

ALLIANCE DATA SYSTEMS CORP
Form DEF 14A
April 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

Alliance Data Systems Corporation
(Name of Registrant as Specified In Its Charter)

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

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No fee required.
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(3) Filing Party:

(4) Date Filed:



NOTICE OF ANNUAL
MEETING OF STOCKHOLDERS

DATE & TIME: PLACE: RECORD DATE:
Wednesday, June 7, 2017 7500 Dallas Parkway, Suite 700 April 7, 2017
10:00 a.m., local time Plano, Texas 75024

ITEMS OF BUSINESS:

- 01/ to elect ten directors
- 02/ to hold an advisory vote on executive compensation
- 03/ to hold an advisory vote on the frequency of holding an advisory vote on executive compensation
- 04/ to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2017
- 05/ to transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof

HOW TO VOTE:

online phone mail in person

You are cordially invited to attend the meeting, but whether or not you expect to attend in person, we urge you to grant your proxy to vote your shares by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials that you received, or if you received a paper copy of the proxy card, to mark, date, sign and return the proxy card in the envelope provided. You may still vote in person if you attend the meeting, even if you have given your proxy. Please note, however, that if a broker or other nominee holds your shares of record and you wish to vote at the meeting, you must obtain from that registered holder a proxy card issued in your name.

ADMISSION:

Stockholders or their legal proxy holders may attend the annual meeting. Due to security considerations, we are not able to admit the guests of either stockholders or their legal proxy holders.

Important Notice Regarding Admission to the 2017 Annual Meeting of Stockholders: Stockholders or their legal proxy holders who wish to attend the annual meeting must preregister. Requests for preregistration must be received by us no later than 5:00 p.m. CDT on Thursday, June 1, 2017. For complete instructions for preregistering, see page 51 of this proxy statement.

The Notice of Internet Availability of Proxy Materials or this proxy statement and the accompanying proxy card, notice of meeting and annual report on Form 10-K for the year ended December 31, 2016 were first mailed on or about April 21, 2017 to all stockholders of record as of April 7, 2017. Our only voting securities are shares of our common stock, of which there were 55,876,890 shares outstanding as of April 7, 2017. We will have a list of stockholders available for inspection for at least ten days prior to the annual meeting at our principal executive offices at 7500 Dallas Parkway, Suite 700, Plano, Texas 75024 and at the annual meeting.

By order of the Board of Directors,

/s/ Joseph L. Motes III

Joseph L. Motes III
Corporate Secretary

April 21, 2017
Plano, Texas

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on June 7, 2017: This proxy statement and annual report on Form 10-K for the year ended December 31, 2016 are available at www.edocumentview.com/ads.

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AGENDA AND
VOTING RECOMMENDATIONS

Proposal 01 /

Election of Directors

√ The Board of Directors unanimously recommends that stockholders vote FOR the election of each of the following ten director nominees:

Bruce K. Anderson

Roger H. Ballou

Kelly J. Barlow

D. Keith Cobb

E. Linn Draper, Jr., Ph.D.

Edward J. Heffernan

Kenneth R. Jensen

Robert A. Minicucci (Chair)

Timothy J. Theriault

Laurie A. Tucker

Proposal 02 /

Advisory Vote on Executive Compensation

√ The Board of Directors unanimously recommends that stockholders vote FOR the compensation paid to our named executive officers as disclosed in this proxy statement.

Proposal 03 /

Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation

√ The Board of Directors unanimously recommends that stockholders vote FOR conducting future advisory votes on executive compensation annually.

Proposal 04 /

Ratification of the Selection of the Independent Registered Public Accounting Firm

√ The Board of Directors unanimously recommends that stockholders vote FOR the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2017.

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01 /

PROPOSAL ONE:
election of directors

Our nominating & corporate governance committee evaluated and recommended to our board of directors, and our board of directors has nominated the following ten individuals, Bruce K. Anderson, Roger H. Ballou, Kelly J. Barlow, D. Keith Cobb, E. Linn Draper, Jr., Ph.D., Edward J. Heffernan, Kenneth R. Jensen, Robert A. Minicucci, Timothy J. Theriault and Laurie A. Tucker, for election as a director, each to hold office for a term of one year until the annual meeting of stockholders in 2018 and until his or her respective successor is duly elected and qualified. With the exception of Mr. Barlow, each of the director nominees is currently serving as a member of our board of directors. Mr. Barlow was recommended to the nominating & corporate governance committee by executive management of the company.

The nominating & corporate governance committee and the board of directors determined that each nominee brings a strong and unique background and set of skills to our board of directors, enhancing, as a whole, our board of directors' competence and experience in a variety of areas, including executive management and board service, internal controls and corporate governance, data security and privacy, an understanding of industries in which we operate, as well as risk assessment and management. Specifically, in nominating these ten directors for election at the 2017 annual meeting of our stockholders, consideration was given to such directors' past service on our board of directors, as applicable, and its committees and the information discussed in each of such directors' individual biographies set forth below. Our board of directors unanimously recommends that our stockholders vote in favor of each of these director nominees.

