Q2 Holdings, Inc.
Form PRE 14A
April 19, 2019

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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

Q2 Holdings, Inc.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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

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April [__], 2019

Dear Stockholder:

You are cordially invited to attend this year's annual meeting of stockholders of Q2 Holdings, Inc. on June 11, 2019, at 1:00 p.m. Central Time. The meeting will be held at our corporate headquarters located at 13785 Research Boulevard, Suite 150, Austin, Texas 78750.

Details regarding admission to the Annual Meeting and the business to be conducted at the Annual Meeting are described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Whether or not you plan to attend the meeting, your vote is very important and we encourage you to vote promptly. You may vote by either marking, signing and returning the enclosed proxy card or using telephone or internet voting. For specific instructions on voting, please refer to the instructions on your enclosed proxy card. If you attend the meeting you will have the right to revoke the proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from your brokerage firm, bank or other nominee to vote your shares.

We look forward to seeing you at the annual meeting.

Sincerely yours,

Matthew P. Flake
President and Chief Executive Officer

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NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

DATE	Tuesday, June 11, 2019, at 1:00 p.m. Central Time
PLACE	Q2 Holdings, Inc. corporate headquarters, 13785 Research Boulevard, Suite 150, Austin, Texas 78750
PURPOSES	1. To elect three Class II directors to hold office for three-year terms or until their respective successors are elected and qualified, or their earlier death, resignation or removal; 2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; 3. To vote on a non-binding basis to approve the compensation of our named executive officers; 4. To approve an amendment to our Fourth Amended and Restated Certificate of Incorporation, or Certificate of Incorporation, to declassify our board of directors; 5. To approve an amendment to our Certificate of Incorporation to eliminate the supermajority voting requirement for (i) amendments to the Certificate of Incorporation and (ii) stockholder amendments to our Amended and Restated Bylaws, or Bylaws; and 6. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.
RECORD DATE	You can vote if you were a stockholder of record at the close of business on April 24, 2019. Attendance at the meeting is limited to stockholders or their proxy holders and company guests. Only stockholders or their valid proxy holders may address the meeting.
VOTING	You may vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card or by voting in person at the Annual Meeting. The proxy card describes your voting options in more detail. If for any reason you desire to revoke your proxy, you can do so at any time before it is voted.
MAILING	On or about April [__], 2019, we will mail to our stockholders a copy of this Proxy Statement, a proxy card, and our 2018 Annual Report.

For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices.

By order of the Board of Directors,

Barry G. Benton
Senior Vice President, General Counsel and Secretary

April [__], 2019
Austin, Texas

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IMPORTANT: Please vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card. The proxy card describes your voting options in more detail. If you attend the meeting, you may choose to vote in person even if you have previously voted your shares.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 11, 2019. We have attached a Proxy Statement and a copy of our 2018 Annual Report on Form 10-K. A complete set of proxy materials relating to our annual meeting, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report, is available on the Internet and may be viewed at www.proxyvote.com.

Attending the Meeting

The meeting will be held at Q2 Holdings, Inc.'s corporate headquarters located at 13785 Research Boulevard, Suite 150, Austin, Texas 78750.

- Doors open at 12:30 p.m. Central Time.
- Meeting starts at 1:00 p.m. Central Time.
- Proof of Q2 Holdings, Inc. stock ownership and photo identification are required to attend the annual meeting.
- The use of cameras and other recording devices is not allowed.

Questions

For Questions Regarding:	Contact:
Annual meeting	Q2 Investor Relations IR@q2ebanking.com
Stock ownership for registered holders	American Stock Transfer & Trust Company, LLC (800) 937-5449 (within the U.S. and Canada) or (718) 921-8124 (worldwide) or help@astfinancial.com
Stock ownership for beneficial holders	Please contact your broker, bank or other nominee
Voting for registered holders	Q2 Investor Relations IR@q2ebanking.com
Voting for beneficial holders	Please contact your broker, bank or other nominee

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Q2 HOLDINGS, INC.
13785 RESEARCH BOULEVARD
SUITE 150
AUSTIN, TEXAS 78750

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 11, 2019

The board of directors of Q2 Holdings, Inc. is soliciting your proxy for the 2019 Annual Meeting of Stockholders to be held on June 11, 2019, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and related materials are first being mailed to stockholders on or about April [__], 2019. References in this Proxy Statement to the "Company," "we," "our," "us" and "Q2" are to Q2 Holdings, Inc. and its consolidated subsidiaries, and references to the "annual meeting" are to the 2019 Annual Meeting of Stockholders. When we refer to the Company's fiscal year, we mean the annual period ended on December 31, 2018. This proxy statement covers our 2018 fiscal year, which was from January 1, 2018 through December 31, 2018, or fiscal 2018. Certain information contained in this Proxy Statement is incorporated by reference into Part III of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed by the Company with the U.S. Securities and Exchange Commission, or SEC, on February 19, 2019.

SOLICITATION AND VOTING

Record Date

Only stockholders of record at the close of business on April 24, 2019 will be entitled to notice of and to vote at the meeting and any adjournment thereof. At the close of business on April 24, 2019, a total of [________] shares of our common stock were outstanding and entitled to vote. Each share of common stock has one vote.

Quorum

A majority of the shares of common stock issued and outstanding as of the record date must be represented at the meeting, either in person or by proxy, to constitute a quorum for the transaction of business at the meeting. Your shares will be counted towards the quorum if you submit a valid proxy (or one is submitted on your behalf by your broker or bank) or if you vote in person at the meeting. Abstentions and "broker non-votes" (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted as present for purposes of determining the presence of a quorum.

Vote Required to Adopt Proposals

Each share of our common stock outstanding on the record date is entitled to one vote on each of the three director nominees. Each share of our common stock outstanding on the record date is entitled to one vote on each other matter. For the election of directors, the nominees to serve as Class II directors will be elected by a plurality of the votes cast by the stockholders entitled to vote at the election. You may vote "For" or "Withhold" with respect to each director nominee. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld and will have no effect on the election of directors. With respect to proposals 2 and 3, approval of the proposal requires the affirmative vote of a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter. Because the vote on compensation of named executive officers is advisory, it will not be binding upon our board of directors. With respect to proposals 4 and 5, approval of the proposal requires the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) in voting power of the shares present in person or represented by proxy and entitled to vote on the matter.

Effect of Abstentions and Broker Non-Votes

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker, bank or other nominee holding the shares as to how to vote on matters deemed "non-routine" by NYSE rules and regulations. Broker non-votes, if any, and shares voted "Withhold" will have no effect on the election of directors. For each of the other proposals, broker non-votes, if any, will not be counted in determining the number of votes cast and will have no effect on the approval of these proposals, but abstentions will have the same effect as negative votes. Proposal No. 2 is a routine matter and no broker non-votes are expected to exist in connection with Proposal No. 2. If your shares are held in an account at a bank or brokerage firm, that bank or brokerage firm may vote your shares of common stock on Proposal No. 2 regarding ratification of our independent auditors, but will not be permitted to vote your shares of common stock with respect to Proposal

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Nos. 1 and 3-5, unless you provide instructions as to how your shares should be voted. If an executed proxy card is returned by a bank or broker holding shares which indicates that the bank or broker has not received voting instructions and does not have discretionary authority to vote on the proposals, the shares will not be considered to have been voted in favor of the proposals. Your bank or broker will vote your shares on Proposal Nos. 1 and 3-5 only if you provide instructions on how to vote by following the instructions they provide to you. Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Voting Instructions

If you complete and submit your proxy card or voting instructions, the persons named as proxies will follow your voting instructions. If no choice is indicated on a signed and dated proxy card, the shares will be voted as the board of directors recommends on each proposal as follows: "FOR" the election of each of the nominees named herein; "FOR" the ratification of the appointment of our independent auditors; "FOR" the approval of the compensation of our named executive officer; "FOR" declassifying our board of directors; and, "FOR" eliminating the supermajority voting requirements to amend our Certificate of Incorporation and Bylaws. Many banks and brokerage firms have a process for their beneficial owners to provide instructions via telephone or the Internet. The voting instruction form that you receive from your bank or broker will contain instructions for voting.

Depending on how you hold your shares, you may vote in one of the following ways:

Stockholders of Record: You may vote by either marking, signing and returning the enclosed proxy card or using telephone or Internet voting. You may also vote in person at the annual meeting.

Beneficial Stockholders: Your bank, broker or other holder of record will provide you with a voting instruction form for you to use to instruct them on how to vote your shares. Check the instructions provided by your bank, broker or other holder of record to see which voting options are available to you. However, since you are not the stockholder of record, you may not vote your shares in person at the annual meeting unless you request and obtain a valid, "legal" proxy from your bank, broker or other agent.

Votes submitted by telephone or via the Internet must be received by 11:59 p.m. Eastern Time on June 10, 2019. Submitting your proxy by mail or telephone or via the Internet will not affect your right to vote in person should you decide to attend the annual meeting in person.

