

MODEL N, INC.  
Form DEF 14A  
January 09, 2015  
**Table of Contents**

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

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

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**Model N, 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):

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- .. 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:

**Table of Contents**

**MODEL N, INC.**

**1600 SEAPORT BOULEVARD, SUITE 400**

**REDWOOD CITY, CALIFORNIA 94063**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held at 11:30 a.m. Pacific Time on Friday, February 20, 2015**

TO THE HOLDERS OF COMMON STOCK OF MODEL N, INC.:

The Annual Meeting of Stockholders of Model N, Inc., a Delaware corporation ( Model N ), will be held on **Friday, February 20, 2015, at 11:30 a.m.** Pacific Time, at Model N, Inc., located at 1600 Seaport Boulevard, Suite 400, Redwood City, California, for the following purposes as more fully described in the accompanying proxy statement:

1. To elect two Class II directors to serve until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified, subject to earlier resignation or removal;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015; and
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors of Model N has fixed the close of business on December 22, 2014 as the record date for the meeting. Only stockholders of record of our common stock at the close of business on December 22, 2014 are entitled to notice of and to vote at the meeting. Further information regarding voting rights and the matters to be voted upon is presented in our proxy statement.

A Notice Regarding the Availability of Proxy Materials (Notice) is being mailed to stockholders of record as of the record date beginning on or about January 9, 2015. The Notice contains instructions on how to access our proxy statement for our 2015 Annual Meeting of Stockholders and our Annual Report on Form 10-K for our fiscal year ended September 30, 2014 (together, the proxy materials). The Notice also provides instructions on how to vote online and how to receive a paper or email copy of proxy materials by mail. The proxy materials can be accessed directly at the following Internet address:

<http://investor.modeln.com/GenPage.aspx?IID=4377866&GKP=1073749823>.

If you have any questions regarding this information or the proxy materials, please visit our website at [www.modeln.com](http://www.modeln.com) or contact our investor relations department at 650-610-4998.

**YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to submit your vote via the Internet, telephone or mail.**

We appreciate your continued support of Model N and look forward to receiving your proxy.

By order of the Board of Directors,

Zack Rinat

Chief Executive Officer

and Chairman of the Board of Directors

Redwood City, California

January 9, 2015

**Table of Contents**

**TABLE OF CONTENTS**

	PAGE
<u>QUESTIONS AND ANSWERS</u>	1
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	5
<u>PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	8
<u>DIRECTORS AND CORPORATE GOVERNANCE</u>	10
<u>Director Independence</u>	10
<u>Leadership Structure</u>	10
<u>Lead Independent Director</u>	10
<u>Risk Oversight</u>	10
<u>Executive Sessions of Independent Directors</u>	10
<u>Codes of Conduct</u>	11
<u>Meetings of the Board of Directors</u>	11
<u>Committees of the Board of Directors</u>	11
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Considerations in Evaluating Director Nominees</u>	13
<u>Stockholder Recommendations for Nominations to the Board of Directors</u>	14
<u>Non-Employee Director Compensation</u>	15
<u>Communications with the Board of Directors</u>	16
<u>REPORT OF THE AUDIT COMMITTEE</u>	17
<u>RELATED PERSON TRANSACTIONS</u>	18
<u>EXECUTIVE COMPENSATION</u>	20
<u>Overview</u>	20
<u>Executive Compensation Philosophy, Objectives and Design</u>	20
<u>Elements of Our Executive Compensation Program</u>	21
<u>SUMMARY COMPENSATION TABLE</u>	23
<u>Outstanding Equity Awards at 2014 Fiscal Year-End Table</u>	24
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	25
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	26
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	28
<u>EMPLOYMENT ARRANGEMENTS AND INDEMNIFICATION AGREEMENTS</u>	29
<u>ADDITIONAL INFORMATION</u>	32
<u>Stockholder Proposals for 2016 Annual Meeting</u>	32
<u>Solicitation of Proxies</u>	32
<u>Fiscal Year 2014 Annual Report on Form 10-K</u>	32
<u>OTHER MATTERS</u>	32

