

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