If you are a stockholder of record, you may revoke your proxy and change your vote at any time before the polls close by returning a later-dated proxy card, by voting again by Internet or telephone as more fully detailed in your proxy card or by delivering written instructions to the Corporate Secretary before the annual meeting. Attendance at the annual meeting will not in and of itself cause your previously voted proxy to be revoked unless you specifically so request or vote again at the annual meeting. If your shares are held in an account at a bank, brokerage firm or other agent, you may change your vote by submitting new voting instructions to your bank, brokerage firm or other agent, or, if you have obtained a "legal" proxy from your bank, brokerage firm or other agent giving you the right to vote your shares, by attending the annual meeting and voting in person.

Solicitation of Proxies

We will bear the cost of soliciting proxies. In addition to soliciting stockholders by mail, we will request banks, brokers and other intermediaries holding shares of our common stock beneficially owned by others to obtain proxies from the beneficial owners and will reimburse them for their reasonable, out-of-pocket costs for forwarding proxy and solicitation material to the beneficial owners of common stock. We may use the services of our officers, directors and employees to solicit proxies, personally or by telephone, without additional compensation.

Voting Results

We will announce preliminary voting results at the annual meeting. We will report final results in a Form 8-K report filed with the SEC.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

We have a classified board of directors consisting of two Class I directors, three Class II directors and three Class III directors. At each annual meeting of stockholders, directors are elected for a term of three years to succeed those directors whose terms expire at the annual meeting date.

The term of the Class II directors, Michael J. Maples, Sr., James R. Offerdahl and R. H. Seale, III, will expire on the date of the 2019 Annual Meeting of Stockholders. Accordingly, three persons are to be elected to serve as Class II directors of the board of directors at the annual meeting. The board's nominees for election by the stockholders to those three positions are the three current Class II members of the board of directors, Michael J. Maples, Sr., James R. Offerdahl and R. H. Seale, III. If elected, each nominee will serve as a director until our 2022 Annual Meeting of Stockholders and until their respective successors are elected and qualified, or their earlier death, resignation or removal. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate. The proxies cannot vote for more than three persons.

The three nominees for Class II director receiving the highest number of votes of shares of common stock will be elected as Class II directors. A "Withhold" vote will have no effect on the outcome of the vote. Broker non-votes will have no effect on the outcome of the vote.

We believe that each of our directors has demonstrated business acumen, ethical integrity and an ability to exercise sound judgment as well as a commitment of service to us and our board of directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF MICHAEL J. MAPLES, SR., JAMES R. OFFERDAHL AND R. H. SEALE, III AS CLASS II DIRECTORS. PROXIES WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.

The names of our directors who will continue in office until the 2020 and 2021 annual meetings of stockholders, as well as the nominees for Class II directors to be elected at this meeting, and certain information about them as of April [__], 2019 is set forth below. Also set forth below are the specific experience, qualifications, attributes or skills that led our nominating and corporate governance committee to conclude that each person should serve as a director.

Name	Position	Age	Director Since
Class I Directors Whose Terms Expire at the 2021 Annual Meeting of Stockholders:			
Jeffrey T. Diehl	Director	49	2007
Matthew P. Flake	President, Chief Executive Officer and Director	47	2013
Class II Directors Nominated for Election at the 2019 Annual Meeting of Stockholders:			
Michael J. Maples, Sr.	Director	76	2012
James R. Offerdahl	Director	62	2010
R. H. Seale, III	Executive Chairman	56	2005
Class III Directors Whose Terms Expire at the 2020 Annual Meeting of Stockholders:			
R. Lynn Atchison	Director	59	2017
Charles T. Doyle	Director	84	2011
Carl James Schaper	Lead Independent Director	67	2011

Nominees for Election to a Three-Year Term Expiring at the 2022 Annual Meeting of Stockholders

Michael J. Maples, Sr. has been a member of our board of directors since February 2012. Mr. Maples held various management positions at Microsoft Corporation, a software products and services company, from April 1988 to July 1995, including Executive Vice President of the Worldwide Products Group. As a member of the Office of the President at Microsoft from 1991 to his retirement in July 1995, Mr. Maples reported directly to the Chairman. Previously, Mr. Maples served as

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Director of Software Strategy for International Business Machines Corp., a technology and consulting corporation, or IBM. Mr. Maples is a former member of the board of directors of Sonic Drive-In, Lexmark International, Inc. and Multimedia Games Holding Company, Inc. Mr. Maples holds an M.B.A. from Oklahoma City University and a B.S. in Electrical Engineering from the University of Oklahoma. Mr. Maples' extensive management and financial experience in technology companies and corporate governance experience through service on other boards of directors make him a valuable member of our board of directors, IS audit and compensation committees.

James R. Offerdahl has been a member of our board of directors since December 2010. Mr. Offerdahl served as Chief Financial Officer of Bazaarvoice, Inc., a provider of online rating and review solutions to brands and retailers worldwide from January 2013 until it was acquired by Marlin Equity Partners in February 2018. Mr. Offerdahl served as the Chief Financial Officer and Vice President of Administration of Convio, Inc., a provider of on-demand constituent engagement solutions, from February 2005 until it was acquired by Blackbaud, Inc. in May 2012. From August 2001 to April 2004, Mr. Offerdahl was President and Chief Executive Officer of Traq-Wireless, Inc., a provider of on-demand mobile resource management software and services. From 1998 to 2001, Mr. Offerdahl served as Chief Operating Officer and Chief Financial Officer of Pervasive Software, Inc., a developer and marketer of data management solutions, and as Chief Financial Officer from 1996 to 1998. From 1993 to 1996, Mr. Offerdahl was the Chief Financial Officer and Vice President of Administration of Tivoli Systems, Inc., a developer and marketer of systems management software, which was acquired by IBM in March 1996. Mr. Offerdahl holds an M.B.A. in Management and Finance from the University of Texas at Austin and a B.S. in Accounting from Illinois State University. Mr. Offerdahl's extensive experience managing technology and software companies and his financial expertise make him a valuable member of our board of directors and financial audit committee.

R. H. Seale, III is our founder and Executive Chairman of our board of directors and has overseen our growth from inception. Mr. Seale served as our Chief Executive Officer from March 2005 until October 2013, and as our President from March 2005 until March 2008. Mr. Seale previously founded Q-Up Systems, Inc. in 1997, serving as Chairman and Chief Executive Officer until its sale in April 2000 to S1 Corporation. Mr. Seale served as Chief Executive Officer of S1 Corporation's Community and Regional Solutions Group from April 2000 until August 2001. In February 1991, Mr. Seale co-founded Regency Voice Systems, a provider of voice banking solutions to community banks, which was acquired by Transaction System Architects in May 1997. Mr. Seale currently serves on the board of directors of CBANC Network, Inc. and RealMassive, Inc., both privately held companies, and is President of Seale, Inc., the general partner of R.H.S. Investments-I, L.P. Mr. Seale holds a B.S. in Agricultural Economics from Texas Tech University. Mr. Seale's perspective as our founder, former Chief Executive Officer, and a successful entrepreneur in the community banking and credit union industries make him a valuable member of our board of directors and IS audit committee.

Directors Continuing in Office until the 2020 Annual Meeting of Stockholders

R. Lynn Atchison has been a member of our board of directors since March 2017. Ms. Atchison served as Chief Financial Officer of Spredfast, Inc., or Spredfast, a social marketing software provider, from February 2017 until September 2018 when it was acquired by Lithium Technologies, LLC. Prior to her time at Spredfast, Ms. Atchison served as the Chief Financial Officer of HomeAway, Inc., a provider of online vacation rental services, from August 2006 until March 2016 shortly after it was acquired by Expedia, Inc. From February 2004 to August 2006, Ms. Atchison was Chief Financial Officer of Infoglide Software Corporation, an enterprise software provider. From October 2003 to January 2004, Ms. Atchison worked as a business consultant for Range Online Media, an Internet marketing firm. From May 1996 to April 2003, Ms. Atchison served as Chief Financial Officer and Vice President of Finance and Administration of Hoover's, Inc., a provider of online business information. From November 1994 to April 1996, Ms. Atchison served as Chief Financial Officer of Travelogix, Inc., a provider of travel ticketing systems software. From May 1990 to November 1994, Ms. Atchison worked as a consultant providing controller functions for software, technology and non-profit organizations, including Trilogy Development, a provider of sales automation software, and Austin American Technology. Ms. Atchison holds a B.B.A. in Accounting from Stephen F. Austin State University. Ms. Atchison's extensive experience managing technology and software companies and her financial expertise make her a valuable member of our board of directors, financial audit and IS audit committees.

Charles T. Doyle has been a member of our board of directors since May 2011. Mr. Doyle is a former member of the board of directors of Visa Inc., Visa U.S.A., and Visa International. He also previously served on the boards of directors of a number of private companies in the payments industry. Among his many banking affiliations over the years, Mr. Doyle served as the first community banker on the Federal Advisory Council to the Board of Governors of the Federal Reserve and as a Director of the Federal Reserve Bank in Dallas, Texas. He is a past president and former member of the board of directors of Independent Community Bankers Association of America, served on the Advisory Board of the Southwestern School of Banking at Southern Methodist University, and is a former board member of the Texas Tech University School of Banking. Mr. Doyle co-founded and served six years as Chairman of ICBA Bancard, Inc., a national credit card network of community banks. He currently serves as the chairman emeritus of the board of directors of Texas First Bank and has served as the

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chairman of the board of directors of Texas Independent Bancshares, Inc. since July 1979. He is also a former member of the board of directors of the Independent Bankers Association of Texas Education Foundation. Mr. Doyle holds an M.B.A. from the University of Houston and a B.B.A. from the University of Oklahoma. Mr. Doyle's distinguished career in government and in the payments and banking industries makes him a valuable member of our board of directors and financial audit, IS audit and nominating and corporate governance committees.