**Table of Contents**

***SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS***

*This proxy statement contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our business strategy and plans and our objectives for future operations, are forward-looking statements. The words believe, may, will, continue, anticipate, intend, expect, seek, and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2014. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this proxy statement may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results. We are under no duty to update any of these forward-looking statements after the date of this proxy statement.*

*As used in this proxy statement, the terms Model N, we, us, and our mean Model N, Inc. and its subsidiaries unless the context indicates otherwise.*

**Table of Contents**

**MODEL N, INC.**

**1600 Seaport Boulevard, Suite 400**

**Redwood City, California 94063**

**PROXY STATEMENT**

**FOR 2015 ANNUAL MEETING OF STOCKHOLDERS**

**to be held on February 20, 2015 at 11:30 a.m. PT**

This proxy statement and the enclosed form of proxy are furnished in connection with solicitation of proxies by our Board of Directors for use at the annual meeting of stockholders (the Annual Meeting ) to be held at 11:30 a.m. PT on Friday, February 20, 2015, and any postponements or adjournments thereof. The Annual Meeting will be held at Model N, Inc., located at 1600 Seaport Boulevard, Suite 400, Redwood City, California. Beginning on or about January 9, 2015, we mailed to our stockholders a Notice Regarding the Availability of Proxy Materials (Notice) containing instructions on how to access our proxy materials.

**QUESTIONS AND ANSWERS**

The information provided in the question and answer format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

**What matters am I voting on?**

You will be voting on:

the election of two Class II directors to hold office until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified, subject to earlier resignation or removal;

a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015; and

any other business that may properly come before the meeting.



**How does the Board of Directors recommend I vote on these proposals?**

The Board of Directors recommends a vote:

**FOR** the re-election of Sarah Friar and Mark Garrett, our nominees for Class II directors;

**FOR** the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015; and

**Who is entitled to vote?**

Holders of our common stock as of the close of business on December 22, 2014, the record date, may vote at the Annual Meeting. As of the record date, we had 25,605,737 shares of common stock outstanding. In deciding all matters at the Annual Meeting, each holder of common stock of Model N will be entitled to one vote for each share of common stock held as of the close of business on the record date. We do not have cumulative voting rights for the election of directors.

## **Table of Contents**

*Registered Stockholders.* If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

*Street Name Stockholders.* If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and the Notice was forwarded to you by your broker or nominee who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since beneficial owners are not stockholders of record, you may not vote your shares in person at the Annual Meeting unless you follow your broker's procedures for obtaining a legal proxy. If you request a printed copy of the proxy materials by mail, your broker or nominee will provide a voting instruction card for you to use.

## **How do I vote?**

There are four ways for stockholders of record to vote:

by Internet at <http://www.voteproxy.com>, 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on February 19, 2015 (have your Notice or proxy card in hand when you visit the website);

*We encourage you to vote this way as it is the most cost-effective method.*

by toll-free telephone at 1-800-776-9437 (or 718-921-8500 for international callers) until 11:59 p.m. Eastern Time on February 19, 2015 (have your Notice or proxy card in hand when you call);

by completing and mailing your proxy card so that it is received prior to the Annual Meeting; or

by written ballot at the Annual Meeting.

Street name holders may submit their voting instructions by internet or telephone using the information provided by their respective brokers or nominees and may complete and mail voting instruction forms to their respective brokers or nominees. However, street name holders may not vote by written ballot at the Annual Meeting unless they obtain a legal proxy from their respective brokers or nominees.

## **Can I change my vote?**

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

entering a new vote by Internet or by telephone (until 11:59 p.m. Eastern Time on February 19, 2015);

returning a later-dated proxy card so that it is received prior to the Annual Meeting;

notifying the Corporate Secretary of Model N, in writing, at the address listed on the front page; or

completing a written ballot at the Annual Meeting.

