July 21, 2007. Assuming continued employment with the Company, the remaining 2,000 shares will become exercisable on July 21, 2008.
- (15) This option was granted on July 30, 2004. 6,000 shares became exercisable on July 30, 2007. Assuming continued employment with the Company, 2,000 shares will become exercisable on July 30 of each of 2008 and 2009.
- (16) This option was granted on May 3, 2005. Assuming continued employment with the Company, 5,000 shares will become exercisable on May 3 of each of 2008, 2009 and 2010.
- (17) This option was granted on December 9, 2006. 20,000 shares became exercisable on December 9, 2007. Assuming continued employment with the Company, 20,000 shares will become exercisable on December 9 of each of 2008, 2009, 2010 and 2011.
- (18) These shares were exercised subsequent to June 30, 2007.
- (19) This is the adjusted exercise price reflecting t