Carl James Schaper has been a member of our board of directors since December 2011. Mr. Schaper currently serves on the board of directors of BMC Software, Inc., a privately held IT management solutions company, Veritas Technologies, LLC, a privately held software and storage hardware provider and Quest Software Inc., a privately held information technology software provider. Since February 2002, Mr. Schaper has served on the board of directors, including as Chairman of the board of directors from December 2010 until February 2017, of Infor Global Solutions, a privately held provider of business software and solutions, or Infor, which he founded in February 2002. From February 2002 until December 2010, Mr. Schaper served as Chairman, President and Chief Executive Officer of Infor. Since January 2000, Mr. Schaper has been an Operating Partner of Golden Gate Capital, a private equity firm. Mr. Schaper also serves on the boards of directors of Attachmate Corp., the University of South Carolina Garnet Way Council and the University of South Carolina Educational Foundation. Mr. Schaper also held the roles of Chairman and Chief Executive Officer of Primis Corporation, Chief Operating Officer of Medaphis Corporation, and Chief Operating Officer of Dun and Bradstreet Software Services, Inc. Mr. Schaper holds a B.A. in Journalism from the University of South Carolina. Mr. Schaper's extensive management experience in the software and technology marketplace provides valuable industry knowledge and management experience to our board of directors and compensation and nominating and corporate governance committees.

Directors Continuing in Office until the 2021 Annual Meeting of Stockholders

Jeffrey T. Diehl has been a member of our board of directors since July 2007. Mr. Diehl is the Managing Partner of Adams Street Partners, LLC, a private equity firm, which he joined as a partner in November 2000. Mr. Diehl serves as a director of Paylocity Holding Corporation (Nasdaq: PCTY), a provider of payroll and human capital management software services, and various private companies. From 1997 until 2000, Mr. Diehl served as a Principal for the Parthenon Group, a strategy consulting and principal investing firm. Mr. Diehl holds an M.B.A. from Harvard Business School and a B.S. in Finance from Cornell University. Mr. Diehl's extensive experience as an investor in, and board member of, a variety of venture and growth-oriented companies in the software, IT-enabled business services and consumer Internet/media sectors brings valuable insight to our board of directors and compensation and nominating and corporate governance committees.

Matthew P. Flake has served as the Chief Executive Officer of Q2 Software, Inc., our sole operating subsidiary, since December 2011, as our Chief Executive Officer and a member of our board of directors since October 2013, and as our President since March 2019. Mr. Flake also served as our President from March 2008 until August 2016. From June 2005 until March 2008, Mr. Flake served as our Vice President of Sales. Mr. Flake previously served as a Regional Sales Director at S1 Corporation, a provider of Internet-based financial services solutions from 2002 until May 2005. Prior to that, Mr. Flake was a Regional Sales Manager for Q-Up Systems, Inc., a provider of interactive web-based solutions for community banks and credit unions from August 1999 until 2002. Mr. Flake holds a B.A. in Business from Baylor University. Mr. Flake's extensive experience in the community banking industry and his perspective as our head of sales for multiple years and current Chief Executive Officer make him a valuable member of our board of directors.

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CORPORATE CITIZENSHIP

People are at the center of everything we do and that is why "doing good" for our global communities is something that drives our business. Our mission is to build stronger communities by strengthening their financial institutions, which we do with our technology. Technology, therefore, is paramount to our corporate citizenship strategy and initiatives.

We believe that in order for us to be truly successful at being an inclusive corporate citizen, our efforts must be focused more broadly than only on our customers and must also include our partners, stakeholders, employees and the planet. The twin pillars of our approach consist of strengthening both our INTERNAL and EXTERNAL communities through programs of accountability and ethics.

Strengthening Our INTERNAL Communities

Our employees are central to our culture, and our founders have created a set of principles to help guide us to be ethical and accountable to our employees in achieving our mission. We believe that our success comes from creating programs that inspire our learning, improve our well-being, and reward our employees. We are constantly seeking to innovate our methods of engaging our employees. We embrace technology in driving engagement through three focus areas:

To realize our growth mindset, we seek to establish a CULTURE OF LEARNING AND DEVELOPMENT through the creation of a series of programs and opportunities designed to support the needs of our employees and the demands of our business. These opportunities include:

- in-classroom learning and shared learning through our digital chat platform;
- frequent career growth opportunities;
- ongoing feedback and coaching from leaders;
- targeted leadership training to enhance manager capabilities to develop and scale their teams;
- continuing education through online technologies to stay current in an employee's field of work; and
- in-person two-day employee orientations to help new employees understand our business, culture, mission and values.

To create a CULTURE OF TEAMWORK AND REWARDS, we utilize technology to help our employees recognize each other and their leaders 24 hours a day and seven days a week, including through our company-wide use of the YourEarnedIt platform where every employee is empowered to reward any other employee with spot bonuses throughout the year. We provide other meaningful opportunities for recognition that emphasize our commitments to each other and our customers, including our Circle of Awesomeness recognition program which provides company-wide recognition to outstanding employees in a variety of categories based on employee nominations, and includes an award of an employee group paid vacation for certain of the recognized employees.

To create a CULTURE OF WELL-BEING, we have developed a comprehensive wellness program to help employees achieve financial and physical well-being, as well as to ensure their safety in all of our sites across the globe, including:

-

a comprehensive benefits packages that boosts the mental and physical health of our employees and their family members;

- paid time off (including parental leave and sick leave) that allows our employees to take care of their loved ones;
- retirement savings benefit options, resources and trainings to help our employees look forward to retirement; and
- various social activities, interests groups, free amenities, and partnership-sponsored discounts to various programs to enable our employees to experience "life" at Q2.

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Strengthening our EXTERNAL Communities

We are committed to protecting our planet and helping to solve some of the world's most urgent environmental and social issues.

Our day-to-day operations seek to PROTECT OUR PLANET in three key areas:

Physical space (water conservation, recycling and energy usage) - Our physical office locations offer both single-stream recycling and electronic recycling. We use on-site water purification systems to reduce the number of plastic bottles used. We have taken steps to decrease the amount of waste we produce by reducing our reliance on paper and other single-use products in all of our offices. We have installed filtered water and coffee stations and provide our employees with reusable hot and cold cups. We also have recycling programs in all of our offices. We encourage our employees to retain electronic instead of paper records, which would also reduce the need for off-site paper storage. We have taken steps to reduce energy usage in our corporate headquarters by maximizing natural light in our office design. Our corporate headquarters in Austin, Texas has received the Leadership in Energy and Environmental Design, or LEED, Silver certification. We also reduce employee travel through the deployment of desktop and group teleconferencing alternatives.

Technology - Our cloud computing products positively impact our environmental footprint as compared to traditional hardware and software delivery models. We partner with entities (for instance, our data center operations) that operate with high energy efficiency standards

Engaging our employees - To drive engagement with environmental issues, we create a variety of campaigns to help address certain global issues such as our battery and mobile phone recycling program and our recycling campaign to protect the oceans through plastic recycling in 2018 called "What goes in the ocean goes in you."

We are SUPPORTING SOCIAL ISSUES in our community. We work hard to ensure that giving back to our global community and making the world a better place is a theme that runs throughout our business. We designed our corporate strategy around the United Nations Sustainable Development Goals, so as to align ourselves with principles that are bigger than ourselves and to leave a lasting impact around the globe. Our community strategy is focused on the following three areas:

Quality Education/Gender Equality - We strive to support inclusive, equitable and quality educational opportunities. Through our partnership with Code2College, we are helping to build the STEM leaders of tomorrow by offering students internship and other mentoring opportunities with our team members, while placing a special emphasis on promoting gender equality in the STEM field.

Employment and Economic Growth - Through our partnership and sponsorship with LifeWorks, we offer employment opportunities to young adults seeking to attain self-sufficiency. In 2018, we hired one such young adult on a full-time basis and held an employee fundraiser to raise funds for him to purchase a car to commute to work for Q2. Externally, we are also focused on universal access to banking, insurance and financial services. This focus aligns well with our mission, and we will continue to build solutions for our customers to help strengthen their communities and enhance the wellbeing of the underserved population.

Empowering our People to Give - This commitment is exemplified by the number of our employees who are involved in charitable organizations, as well as the support we have provided to these organizations over the years. In 2018, we and our employees donated over $400,000 in time, talent and dollars to charities around the globe, with over 42% of our employees volunteering almost 8,000 hours of volunteer time in a variety of areas across a broad spectrum of needs. We also provide our employees with paid time off to volunteer with community organizations, and we encourage our employees to lead philanthropic initiatives that matter to them. Through technology, we enhance our employees' impact in the community by offering them a means to (i) track their volunteer time each quarter, and rewarding each employee who tracks volunteer time with $50 to donate to a charity of their choice and (ii) coordinate teams of employees to volunteer in the community and track their volunteer time, and rewarding the applicable cause or non-profit they support with a grant of $500.