Street name holders may change their voting instructions by submitting new instructions by internet or by telephone or returning a later-dated voting instruction form to their respective brokers or nominees. In addition, street name holders who obtain a legal proxy from their respective brokers or nominees may change their votes by completing a ballot at the Annual Meeting.

**What is the effect of giving a proxy?**

Proxies are solicited by and on behalf of our Board of Directors. The persons named in the proxy card have been designated as proxies by our Board of Directors. When proxy votes are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the

## **Table of Contents**

instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our Board of Directors as described above. If any matters not described in the Proxy Statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxy holders can vote your shares at the adjourned meeting date as well, unless you have properly revoked your proxy instructions, as described above.

### **What is a quorum?**

A quorum is the minimum number of shares required to be present at the Annual Meeting for the meeting to be properly held under our Bylaws and Delaware state law. The presence, in person or by proxy, of a majority of the voting power of the shares of stock entitled to vote at the meeting will constitute a quorum at the meeting. A proxy submitted by a stockholder may indicate that the shares represented by the proxy are not being voted ( stockholder withholding ) with respect to a particular matter. In addition, a broker may not be permitted to vote on shares held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock ( broker non-vote ). The shares subject to a proxy which are not being voted on a particular matter because of either stockholder withholding or broker non-votes will count for purposes of determining the presence of a quorum, but are not treated as votes cast and, therefore, will have no effect on the election of directors or the ratification of the appointment of PricewaterhouseCoopers LLP. Abstentions are voted neither for nor against a matter, and, therefore, will have no effect on the election of directors or the ratification of the appointment of PricewaterhouseCoopers LLP, but are counted in the determination of a quorum.

### **How many votes are needed for approval of each matter?**

**Proposal No. 1:** The election of directors requires a plurality vote of the shares of common stock voted at the meeting. Plurality means that the nominees who receive the largest number of votes cast FOR are elected as directors. As a result, any shares not voted FOR a particular nominee (whether as a result of stockholder withholding or a broker non-vote) will not be counted in such nominee's favor.

**Proposal No. 2:** The ratification of the appointment of PricewaterhouseCoopers LLP must receive the affirmative vote of a majority of the votes cast by the holders of shares represented in person or by proxy at the meeting and entitled to vote thereon to be approved.

### **How are proxies solicited for the Annual Meeting?**

The Board of Directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by Model N. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

### **How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?**

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole routine matter the proposal to ratify the appointment of PricewaterhouseCoopers LLP. Your broker will not have discretion to vote on the election of directors, a non-routine matter, absent direction from you.

**Why did I receive a notice regarding the availability of proxy materials on the Internet instead of a full set of proxy materials?**

In accordance with the rules of the Securities and Exchange Commission (SEC), we have elected to furnish our proxy materials, including this proxy statement and our Annual Report on Form 10-K, primarily via the Internet. Beginning on or about January 9, 2015, we mailed to our stockholders a Notice Regarding the

## **Table of Contents**

Availability of Proxy Materials that contains notice of the Annual Meeting and instructions on how to access our proxy materials on the Internet, how to vote at the meeting and how to request printed copies of the proxy materials and annual report. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual meetings.

### **What does it mean if multiple members of my household are stockholders but we only received one Notice or full set of proxy materials in the mail?**

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for notices and proxy materials with respect to two or more stockholders sharing the same address by delivering a single notice or set of proxy materials addressed to those stockholders. In accordance with a prior notice sent to certain brokers, banks, dealers or other agents, we are sending only one Notice or full set of proxy materials to those addresses with multiple stockholders unless we received contrary instructions from any stockholder at that address. This practice, known as householding, allows us to satisfy the requirements for delivering Notices or proxy materials with respect to two or more stockholders sharing the same address by delivering a single copy of these documents. Householding helps to reduce our printing and postage costs, reduces the amount of mail you receive and helps to preserve the environment. If you currently receive multiple copies of the Notice or proxy materials at your address and would like to request householding of your communications, please contact your broker. Once you have elected householding of your communications, householding will continue until you are notified otherwise or until you revoke your consent.