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CORPORATE GOVERNANCE

Director Independence

Our board of directors has determined that each of Ms. Atchison and Messrs. Diehl, Doyle, Maples, Offerdahl and Schaper is an "independent director" for purposes of the New York Stock Exchange, or NYSE, listing standards and Rule 10A-3(b)(1) under the Exchange Act of 1934, as amended, or the Exchange Act, as the term relates to membership on the board of directors.

For a director to be considered independent, our board of directors must determine that the director does not have any direct or indirect material relationships (including vendor, supplier, consulting, legal, banking, accounting, charitable and family relationships) with us, other than as a director and a stockholder. NYSE listing standards set forth certain circumstances in which a director may not be deemed independent, including certain relationships that exist at the time of the determination or during the prior three years. Under these NYSE listing standards, Messrs. Flake and Seale could not be independent because they are Q2 employees.

With respect to our non-employee directors, our board of directors considered all relevant facts and circumstances in making its determinations of independence, including the following:

- none of our non-employee directors receives any direct compensation from us other than under the director compensation plan;
- no immediate family member (within the meaning of the NYSE listing standards) of any non-employee director is an employee or otherwise receives direct compensation from us;
- no non-employee director is an employee of our independent registered public accounting firm and no non-employee director (or any of their respective immediate family members) is a current partner of our independent registered public accounting firm, or was within the last three years, a partner or employee of our independent registered public accounting firm and personally worked on our audit;
- no non-employee director is a member, partner or principal of any law firm, accounting firm or investment banking firm that receives any consulting, advisory or other fees from us;
- none of our executive officers is on the compensation committee of the board of directors of a company that employs any of our non-employee directors (or any of their respective immediate family members) as an executive officer;
- no non-employee director (or any of their respective immediate family members) is indebted to us and we are not indebted to any non-employee director (or any of their respective immediate family members);
- no non-employee director serves as an executive officer of a charitable or other tax-exempt organization that received contributions from us; and
- the transactions described below under "Certain Relationships and Related Transactions."

Board of Directors Leadership Structure

The board of directors has adopted corporate governance guidelines to promote the functioning of the board and its committees. These guidelines address board composition, board functions and responsibilities, qualifications, leadership structure, committees and meetings.

Our Corporate Governance Guidelines do not contain a policy mandating the separation of the offices of the Chairman of the Board and the Chief Executive Officer, and the board is given the flexibility to select its Chairman and our Chief Executive Officer in the manner that it believes is in the best interests of our stockholders. Accordingly, the Chairman and the Chief Executive Officer may be filled by one individual or two. The board has chosen to separate the positions of Chairman of the Board and Chief Executive Officer. We believe this structure is optimal for us because it avoids any duplication of effort between the Chairman and the Chief Executive Officer and permits our Chief Executive Officer to focus his efforts on the day-to-day management of the Company. This separation provides strong leadership for the board and the Company through the

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Chairman, while also positioning our Chief Executive Officer as our leader in the eyes of our employees and other stakeholders. Our board of directors has also designated a Lead Independent Director as described below. The board may reconsider the best board leadership structure for us from time to time.

Risk Management

Our risk management function is overseen by our board of directors. Through our management reports and company policies, such as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our financial audit committee's, IS audit committee's and compensation committee's review of financial and other risks, we keep our board of directors apprised of material risks and provide our directors access to all information necessary for them to understand and evaluate how these risks interrelate, how they affect us and how our management addresses those risks. Mr. Flake, as our Chief Executive Officer, works with our independent directors and with management when material risks are identified by the board of directors or management to address such risk. If the identified risk poses an actual or potential conflict with management, our independent directors would conduct an assessment by themselves.

Executive Sessions and Lead Independent Director

Non-management directors generally meet in executive session each time the board of directors holds a regularly scheduled meeting. The board's policy is to hold executive sessions without the presence of management as a part of all regular board meetings, and, in any event, at least twice during each calendar year. The Company's Corporate Governance Guidelines provide that a non-management independent director shall be chosen to preside at each executive session.

The board of directors has elected a non-management director to serve in a lead capacity to coordinate the activities of the other non-management directors, and to perform any other duties and responsibilities that the board of directors may determine. Mr. Schaper was elected to serve as Lead Independent Director effective December 11, 2013.

The role of the Lead Independent Director includes:

- presiding at non-management executive sessions, with the authority to call meetings of the independent directors;
- presiding at executive sessions;
- functioning as principal liaison on board-wide issues between the independent directors and the Chairman; and
- if requested by stockholders, ensuring that he/she is available, when appropriate, for consultation and direct communication.

Meetings of the Board of Directors and Committees

The board of directors held 12 meetings during the fiscal year ended December 31, 2018. The board of directors has four standing committees: a compensation committee, a financial audit committee, an IS audit committee and a nominating and corporate governance committee. During the last fiscal year, each of our directors attended at least 75% of the aggregate of the (i) total number of meetings of the board and (ii) the total number of meetings of the committees of the board on which such director served during that period.

The following table sets forth the standing committees of the board of directors and the members of each committee as of the date that this Proxy Statement was first made available to our stockholders:

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Name	Compensation	Financial Audit	Information Systems Audit	Nominating and Corporate Governance
R. Lynn Atchison		X	X	
Jeffrey T. Diehl	X			X
Charles T. Doyle		X	Chair	X
Michael J. Maples, Sr.	X		X	
James R. Offerdahl		Chair		
Carl James Schaper	Chair			Chair
R. H. Seale, III			X	

Compensation Committee

The members of the compensation committee are Messrs. Diehl, Maples and Schaper, each of whom is a non-employee member of our board of directors. Mr. Schaper serves as the chairperson of the compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the applicable NYSE listing standards and SEC rules and regulations, is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act, and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, for taxable years ending before January 1, 2018 and transition relief applicable to certain binding written agreements in effect on November 2, 2017.

The functions of the compensation committee include:

- reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;
- reviewing and approving the salaries, bonuses, incentive compensation, equity awards, benefits and perquisites of our Chief Executive Officer and other executive officers;
- recommending the establishment and terms of our incentive compensation plans and equity compensation plans, and administering such plans;
- recommending compensation programs for the non-executive officer members of our board of directors;
- preparing disclosures regarding executive compensation and any related reports required by the rules of the SEC;
- making and approving grants of options and other equity awards to all executive officers, directors and all other eligible individuals; and
- reviewing and evaluating, at least annually, its own performance and the adequacy of its charter.

The compensation committee and board of directors believes that attracting, retaining and motivating our employees, and particularly our senior management team and key operating personnel, are essential to our performance and enhancing stockholder value. The compensation committee will continue to administer and develop our compensation programs in a manner designed to achieve these objectives.

The compensation committee reviews and recommends policies relating to compensation and benefits of our executive officers and employees. The compensation committee reviews and approves corporate 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 recommends the compensation of these officers based on such evaluations. The compensation committee also administers the issuance of stock options and other awards under our equity compensation plans. In fulfilling its responsibilities, the compensation committee may delegate any or all of its responsibilities to one or more subcommittees composed of one or more members of the compensation committee.

In October 2013, the compensation committee selected Compensia, Inc., or Compensia, to provide independent compensation consulting support. Compensia has provided market information on compensation trends and practices based on

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competitive data of a peer group of companies. Compensia is also available to perform special projects at the compensation committee's request. Compensia provides analyses and recommendations that inform the compensation committee's decisions, but does not decide or approve any compensation actions. As needed, the compensation committee also consults with Compensia on other compensation-related matters, which for fiscal year 2018 included a review of company-wide equity incentive plan grant practices and guidelines and assessing compensation of the non-executive officer members of our board of directors. For additional information regarding compensation consulting services provided by Compensia to the compensation committee, see "Compensation Discussion and Analysis - Executive Compensation-Setting Process" elsewhere in this Proxy Statement.

The compensation committee held four meetings during the fiscal year ended December 31, 2018.

Financial Audit Committee

The members of the financial audit committee are Ms. Atchison and Messrs. Doyle and Offerdahl, each of whom is a non-employee member of our board of directors. Mr. Offerdahl serves as the chair of the financial audit committee. Our board of directors determined that each of Ms. Atchison and Messrs. Doyle and Offerdahl is independent under the applicable NYSE listing standards and SEC rules and regulations. Our board of directors also determined that each of Ms. Atchison and Messrs. Doyle and Offerdahl meet the requirements for financial literacy and sophistication under the applicable NYSE listing standards and SEC rules and regulations, and that Ms. Atchison and Mr. Offerdahl each qualify as an "audit committee financial expert," under the applicable NYSE listing standards and SEC rules and regulations.

The functions of the financial audit committee include:

- appointing, compensating, retaining and overseeing our independent auditors;
- approving the audit and non-audit services to be performed by our independent auditors;
- reviewing, with our independent auditors, all critical accounting policies and procedures;
- reviewing and discussing with management and the independent auditor our annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor;
- reviewing with management and the independent auditor the adequacy and effectiveness of our internal control structure and procedures for financial reports;
- reviewing and investigating conduct alleged to be in violation of our code of conduct and establishing procedures for our receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- preparing the Report of the Financial Audit Committee required in our annual proxy statement;
- reviewing the appointment, organization, budget, staffing and charter of the internal audit function, and the annual internal audit plan, progress against the internal audit plan and reviewing with management any reports of the internal audit function; and
- reviewing and evaluating, at least annually, its own performance and the adequacy of its charter.