### **Is my vote confidential?**

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Model N or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

### **Where can I find Model N's Corporate Governance Guidelines and other governance documents?**

Model N has adopted Corporate Governance Guidelines. A copy of the Corporate Governance Guidelines, as well as copies of the Code of Business Conduct for Directors, Code of Business Conduct for Employees, Audit Committee Charter, Compensation Committee Charter and Nominating and Corporate Governance Committee Charter, can be accessed through the Investors section of our website, under Company About Model N Investors Corporate Information Governance Documents, or by clicking on the following link:

<http://investor.modeln.com/file.aspx?IID=4377866&FID=1001173938>.

Table of Contents**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our Board of Directors may establish the authorized number of directors from time to time by resolution. Our Board of Directors currently consists of six members. Our Certificate of Incorporation and Bylaws provide for a classified Board of Directors consisting of three classes of directors, with directors serving staggered three-year terms.

Directors in a particular class will be elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. The class of each director is set forth in the table below.

The directors who are serving for terms that end following the meeting, and their ages, occupations and length of board service as of December 22, 2014, are provided in the table below. Additional biographical descriptions of each nominee and director are set forth in the text below the table. These descriptions include the primary individual experience, qualifications, qualities and skills of our nominees and directors that led to the conclusion that each person should serve as a member of our Board of Directors.

<b>Nominees</b>	<b>Class</b>	<b>Age</b>	<b>Position</b>	<b>Year Elected Director</b>	<b>Current Term Expires</b>	<b>Expiration of Term For Which Nominated</b>
Sarah Friar	II	41	Director	2012	2015	2018
Mark Garrett	II	57	Director	2008	2015	2018
<b>Continuing Directors</b>						
David Bonnette	I	44	Director	2014	2017	
Mark Leslie	I	68	Director	2013	2017	
Zack Rinat	III	56	Chief Executive Officer and	1999	2016	
			Chairman of the Board			
Charles Robel	III	65	Director	2005	2016	
<b>Nominees for Director</b>						

**Sarah Friar** has served as a member of our board of directors since September 2012. Since July 2012, Ms. Friar has served as the Chief Financial Officer of Square Inc., a provider of payment processing and point-of-sale systems for businesses and mobile payment offerings for consumers. From April 2011 to July 2012, she served as the Senior Vice President, Finance & Strategy at Salesforce.com, Inc., an enterprise cloud computing company. From July 2000 to April 2011, she was employed by The Goldman Sachs Group, Inc., an investment banking company, most recently as a Managing Director in the Equity Research Division covering software and as the Business Leader for the Technology Research Business Unit. Since December 2013, Ms. Friar has served as a member of the Board of Directors of New Relic, Inc. Ms. Friar holds an MBA from Stanford University Graduate School of Business and a MEng, in Metallurgy, Economics and Management from the University of Oxford. Our board of directors determined that Ms. Friar should serve as a director based on her significant experience in the technology industry and her

significant financial, investment and accounting experience.

**Mark Garrett** has served as a member of our board of directors since January 2008. Since February 2007, Mr. Garrett has served as Executive Vice President and Chief Financial Officer at Adobe Systems Incorporated. From June 2004 to January 2007, Mr. Garrett served as Senior Vice President and Chief Financial Officer of the Software Group of EMC Corporation, his most recent position since EMC's acquisition of Documentum, Inc. in December 2003. Mr. Garrett first joined Documentum as Executive Vice President and Chief Financial Officer in 1997, holding that position through October 1999 and then re-joining Documentum as Executive Vice President



## **Table of Contents**

and Chief Financial Officer in 2002. Mr. Garrett is also a director of Informatica Corporation. Mr. Garrett holds an MBA from Marist College and a BS in accounting and marketing from Boston University. Our board of directors determined that Mr. Garrett should serve as a director based on his significant experience serving on the boards of directors of other technology companies and his significant management and financial experience.

## **Continuing Directors**

**David Bonnette** has served as a member of our board of directors since August 2014. Since March 2014, Mr. Bonnette has also served on the board of directors and as the Chief Executive Officer of Lanyon, Inc., a provider of cloud-based solutions for managing corporate meetings, events and travel programs. From May 2011 to January 2014, Mr. Bonnette served as the Chief Executive Officer at BigMachines, Inc., a provider of cloud-based Configure, Price and Quote (CPQ) solutions, from 1995 to April 2011, Mr. Bonnette served as Group Vice President, North America Sales at Oracle Corporation, and from 2008 to 2012, Mr. Bonnette served as a director of Brainware (acquired by Lexmark). Mr. Bonnette holds a BA in Business Administration and Management from Keene State College. Our board of directors determined that Mr. Bonnette should serve as a director based on his experience as the Chief Executive Officer of cloud-based technology companies and his understanding of the software industry.

**Mark Leslie** previously served as a member of our board of directors from October 2001 to December 2012 and has currently served as a member of our board of directors since January 2014. Since March 2001, Mr. Leslie has also served as the Managing General Partner of Leslie Ventures, a private investment company. In addition, Mr. Leslie has been a lecturer at Stanford Graduate School of Business since 2001, teaching courses in entrepreneurship, sales and ethics. Previously, Mr. Leslie was the founding Chief Executive Officer of Veritas Software Corporation, a computer software company ( *Veritas* ). He joined the board of directors of Veritas in May 1988 and became the Chairman, President and Chief Executive Officer when Veritas was restarted as a software company in 1990. He served in these positions at Veritas through 2000-2001. Mr. Leslie currently serves on the New York University Board of Trustees. He also serves on the boards of a number of privately held high-technology corporations. He also served on the board of directors of NetApp, Inc., a data management company, from July 2004 until August 2010. Mr. Leslie completed Harvard Business School's program for management development and holds a B.A. in physics from New York University. Our board of directors determined that Mr. Leslie should serve as a director based on his in-depth knowledge of our company through his prior lengthy experience on our board of directors and his significant experience serving on the boards of directors of other technology companies, as well as his significant management, engineering and sales experience. In July 2007, the SEC filed a complaint against Mr. Leslie and four other former officers of Veritas. The SEC alleged that Mr. Leslie and the other former officers misstated Veritas's reported revenues between 2000 and 2002 by approximately \$20 million in connection with a software sale to America Online, Inc. In October 2011, without admitting or denying the allegations in the complaint, Mr. Leslie consented to entry of a final judgment permanently enjoining him from future violations of Rule 13b2-2(a)(2) under the Securities Exchange Act of 1934, as amended and ordering him to pay disgorgement and prejudgment interest of approximately \$1.6 million and a civil penalty of \$25,000.

**Zack Rinat** is our founder and has served as the Chairman of our board of directors and as our Chief Executive Officer since our inception in December 1999. Previously, Mr. Rinat served as Vice President and General Manager of Sun Microsystems, Inc.'s NetDynamics, Inc. business unit. Mr. Rinat co-founded and served as President and Chief Executive Officer of NetDynamics, Inc., an application software company, until its acquisition by Sun Microsystems in 1998. From 2005 to 2012, Mr. Rinat also served on the board of directors of Conduit Ltd., a provider of cloud-based solutions for web publishers, including as the Chairman from 2005 to 2011. Previously, he held senior management positions in operations, marketing and engineering at Silicon Graphics, Inc., and at Advanced Technology Israel. Mr. Rinat holds an MBA from the Harvard Business School and a BA in computer science from the Technion (Israel Institute of Technology). Our board of directors determined that Mr. Rinat should serve as a

director based on his position as Chief Executive Officer of our company and his understanding of the software industry.