The financial audit committee held eight meetings during the fiscal year ended December 31, 2018. Additional information regarding the financial audit committee is set forth in the Report of the Financial Audit Committee immediately following Proposal No. 2.

Information Systems Audit Committee

The members of the IS audit committee are Ms. Atchison and Messrs. Doyle, Maples and Seale. Mr. Doyle serves as the chair of the IS audit committee.

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The functions of the IS audit committee include:

- monitoring and oversight of response to, and compliance with, regulatory requirements, requests and orders;
- overseeing the adequacy, efficacy, and implementation of our compliance audit plan;
- approving and overseeing our major information systems projects that establish and prioritize information systems standards and overall performance;
- reviewing the adequacy and allocation of our information systems resources in terms of funding, personnel, equipment and service levels;
- reviewing, discussing with management and overseeing the implementation, monitoring and testing of our information systems security program and business continuity plan; and
- reviewing and evaluating, at least annually, its own performance and the adequacy of its charter.

The IS audit committee held four meetings during the fiscal year ended December 31, 2018.

Nominating and Corporate Governance Committee

The members of the nominating and corporate governance committee are Messrs. Diehl, Doyle and Schaper. Mr. Schaper serves as the chairperson of the nominating and corporate governance committee. Our board of directors determined that each of Messrs. Diehl, Doyle and Schaper is independent under the applicable NYSE listing standards and SEC rules and regulations.

The functions of the nominating and corporate governance committee include:

- assisting our board of directors in identifying qualified director nominees and recommending nominees for each annual meeting of stockholders;
- developing, recommending and reviewing corporate governance principles applicable to us;
- consulting with our financial audit committee regarding, and periodically reviewing, our Code of Business Conduct and Ethics;
- oversee the evaluation of the board of directors of its performance and the performance of each of its committees and company management; and
- reviewing and evaluating, at least annually, its own performance and the adequacy of its charter.

The nominating and corporate governance committee held two meetings during the fiscal year ended December 31, 2018.

Director Nominations

Our nominating and corporate governance committee is responsible for, among other things, assisting our board of directors in identifying qualified director nominees and recommending nominees for each annual meeting of stockholders. In addition, our nominating and corporate governance committee has the authority to consider candidates for the board of directors recommended by stockholders and to determine the procedures with respect to such stockholder recommendations. The nominating and corporate governance committee's goal is to assemble a board that brings to our company a diversity of experience in areas that are relevant to our business and that complies with the NYSE listing standards and applicable SEC rules and regulations. While we do not have a formal diversity policy for board membership, the nominating and corporate governance committee generally considers the diversity of nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors. When considering nominees for election as directors, the nominating and corporate governance committee reviews the needs of the board for various skills, background, experience and expected contributions and the qualification standards established from time to time by the nominating and corporate governance committee. The nominating and corporate governance committee believes that directors must also have an inquisitive and objective outlook and mature judgment. Director candidates must have sufficient time available in the judgment of the nominating and corporate governance committee to perform all board and committee responsibilities. There are no differences in the manner in which our nominating and corporate governance committee evaluates candidates for the board of directors recommended by stockholders. Members of the board of directors are expected to rigorously prepare for, attend and participate in all meetings of the board and applicable committee meetings.

Other than the foregoing and the applicable rules regarding director qualification, there are no stated minimum criteria for director nominees. Under the NYSE listing standards, at least a majority of the members of the board must meet the definition of "independence" and at least one director must have accounting or related financial management expertise, as determined by the board of directors in its business judgment. The nominating and corporate governance committee also believes it appropriate for our Chief Executive Officer to participate as a member of the board of directors.

The nominating and corporate governance committee will evaluate annually the current members of the board whose terms are expiring and who are willing to continue in service against the criteria set forth above in determining whether to recommend these directors for election. The nominating and corporate governance committee will assess regularly the optimum size of the board and its committees and the needs of the board for various skills, background and business experience in determining if the board requires additional candidates for nomination.

Candidates for director nominations come to our attention from time to time through incumbent directors, management, stockholders or third parties. These candidates may be considered at meetings of the nominating and corporate governance committee at any point during the year. Such candidates are to be evaluated against the criteria set forth above. If the nominating and corporate governance committee believes at any time that it is desirable that the board consider additional candidates for nomination, the nominating and corporate governance committee may poll directors and management for suggestions or conduct research to identify possible candidates and may engage, if the nominating and corporate governance committee believes it is appropriate, a third-party search firm to assist in identifying qualified candidates.

Our Bylaws permit stockholders to nominate directors for consideration at an annual meeting. The nominating and corporate governance committee will consider director candidates validly recommended by stockholders. For more information regarding the requirements for stockholders to validly submit a nomination for director, see "Stockholder Proposals or Nominations to Be Presented at Next Annual Meeting" elsewhere in this Proxy Statement.

Compensation of Directors

On February 19, 2014, we adopted a director compensation policy which was most recently amended on December 6, 2018. For the year ended December 31, 2018, the director compensation policy provides that each non-executive officer director receives an annual cash fee of $30,000 and an annual equity award of $125,000 in restricted stock units, or RSUs. The number of RSUs is determined by dividing $125,000 by the fair market value of our common stock on the date of grant. The RSUs will vest quarterly over 12 months, provided that the director continues to serve as a director through such vesting dates. Directors receive an additional $5,000 annually for serving on our financial audit committee, an additional $4,000 annually for serving on our compensation committee, an additional $2,500 annually for serving on our nominating and corporate governance committee and an additional $4,000 annually for serving on our IS audit committee. The Chairman of our board of directors receives an additional $60,000 annually, the chairman of our financial audit committee receives an additional $15,000 annually, the chairman of our compensation committee receives an additional $10,000 annually, the chairman of our nominating and corporate governance committee receives an additional $5,000 annually, the chairman of our IS audit committee receives an additional $10,000 annually and our Lead Independent Director receives an additional $20,000 annually. The Chairman of our board of directors and our Lead Independent Director can elect to receive their annual fees as Chairman or Lead Independent Director, as applicable, in RSUs, in lieu of cash, with the number of RSUs they would be entitled to receive determined by dividing the applicable stated dollar amount by the fair market value of our common stock on the date of grant. Such RSUs vest quarterly over 12 months, in each case provided that the director continues to serve as a director through such vesting dates. Non-executive officer members of our board of directors are reimbursed for travel and other out-of-pocket expenses in connection with attending meetings.

On December 6, 2018, the compensation committee amended the director compensation policy effective from and after our 2019 Annual Meeting of Stockholders to increase the annual equity award for each director to $165,000 and to increase the annual fees for serving on our financial audit committee, compensation committee, nominating and corporate governance committee and IS audit committee to $8,000, $5,000, $3,800 and 5,000, respectively.

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2018 Director Compensation Table

The following table sets forth information concerning the compensation earned during the last fiscal year by each director who received such compensation. Our Chief Executive Officer did not receive additional compensation for his service as a director and, consequently, is not included in the table. The compensation received by our Chief Executive Officer as an employee is presented in the "Summary Compensation Table" elsewhere in this Proxy Statement:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[8]	Total ($)
R. H. Seale, III[1]	$ 34,000	$185,000[9]	$219,000
R. Lynn Atchison[2]	39,000	125,000 [10]	164,000
Jeffrey T. Diehl[3]	36,500	125,000 [10]	161,500
Charles T. Doyle[4]	51,500	125,000 [10]	176,500
Michael J. Maples, Sr.[5]	38,000	125,000 [10]	163,000
James R. Offerdahl[6]	50,000	125,000 [10]	175,000
Carl James Schaper[7]	51,500	145,000 [11]	196,500

(1) As of December 31, 2018, Mr. Seale had 22,571 shares underlying option awards outstanding, and 1,657 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, and a $4,000 annual fee for service on our IS audit committee. For 2018, Mr. Seale elected to receive his $60,000 annual fee for service as Chairman of the board of directors in RSUs in lieu of cash.

(2) As of December 31, 2018, Ms. Atchison had 1,018 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $5,000 annual fee for service on our financial audit committee and a $4,000 annual fee for service on our IS audit committee.

(3) As of December 31, 2018, Mr. Diehl had 16,880 shares underlying option awards outstanding, and 1,168 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $4,000 annual fee for service on our compensation committee and a $2,500 annual fee for service on our nominating and corporate governance committee.

(4) As of December 31, 2018, Mr. Doyle had 29,380 shares underlying option awards outstanding, and 1,168 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $5,000 annual fee for service on our financial audit committee, a $2,500 annual fee for service on our nominating and corporate governance committee, a $4,000 annual fee for service on our IS audit committee and a $10,000 annual fee for service as the chairman of our IS audit committee.

(5) As of December 31, 2018, Mr. Maples had 44,880 shares underlying option awards outstanding, and 1,168 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $4,000 annual fee for service on our compensation committee and a $4,000 annual fee for service on our IS audit committee.

(6) As of December 31, 2018, Mr. Offerdahl had 51,745 shares underlying option awards outstanding, and 1,168 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $5,000 annual fee for service on our financial audit committee and a $15,000

annual fee for service as the chairman of our financial audit committee.

(7) As of December 31, 2018, Mr. Schaper had 377 shares underlying option awards outstanding, and 1,331 shares underlying unvested restricted stock units. Fees earned or paid in cash consist of a $30,000 annual fee for service on our board of directors, a $4,000 annual fee for service on our compensation committee, a $2,500 annual fee for service on our nominating and corporate governance committee, a $10,000 annual fee for service as the chairman of our compensation committee, and a $5,000 annual fee for service as the chairman of our nominating and corporate governance committee. For 2018, Mr. Schaper elected to receive his $20,000 annual fee for service as Lead Independent Director in RSUs in lieu of cash.

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(8) Amounts represent the aggregate grant date fair value of stock options and RSUs granted during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or FASB ASC Topic 718. Assumptions used in calculating these amounts are described in Note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(9) Consists of RSUs for 3,013 shares of our common stock which vest in equal quarterly installments over one year beginning September 9, 2018 in respect of his annual director equity award grant and his election to receive equity awards for the 2018-2019 director year in lieu of his annual Chairman fee.

(10) Consists of RSUs for 2,036 shares of our common stock which vest in equal quarterly installments over one year beginning September 9, 2018 in respect of each director's annual director equity award grant.

(11) Consists of RSUs for 2,362 shares of our common stock which vest in equal quarterly installments over one year beginning September 9, 2018 in respect of his annual director equity award grant and his election to receive equity awards for the 2018-2019 director year in lieu of his annual Lead Independent Director fee.

Stockholder Engagement

We carefully consider feedback from our stockholders regarding us, our executive compensation program and corporate governance matters. Our stockholders are invited to express their views to members of our board of directors as described below under "Communications with Directors." We also engage in dialogue with our major stockholders throughout the year to solicit their views and opinions about various topics and matters of mutual interest. We believe that our stockholder outreach process continues to strengthen our understanding of our stockholders' concerns and the issues on which they are focused. We therefore expect to continue to engage with our stockholders on a regular basis.

Proposals to Amend Certificate of Incorporation

At the annual meeting, our stockholders will consider and vote upon, among other matters, a proposed amendment to the Certificate of Incorporation to declassify our board of directors and a proposed amendment to the Certificate of Incorporation to eliminate the supermajority voting requirements applicable to certain provisions of the Certificate of Incorporation. Each of these proposals, if approved by our stockholders and effected as an amendment to the Certificate of Incorporation, would be expected to provide increased director accountability and greater stockholder participation in the corporate governance of our company.

Communications with Directors

Stockholders and other interested parties may communicate with the board of directors in writing by mail addressed as follows:

Board of Directors of Q2 Holdings, Inc.
c/o Corporate Secretary
13785 Research Boulevard
Suite 150
Austin, Texas 78750

Please indicate on the envelope that the correspondence contains a stockholder communication. All directors have access to this correspondence. Stockholders and other interested persons may communicate with our Lead Independent Director in writing by mail addressed to the above address, Attention: Lead Independent Director. In accordance with instructions from the board, the Corporate Secretary logs and reviews all correspondence and transmits such communications to the full board or individual directors, as appropriate. Certain communications, such as business solicitations, job inquiries, junk mail, patently offensive material or communications that present security concerns may not be transmitted, as determined by the Corporate Secretary.

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Director Attendance at Annual Meetings

We attempt to schedule our annual meeting of stockholders at a time and date to accommodate attendance by our board of directors taking into account the directors' schedules. All directors are encouraged to attend our annual meeting of stockholders. The board of directors, however, does not have a policy requiring director attendance at our annual meetings of stockholders. All of our directors attended our 2018 Annual Meeting of Stockholders held on June 13, 2018.

Committee Charters and Code of Business Conduct and Ethics

Our board of directors has adopted a written charter for each of the compensation committee, the financial audit committee, the IS audit committee and the nominating and corporate governance committee. Each charter is available on the investor relations section of our website at http://investors.q2ebanking.com.

We have adopted a Code of Business Conduct and Ethics, or the Code, that applies to all of our employees, officers and directors. The Code is available on the investor relations section of our website at http://investors.q2ebanking.com. A printed copy of the Code may also be obtained by any stockholder free of charge upon request to the Corporate Secretary, Q2 Holdings, Inc., 13785 Research Boulevard, Suite 150, Austin, Texas 78750. Any substantive amendment to or waiver of any provision of the Code may be made only by the board of directors, and will be disclosed on our website as well as via any other means then required by NYSE listing standards or applicable law.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines, or the Guidelines, that address the composition of the board, criteria for board membership and other board governance matters. These Guidelines are available on the investor relations section of our website at http://investors.q2ebanking.com. A printed copy of the Guidelines may also be obtained by any stockholder free of charge upon request to the Corporate Secretary, Q2 Holdings, Inc., 13785 Research Boulevard, Suite 150, Austin, Texas 78750.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee are or have been an officer or employee of Q2. During the fiscal year ended December 31, 2018, none of our company's executive officers served on the compensation committee (or its equivalent) or board of directors of another entity any of whose executive officers served on our compensation committee or board of directors.

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PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our board of directors has selected Ernst & Young LLP, or Ernst & Young, to serve as our independent registered public accounting firm to audit the consolidated financial statements of Q2 Holdings, Inc. for the fiscal year ending December 31, 2019. Ernst & Young has served as our auditor since September 2013. A representative of Ernst & Young is expected to be present at the annual meeting to respond to appropriate questions and make a statement if he or she so desires.

The following table sets forth the aggregate fees billed by Ernst & Young for the fiscal years ended December 31, 2018 and 2017:

	Fiscal 2018	Fiscal 2017
Audit fees(1)	$1,753,000	$1,205,000
Audit-related fees(2)	856,215	—
Tax fees(3)	—	—
All other fees(4)	—	—
Total fees	$2,609,215	$1,205,000

(1) Audit fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and internal control over financial reporting, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements, consultations concerning financial reporting in connection with acquisitions and issuances of auditor consents and comfort letters in connection with SEC registration statements and related SEC registered securities offerings.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees," including due diligence services related to acquisitions.

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance and acquisitions.

(4) All other fees consist of fees for products and services other than the services reported above.

Policy on Financial Audit Committee Pre-approval of Audit and Non-Audit Services Performed by Independent Registered Public Accounting Firm

The financial audit committee has determined that all services performed by Ernst & Young are compatible with maintaining the independence of Ernst & Young. The financial audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Unless the specific service has been pre-approved with respect to that year, the financial audit committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The independent registered public accounting firm and management are required to periodically report to the financial audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval process. All services provided by Ernst & Young during the fiscal years ended December 31, 2018 and December 31, 2017 were pre-approved by the financial audit committee.

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Vote Required and Board of Directors Recommendation

The affirmative vote of a majority of the voting power of the shares present in person or by proxy and entitled to vote on the matter at the annual meeting is required for approval of this proposal. Abstentions will have the effect of a vote "against" the ratification of Ernst & Young as our independent registered public accountants. Your bank or broker will have discretion to vote any uninstructed shares on this proposal. If the stockholders do not approve the ratification of Ernst & Young as our independent registered public accounting firm, the financial audit committee will reconsider its selection.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019. PROXIES WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.

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REPORT OF THE FINANCIAL AUDIT COMMITTEE

The financial audit committee currently consists of three directors. Ms. Atchison and Messrs. Doyle and Offerdahl are each, in the judgment of the board of directors, an independent director. The financial audit committee acts pursuant to a written charter that has been adopted by the board of directors. A copy of the charter is available on the investor relations section of our website at http://investors.q2ebanking.com.

The financial audit committee oversees our financial reporting process on behalf of the board of directors. The financial audit committee is responsible for retaining our independent registered public accounting firm, evaluating its independence, qualifications and performance, and approving in advance the engagement of the independent registered public accounting firm for all audit and non-audit services. The financial audit committee's specific responsibilities are set forth in its charter. The financial audit committee reviews its charter at least annually.

Management has the primary responsibility for the financial statements and the financial reporting process, including internal control systems, and procedures designed to ensure compliance with applicable laws and regulations. Our independent registered public accounting firm, Ernst & Young LLP, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles.

The financial audit committee has reviewed and discussed with management the company's audited financial statements. The financial audit committee has also discussed with Ernst & Young LLP all matters that the independent registered public accounting firm was required to communicate and discuss with the financial audit committee, including the matters required to be discussed by the Statement on Auditing Standards No. 1301 "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board (PCAOB). In addition, the financial audit committee has met with the independent registered public accounting firm, with and without management present, to discuss the overall scope of the independent registered public accounting firm's audit, the results of its examinations, its evaluations of the company's internal controls and the overall quality of our financial reporting.

The financial audit committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the financial audit committee concerning independence and has discussed with the independent registered public accounting firm its independence.

Based on the review and discussions referred to above, the financial audit committee recommended to our board of directors that the company's audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

FINANCIAL AUDIT COMMITTEE

James R. Offerdahl, Chair
R. Lynn Atchison
Charles T. Doyle

The foregoing Report of the Financial Audit Committee shall not be deemed to be incorporated by reference into any filing of Q2 Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except to the extent that we specifically incorporate such information by reference in such filing and shall not otherwise be deemed "filed" under either the Securities Act or the Exchange Act or considered to be "soliciting material."