**Table of Contents**

**Charles Robel** has served as a member of our board of directors since January 2007. Mr. Robel also currently serves on the board of directors of Informatica Corporation, Jive Software, Inc., and several privately held companies. From June 2011 to December 2014, Mr. Robel served as a member of the board of directors of Palo Alto Networks, Inc. From September 2007 to June 2013, Mr. Robel served as a member of the board of directors of Autodesk, Inc., from September 2006 to February 2012, Mr. Robel served as a member of the board of directors of DemandTec, Inc., from June 2006 to February 2011, Mr. Robel served as the Chairman of the board of directors of McAfee, Inc. and from June 2000 to December 2005, Mr. Robel served as Managing Member and Chief Operating Officer at Hummer Winblad Venture Partners. Mr. Robel began his career at PricewaterhouseCoopers LLP, from which he retired as a partner in June 2000. Mr. Robel holds a BS in accounting from Arizona State University. Our board of directors determined that Mr. Robel should serve as a director based on his significant experience investing in and serving on the boards of directors of other technology companies and his significant financial and accounting experience.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
EACH OF THE NOMINEES NAMED ABOVE.**

**Table of Contents**

**PROPOSAL NO. 2**

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the Board of Directors (Audit Committee) has appointed the firm of PricewaterhouseCoopers LLP, independent registered public accountants, to audit our financial statements for the fiscal year ending September 30, 2015. During our fiscal year ended September 30, 2014, PricewaterhouseCoopers LLP served as our independent registered public accounting firm.

Notwithstanding its selection and even if our stockholders ratify the selection, our Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in our best interests and the interests of our stockholders. At the Annual Meeting, the stockholders are being asked to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2015. Our Audit Committee is submitting the selection of PricewaterhouseCoopers LLP to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting and they will have an opportunity to make statements and will be available to respond to appropriate questions from stockholders.

If this proposal does not receive the affirmative approval of a majority of the votes cast on the proposal, the Audit Committee would reconsider the appointment.

**Fees Paid to the Independent Registered Public Accounting Firm**

The following table presents fees billed or to be billed by PricewaterhouseCoopers LLP for professional services rendered with respect to the fiscal years ended September 30, 2014 and September 30, 2013. All of these services rendered since the formation of the Audit Committee were approved by the Audit Committee.

	<b>2014</b>	<b>2013</b>
Audit Fees <sup>(1)</sup>	\$ 1,016,007	\$ 1,577,484
Audit-Related Fees <sup>(2)</sup>		248,219
Tax Fees		
All Other Fees <sup>(3)</sup>	36,800	1,800
<b>Total</b>	<b>\$ 1,052,807</b>	<b>\$ 1,827,503</b>

- (1) Audit fees consist of fees for professional services provided in connection with the audit of our annual consolidated financial statements, the review of our quarterly consolidated financial statements, and audit services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years, such as statutory audits. Audit fees also include fees for professional services provided during the fiscal years ended September 30, 2014 and September 30, 2013. In addition, audit fees for the fiscal year ended September 30, 2013 include fees for professional services provided in connection with our initial public offering, including comfort letters, consents and review of documents filed with the SEC.

- (2) Includes fees associated with attest services related to financial reporting that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.
- (3) All other fees for the fiscal years ended September 30, 2013 were related to fees for access to online accounting research software. In addition to the aforementioned online accounting research software, all other fees for September 30, 2014 includes fees of \$35,000 for certain other advisory services.

**Table of Contents**

**Auditor Independence**

Under its charter, the Audit Committee pre-approves all services rendered by our independent registered public accounting firm, PricewaterhouseCoopers LLP. The Audit Committee has determined that the fee paid to PricewaterhouseCoopers LLP for services other than audit fees is compatible with maintaining the principal accountants' independence.

**Pre-Approval Policies and Procedures.**

Consistent with requirements of the SEC and the Public Company Oversight Board, or PCAOB, regarding auditor independence, our Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our Audit Committee (or a member of the Audit Committee delegated by the Audit Committee) generally pre-approves of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE  
APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP.**

**Table of Contents**

**DIRECTORS AND CORPORATE GOVERNANCE**

**Director Independence**

Our common stock is listed on the New York Stock Exchange. The listing rules of the New York Stock Exchange generally require that a majority of the members of a listed company's board of directors be independent. Our Board of Directors has determined that each of the members of our Board of Directors other than Mr. Rinat is independent. In making these determinations, our Board of Directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our Board of Directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

**Leadership Structure**

The positions of Chairman of the Board and Chief Executive Officer are filled by the same person, Mr. Zack Rinat. Our Board of Directors believes that the current Board leadership structure, coupled with a strong emphasis on Board independence, provides effective independent oversight of management while allowing the Board and management to benefit from Mr. Rinat's extensive executive leadership and operational experience and his experience and familiarity with our business as a co-founder and Chief Executive Officer. Independent directors and management sometimes have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside of our company, while Mr. Rinat brings company-specific experience and expertise. Our Board of Directors believes that Mr. Rinat's combined role enables strong leadership, creates clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

**Lead Independent Director**

Our Board of Directors has established corporate governance guidelines which state that when the chairperson of the Board and chief executive officer positions are held by the same person, a lead independent director may be designated. Because Mr. Rinat is our Chief Executive Officer and Chairman, our Board of Directors appointed Mr. Charles Robel to serve as our lead independent director. As lead independent director, among other responsibilities, Mr. Robel presides over regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the Chief Executive Officer and the independent directors and performs such additional duties as our Board of Directors may otherwise determine and delegate.

**Risk Oversight**

Our Board of Directors believes that open communication between management and the Board is essential for effective risk management and oversight. Our Board meets with our Chief Executive Officer and other members of the senior management team at quarterly Board meetings, where, among other topics, they discuss strategy and risks in the context of reports from the management team and evaluates the risks inherent in significant transactions. While our Board of Directors is ultimately responsible for risk oversight, our Board committees assist the Board in fulfilling its oversight responsibilities in certain areas of risk. The Audit Committee assists our Board in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures. The Compensation Committee assists our Board in assessing risks created by the incentives inherent in our compensation policies. The Nominating and Corporate Governance Committee is charged with assisting our Board in fulfilling its oversight responsibilities with respect to the management of risk associated with Board membership and corporate governance.

### **Executive Sessions of Independent Directors**

In order to promote open discussion among independent directors, our Board of Directors has a policy of conducting executive sessions of independent directors during each regularly scheduled Board meeting and at



**Table of Contents**

such other times if requested by an independent director. These executive sessions are chaired by our lead independent director. The lead independent director provides feedback to our Chief Executive Officer, as needed, promptly after the executive session. Mr. Rinat does not participate in such sessions.

**Codes of Conduct**

We have adopted a code of conduct that applies to our directors and a code of conduct that applies to our officers and all other employees. The full text of these codes of conduct are posted under the Investors section on our website at <http://investor.modeln.com/govdocs.aspx?iid=4377866>.

**Meetings of the Board of Directors**

Our Board of Directors met ten times during fiscal year 2014. No director attended fewer than 75% of the total number of meetings of the Board and of any Board committees of which he or she was a member during fiscal year 2014. It is our policy that directors are invited and encouraged to attend our annual meetings of stockholders. All of our directors attended the 2014 Annual Meeting of Stockholders.