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EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers as of April [__], 2019.

Name	Age	Position
Matthew P. Flake	47	President, Chief Executive Officer and Director
Jennifer N. Harris	51	Chief Financial Officer
Adam D. Blue	47	Executive Vice President and Chief Technology Officer
John E. Breeden	46	Executive Vice President, Operations
William M. Furrer	51	Chief Strategy Officer
Rekha D. Garapati	43	Executive Vice President, Products and Operations
Odus E. Wittenburg, Jr.	47	Executive Vice President, Customer Experience
Barry G. Benton	57	Senior Vice President, General Counsel and Secretary
Kim A. Rutledge	50	Senior Vice President, Human Resources

Matthew P. Flake has served as the Chief Executive Officer of Q2 Software, Inc., our sole operating subsidiary, since December 2011, as our Chief Executive Officer and a member of our board of directors since October 2013, and as our President since March 2019. Mr. Flake also served as our President from March 2008 until August 2016. From June 2005 until March 2008, Mr. Flake served as our Vice President of Sales. Mr. Flake previously served as a Regional Sales Director at S1 Corporation, a provider of Internet-based financial services solutions from 2002 until May 2005. Prior to that, Mr. Flake was a Regional Sales Manager for Q-Up Systems, Inc., a provider of interactive web-based solutions for community banks and credit unions from August 1999 until 2002. Mr. Flake holds a B.A. in Business from Baylor University.

Jennifer N. Harris has served as our Chief Financial Officer since December 2013. From March 2013 to December 2013, Ms. Harris served as our Vice President and Corporate Controller. Prior to joining us, Ms. Harris was the Interim Corporate Controller for Blackbaud, Inc., a provider of software solutions to nonprofit organizations and educational institutions, from May 2012 until November 2012. From April 2005 until May 2012, Ms. Harris held various financial positions with Convio, Inc., a provider of SaaS constituent engagement solutions, most recently as Vice President, Controller and Principal Accounting Officer, from October 2010 until May 2012, when Convio was acquired by Blackbaud. From November 1998 until April 2005, Ms. Harris held a variety of financial positions with Motive, Inc., a provider of service management software for broadband and mobile data services, most recently as Director of Finance and Administration and Corporate Treasurer from April 2003 until April 2005. Ms. Harris holds a B.S. in Business from Indiana University.

Adam D. Blue has served as our Executive Vice President since November 2011 and Chief Technology Officer since December 2010. From May 2006 until December 2010, Mr. Blue served as our Chief Information Officer. Prior to joining us, Mr. Blue held the position of Vice President, Engineering and Support of CipherTrust, Inc., a provider of security solutions for inbound and outbound messaging threats, from November 2003 until May 2006. From July 2001 until November 2003, Mr. Blue served as Senior Director, Technology Services for S1 Corporation. From November 2000 until July 2001, Mr. Blue was Vice President, Internet Operations for Q-Up Systems, Inc. Mr. Blue holds a B.A. in Economics from Indiana University. He has also completed graduate work in Computational Economics at The University of Texas at Austin.

John E. Breeden has served as our Executive Vice President of Operations since February 2013. From November 2011 until February 2013, he served as our Senior Vice President of Implementations. Prior to joining us, Mr. Breeden was Vice President of Corporate Services for Activant Solutions Inc., a provider of business management solutions, from October 2007 until July 2011. Mr. Breeden also served as Activant Solutions' Vice President of Information Technology from June 2005 until October 2007, and its Director of Corporate Planning from October 2002 until June

2005. From January 2002 until October 2002, Mr. Breeden was an enterprise software and process optimization consultant for The North Highland Company, a consulting firm. From January 2001 until January 2002, Mr. Breeden held the position of Product Manager for Claria Corporation, an advertising software company. Mr. Breeden holds a B.B.A. in Finance from The University of Texas at Austin.

William M. Furrer has served as our Chief Strategy Officer since May 2016. From December 2014 until May 2016, Mr. Furrer served as our Senior Vice President of Product. From July 2013 until December 2014, he served as our Senior Vice President of Product and Marketing and from February 2013 until July 2013 he served as our Senior Vice President of Marketing. Prior to joining us, Mr. Furrer was President of IF Marketing and Advertising, a full-service interactive marketing and advertising agency specializing in brand development and integrated marketing campaigns, from July 2001 until January

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2013. From September 1999 until December 2001, Mr. Furrer held a number of leadership positions with Q-Up Systems, Inc., including sales engineer, relationship management and web technologies product management. From April 2000 until December 2001, Mr. Furrer was Director of Web Technologies for S1 Corporation. Mr. Furrer holds a B.A. in English from Virginia Tech.

Rekha D. Garapati has served as our Executive Vice President, Products and Operations since January 2019. Prior to that, Ms. Garapati served as our Senior Vice President, Client Services and Operations from July 2018 until January 2019. Prior to joining us, Ms. Garapati served in a number of leadership roles with IBM from 1998 until 2017, including as Vice President, IBM Analytics, Data Science Client Studios from June 2015 to April 2017, and as Vice President, CIO Office IBM Growth Market Unit (AP, LA, CEE and MEA) from June 2011 until May 2015. Ms. Garapati holds a B.S. in Electronics and Communication Engineering from Nagarjuna University and an M.S. in computer science from Northwestern Polytechnic University.

Odus E. Wittenburg, Jr. has served as our Executive Vice President, Customer Experience since March 2019. Prior to that, Mr. Wittenburg served as our President from August 2016 until March 2019. Prior to joining us, Mr. Wittenburg served in a number of leadership roles with Rackspace Hosting, Inc., a managed cloud company, including most recently as Senior Vice President and General Manager of the Americas Business Unit from January 2014 until August 2016, as Senior Vice President of the SMB Business Unit and LATAM Markets from January 2012 until January 2014, as Vice President of Enterprise Solutions in the Enterprise Business Unit from August 2010 until January 2012, as Vice President of Fanatical Support from January 2009 until August 2010, as Director of Fanatical Support from March 2008 until January 2009, and as Director of Corporate Development from December 2007 until March 2008. Prior to joining Rackspace, Mr. Wittenburg served as President and Managing Partner of The Edwards Group, a private equity group, from July 2003 until January 2007. Mr. Wittenburg holds a B.S. in Economics from Texas A&M University and an M.B.A. from Harvard Business School.

Barry G. Benton has served as our Senior Vice President, General Counsel and Secretary since October 2013 and as our General Counsel since January 2011. Prior to joining us, Mr. Benton was in private practice representing us, as well as a number of other large and small business owners and financial institutions in a variety of aspects of their operations, including debt and equity financings, commercial real estate and mergers and acquisitions from January 2009 until October 2010. From September 1995 until January 2009, Mr. Benton was a partner in private practice with various law firms, most recently with Glast, Phillips & Murray, PC from August 2003 until January 2009. Mr. Benton is a past committee member of the Commercial Financial Services Committee of the Business Section of the State Bar of Texas and prior member of the Texas Association of Bank Counsel. Mr. Benton holds a J.D. from St. Mary's University School of Law and a B.A. in Political Science from Texas Tech University.

Kim A. Rutledge has served as our Senior Vice President, Human Resources since January 2017. Prior to joining us, Ms. Rutledge served as Vice President, Human Resources and Talent with SunPower Corporation, a provider of solar power solutions and services, from January 2011 until August 2016. Prior to joining SunPower, Ms. Rutledge was self-employed, serving as Talent Acquisition Practice Lead for Designs on Talent, a talent acquisition and management consulting firm, from August 2010 until January 2011. Beginning July 2006, Ms. Rutledge served as Senior Manager, Talent Acquisition for Dell, Inc., a computer and network infrastructure and services provider, until October 2008 when she was promoted to Executive Director, Talent Acquisition, Americas for Dell, which role she held until May 2010. Ms. Rutledge holds a B.S. in Restaurant, Hotel and Institutional Management from Texas Tech University.

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COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of our named executive officers should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual amount and form of compensation and the compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

This Compensation Discussion and Analysis describes the compensation program for our Principal Executive Officer, our Principal Financial Officer and the next three most highly-compensated executive officers of the Company during fiscal 2018. During fiscal 2018, these individuals were:

- Matthew P. Flake, our Chief Executive Officer, or CEO;
- Odus E. Wittenburg, Jr., our President (Mr. Wittenburg was appointed as our Executive Vice President, Customer Experience on March 6, 2019);
- Jennifer N. Harris, our Chief Financial Officer, or CFO;
- Adam D. Blue, our Executive Vice President and Chief Technology Officer; and
- William M. Furrer, our Chief Strategy Officer.

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during fiscal 2018. It also provides an overview of our executive compensation philosophy and objectives. Finally, it analyzes how and why the compensation committee of our board of directors arrived at the specific compensation decisions for our executive officers, including our named executive officers, for fiscal 2018, including the key factors that the compensation committee of our board of directors considered in determining their compensation.

We refer to the above executive officers collectively in this Compensation Discussion and Analysis and the related compensation tables as our "named executive officers." We refer to the compensation committee of our board of directors in this Compensation Discussion and Analysis and in Compensation of Named Executive Officers and the related compensation tables as the "Committee." The members of the Committee in fiscal 2018 were Carl James Schaper (chairperson), Jeffrey T. Diehl and Michael J. Maples, Sr.