**Committees of the Board of Directors**

Our Board of Directors has established an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Members serve on these committees until their resignation or until otherwise determined by our Board. The following table provides membership information as of September 30, 2014 for each of our Board committees:

<b>Name</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Zack Rinat*			
Charles J. Robel**			
David Bonnette			
Sarah Friar			
Mark Garrett			
Mark Leslie			
* Chairman of the Board	** Lead Independent Director	= Chairperson	= Member

***Audit Committee***

Each of the members of the Audit Committee satisfies the independence requirements of Rule 10A-3. Messrs. Robel and Garrett and Ms. Friar are each an Audit Committee financial expert, as that term is defined under SEC rules, and possess financial sophistication as defined under the rules of the New York Stock Exchange. The designation does not impose on any of them any duties, obligations or liabilities that are greater than those generally imposed on members of our Audit Committee and our Board of Directors. The Audit Committee met five times during fiscal year 2014. Among other matters, the Audit Committee:

evaluates the qualifications, independence and performance of our independent registered public accounting firm;

determines the engagement of our independent registered public accounting firm and reviews and approves the scope of the annual audit and the fees paid to our independent registered public accounting firm;

discusses with management and our independent registered public accounting firm the results of the annual audit and the review of our financial statements;

approves the retention of our independent registered public accounting firm;

**Table of Contents**

reviews our critical accounting policies and estimates and internal control over financial reporting; and

reviews the Audit Committee charter and its performance.

The Audit Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Audit Committee charter is posted under the Investors section on our website at <http://investor.modeln.com/govdocs.aspx?iid=4377866>.

***Compensation Committee***

Each member of the Compensation Committee is an outside director, as defined pursuant to Section 162(m) of the Code, is a non-employee director under Rule 16b-3(b)(3)(i) of the Exchange Act, and is independent within the meaning of New York Stock Exchange rules. The Compensation Committee met nine times during fiscal year 2014. Among other matters, the Compensation Committee:

reviews and approves goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;

evaluates the performance of these officers in light of those goals and objectives and sets the compensation of these officers based on such evaluations; and

administers the issuance of stock options and other awards under our equity incentive plans.

At least annually, our Compensation Committee is responsible for reviewing, evaluating, and approving the compensation arrangements of our executive officers and for establishing and maintaining our executive compensation policies and practices. Under its charter, our Compensation Committee has the authority to retain outside counsel or other advisors. The Compensation Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits, although the Chief Executive Officer and the Human Resources department present compensation and benefit proposals to the Compensation Committee. However, our Chief Executive Officer is not present for deliberations or voting with respect to his compensation.

The Compensation Committee engaged an independent compensation consultant, Radford, an Aon Hewitt company ( Radford ), to evaluate our executive compensation levels and practices and to provide advice and ongoing recommendations on executive compensation matters for fiscal year 2014. Specifically, Radford was engaged to:

provide data from a peer group of companies to serve as a basis for assessing competitive compensation practices;

review and assess our current director, CEO and other executive officer compensation practices and equity profile relative to market practices;

review and assess our current compensation programs relative to market to determine any changes that may need to be implemented in order to remain competitive with our peer group;

review market practices on employee stock purchase plans and equity programs;

review market practices on stock ownership guidelines for directors and executive officers; and

monitor the performance of the company's stock price relative to the Russell 3000 index in connection with the company's performance-based restricted stock unit program.

Radford representatives meet informally with the chair of the Compensation Committee and regularly with our Compensation Committee during its regular meetings, including in executive sessions from time to time without any members of management present. Radford works directly with our Compensation Committee (and not on behalf of management) to assist our Compensation Committee in satisfying its responsibilities and will

**Table of Contents**

undertake no projects for management without our Compensation Committee's approval. No work performed by Radford during fiscal year 2014 raised a conflict of interest.

The Compensation Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Compensation Committee charter is posted under the Investors section on our website at <http://investor.modeln.com/govdocs.aspx?iid=4377866>.

***Nominating and Corporate Governance Committee***

Each member of the Nominating and Corporate Governance Committee is independent within the meaning of New York Stock Exchange rules. The Nominating and Corporate Governance Committee met two times during fiscal year 2014. Among other matters, the Nominating and Corporate Governance Committee:

makes recommendations to our Board of Directors regarding candidates for directorships;

makes recommendations to our Board of Directors regarding the structure and composition of the board of directors and its committees;