Executive Summary

Fiscal 2018 Business Highlights

In fiscal 2018, we continued to execute on our strategy of growing our customer base, expanding relationships with existing customers, broadening our product portfolio and achieving our financial objectives. Our named executive officers and other members of our executive management team led the organization to achieve certain operational and financial milestones that we believe position us for continued short-term and long-term success, including the following achievements:

- 24% year-over-year revenue growth;
- 23% year-over-year growth in registered users on the Q2 platform;

- GAAP gross margin for the full year of 49.5%, up from 48.7 % in fiscal 2017; and

- Positive adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, of $19.0 million, compared to $10.2 million in fiscal 2017.

Finally, during fiscal 2018, our stock price increased from $36.85 per share (the closing price on December 29, 2017) to $49.55 per share (the closing price on December 31, 2018), representing an increase of 34.5%.

Fiscal 2018 Executive Compensation Highlights

The following key compensation actions were taken with respect to our named executive officers for fiscal 2018:

- Base Salaries - Annual base salaries were adjusted in amounts ranging from 0% to 3.0%, in addition to an adjustment of 13% for our CEO;
- Annual Cash Bonuses - Based on our achievement of 113.7% of our target bookings performance measure and 94.4% of our target adjusted EBITDA performance measure, annual cash bonus payments were paid out at 103% of their target annual cash bonus opportunities, including an annual cash bonus payment of $535,600 for our CEO; and
- Long-Term Incentive Compensation - Our named executive officers were granted long-term incentive compensation opportunities in the form of market stock unit awards, or MSUs, and restricted stock unit awards, or RSUs, both representing the right to receive shares of our common stock upon settlement, in aggregate amounts ranging from $1,306,585 to $4,147,662, as well as an MSU and RSU in the aggregate amount of $4,147,662 for our CEO.

Focus on Pay-for-Performance

We view our compensation practices as an avenue to communicate our goals and standards of conduct, and a means to reward our executive officers for their achievements. We believe our executive compensation program is reasonable and competitive and appropriately balances the goals of attracting, motivating, rewarding and retaining our executive officers, thereby promoting stability in our leadership.

To promote alignment of our executive officers' interests with those of our stockholders and to motivate and reward individual initiative and effort, a substantial portion of our executive officers' target annual total direct compensation opportunity is "at-risk" as a result of our emphasis on variable cash compensation that varies above or below target levels commensurate with our performance and which we believe appropriately rewards our executive officers for delivering financial, operational and strategic results that meet or exceed pre-established goals through our annual cash bonus plan, as well as MSUs and RSUs that currently make up our long-term incentive compensation arrangements.

The target total direct compensation opportunities for our CEO and, on average, the other named executive officers during fiscal 2018 reflect this philosophy:

As reflected in the foregoing graphic, we believe that equity awards are a key incentive for our executive officers to drive long-term growth. To help ensure that we remain faithful to our compensation philosophy, the Committee regularly evaluates the relationship between the reported values of the equity awards granted to our executive officers, the amount of compensation realizable (and, ultimately, realized) from such awards in subsequent years and our total stockholder return over this period.

While we disclose the estimated values of these equity awards in our Summary Compensation Table at the time of grant for each covered fiscal year, the value of these awards that may be realizable by our executive officers will vary depending on the performance of our common stock and may differ significantly from the amounts reported in the Summary Compensation Table.

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Stockholder Advisory Vote on Named Executive Officer Compensation

At our 2018 Annual Meeting of Stockholders, we conducted a non-binding stockholder advisory vote on the compensation of our named executive officers (commonly known as a "Say-on-Pay" vote). Our stockholders approved the Say-on-Pay proposal with approximately 98.8% of the votes cast in favor of the proposal. We believe that this result demonstrates that our stockholders are generally supportive of our executive compensation program.

As the Committee has reviewed our executive compensation policies and practices since the 2018 Say-on-Pay vote, it has been mindful of the level of support our stockholders have expressed for our approach to executive compensation. As a result, following our annual review of our executive compensation philosophy, the Committee decided to retain our general approach to executive compensation, including the decision to grant equity awards with performance-based vesting.

We value the opinions of our stockholders and will continue to consider the outcome of future Say-on-Pay votes, as well as feedback received throughout the year, when making compensation decisions for our executive officers.

At our 2017 Annual Meeting of Stockholders, we conducted a non-binding stockholder advisory vote on the frequency of future Say-on-Pay votes (commonly known as a "Say-When-on-Pay" vote). Our stockholders expressed a preference for holding future Say-on-Pay votes on an annual, rather than a biennial or triennial, basis. In recognition of this preference and other factors considered, our board of directors determined that we should hold annual Say-on-Pay votes. Consequently, our next Say-on-Pay vote following the vote for our 2019 Annual Meeting of Stockholders will be held at our 2020 Annual Meeting of Stockholders.

Executive Compensation Policies and Practices

We endeavor to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards, consistent with our executive compensation philosophy. During fiscal 2018, we maintained the following executive compensation policies and practices, including both policies and practices we have implemented to drive performance and policies and practices that either prohibit or minimize behaviors that we do not believe serve our stockholders' long-term interests:

What We Do

- Emphasize long-term performance - Our long-term incentive program is designed to focus our executive officers on stockholder value creation and emphasize the achievement of strategic objectives, including our share price performance, over the next several years.

- Independent Compensation Consultant - The Committee has engaged its own compensation consultant to provide information, analysis and other advice on executive compensation independent of management. This compensation consultant does not provide any other services to the Company.

- Annual Executive Compensation Review - At least once a year, the Committee conducts a review of our executive compensation program, including our compensation strategy.

- Compensation "At-Risk" - Our executive compensation program is designed so that a significant portion of our executive officers' compensation is both "at risk" and based on corporate performance to align the interests of our executive officers and stockholders.

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Annual Compensation-Related Risk Assessment - The Committee considers our compensation-related risk profile to help ensure that our compensation-related risks do not create inappropriate or excessive risk and are not reasonably likely to have a material adverse effect on our operations or financial performance.

- Multi-Year Vesting Requirements - To align the interests of our executive officers and stockholders, the equity awards granted to our executive officers vest over periods of three or four years, depending on when granted.

- "Double-Trigger" Change-in-Control Arrangements - Except in the case of the MSU awards granted in March 2018, all payments and benefits under our post-employment compensation arrangements in the event of a change in control of the Company are based on a "double-trigger" arrangement (that is, they require both that we undergo a change in control and that a qualifying termination of employment occur before payments and benefits are paid).

What We Do Not Do

- No Retirement Plans - We do not currently offer, nor do we have plans to offer, defined benefit pension plans or any non-qualified deferred compensation plans or arrangements to our executive officers other than our tax-qualified Section 401(k) employee savings and retirement plan which is available to all employees. Our executive officers are eligible to participate in this plan on the same basis as our other employees.

- No Special Welfare or Health Benefits - We do not provide our executive officers with any special welfare or health benefit programs that are not otherwise available to all of our employees.

- No Section 280G Excise Tax Payments - We do not provide any tax reimbursement payments (including "gross-ups") in connection with any excise tax liabilities that may raise under Sections 280G and 4999 of the Internal Revenue Code, or the Code, on payments or benefits contingent upon a change in control of the Company.

- No Dividends or Dividend Equivalents Payable on Unvested Equity Awards - We do not pay dividends or dividend equivalents on unearned MSUs or unvested RSUs.

- No Hedging or Pledging of Our Securities - Our Insider Trading Policy provides that no one subject to the policy, including all of our directors, employees and executive officers, may engage in short sales, puts, calls or other derivative transactions involving our securities. It further provides that no one subject to the policy, including all of our directors, employees and executive officers, may engage in hedging or monetization transactions involving our securities, pledge our securities as collateral for a loan, or hold our securities in a margin account.

Executive Compensation Philosophy and Program Design

Compensation Philosophy

Our executive compensation program is guided by our overarching philosophy of only paying for demonstrable performance. Consistent with this philosophy, we have designed our executive compensation program to achieve the following primary objectives:

- provide compensation and benefit levels that will attract, retain, motivate and reward a highly-talented team of executive officers within the context of responsible cost management;

- establish a direct link between our financial and operational results and strategic objectives and the compensation of our executive officers; and

- align the interests and objectives of our executive officers with those of our stockholders by linking the long-term incentive compensation opportunities to stockholder value creation and their cash incentives to our annual performance.

Program Design

We structure the annual compensation of our executive officers, including the named executive officers, using three principal elements: base salary, annual cash bonus opportunities and long-term incentive compensation opportunities in the form of equity awards. While the pay mix may vary from year to year, the ultimate goal is to achieve our compensation objectives as described above. In the following chart, we provide an overview of each material element of our fiscal 2018 executive compensation program and describe how each such element is tied to our compensation objectives.

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The design of our executive compensation program is influenced by a variety of factors, with the primary goals being to align the interests of our executive officers and stockholders and to link pay with performance. We evaluate performance over both short-term (annual) and multi-year periods based on our financial and operational performance, including results for certain key performance measures.

Executive Compensation-Setting Process