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The following sets forth information regarding each director nominee, including proposed committee memberships.

Name	Independent	Committee Membership			
		Audit	N&CG	Compensation	Executive
Bruce K. Anderson	√			√	
Roger H. Ballou	√	√	Chair		√
Kelly J. Barlow	√	*			
D. Keith Cobb	√	Chair			
E. Linn Draper, Jr., Ph.D.	√		Chair		
Edward J. Heffernan					√
Kenneth R. Jensen	√	√			√
Robert A. Minicucci (Chair)	√		√	√	√
Timothy J. Theriault	√	√			
Laurie A. Tucker	√		√		

* If Mr. Barlow is elected as a director at our 2017 annual meeting of stockholders, our board of directors expects to appoint Mr. Barlow to serve on the audit committee along with the committee's current members.

Bruce K. Anderson /

Compensation Committee • Age: 77

Mr. Anderson has served as a director since August 1996. He co-founded the investment firm Welsh, Carson, Anderson & Stowe, or WCAS, and has been a general partner of WCAS since March 1979. Prior to that, he served for nine years with Automatic Data Processing, Inc., or ADP, where, as executive vice president and a director of ADP and president of ADP International, he was active in corporate development and general management. Before joining ADP, Mr. Anderson spent four years in computer marketing with International Business Machines Corporation, or IBM. Mr. Anderson served as a director of Amdocs Limited from 1997 until 2012. He holds a Bachelor's degree from the University of Minnesota. Mr. Anderson has demonstrated executive leadership skills as well as having first-hand knowledge of Alliance Data and its industry based on his experience as a member of our board of directors since our inception in 1996. Please see Director Succession and Retirement Policy on page 10 of this proxy statement with regard to the board's determination with respect to nomination for re-election.

Roger H. Ballou /

Audit Committee • Executive Committee • Nominating & Corporate Governance Committee (Chair) • Age: 65

Mr. Ballou has served as a director since February 2001. Mr. Ballou served as the chief executive officer and a director of CDI Corporation, a public company engaged in providing staffing and outsourcing services, from October 2001 until January 2011. He was a self-employed consultant from October 2000 to October 2001. Before that time, Mr. Ballou had served as chairman and chief executive officer of Global Vacation Group, Inc. from April 1998 to September 2000. Prior to that, he was a senior advisor for Thayer Capital Partners from September 1997 to April 1998. From April 1995 to August 1997, he served as vice chairman and chief marketing officer, then as president and chief operating officer, of Alamo Rent-a-Car, Inc. Mr. Ballou served as a director of Fox Chase Bank from 2005 until 2016. Mr. Ballou is currently a director of RCM Technologies, Inc. and Univest Corporation of Pennsylvania. Mr. Ballou holds a Bachelor's degree from the Wharton School of the University of Pennsylvania and an MBA from the Tuck School of Business at Dartmouth. Mr. Ballou brings banking industry experience to his service on our board of directors. In addition, Mr. Ballou has served in a variety of executive level positions, including with a large public company in a similar industry.

Kelly J. Barlow /

Audit Committee • Age: 48

Mr. Barlow is a nominee for director. Mr. Barlow has been a partner of ValueAct Capital, an investment partnership engaged in public and private equity investing, since August 2003. Prior to joining ValueAct Capital, Mr. Barlow worked at EGM Capital from 1997 to 2003, where he served primarily as portfolio manager of the firm's long/short equity fund. Prior to EGM Capital, Mr. Barlow worked at Wells Capital Management, a wholly owned subsidiary of

Wells Fargo Bank, in the small capitalization equity department from 1993 to 1997. Mr. Barlow previously served as a director of Adobe Systems, Inc. from December 2012 to April 2016 and of KAR Auction Services, Inc. from December 2011 to September 2013. Mr. Barlow holds a Bachelor's degree from California State University, Chico and is a CFA Charterholder. Mr. Barlow brings years of experience as a seasoned investor with financial expertise and public company board experience.

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D. Keith Cobb /

Audit Committee (Chair) • Age: 76

Mr. Cobb has served as a director since June 2004. Mr. Cobb has served as a business consultant and strategic advisor for a number of companies since 1996. He spent 32 years as a practicing certified public accountant for KPMG, LLP, including as the National Managing Partner – Financial Services and as a senior member of the firm's management committee. Mr. Cobb was vice chairman and chief executive officer of Alamo Rent-a-Car, Inc. from 1995 until 1996. Mr. Cobb is currently a director of the Wayne Huizenga Graduate School of Business and Entrepreneurship at Nova Southeastern University. He completed a six-year term on the board of the Federal Reserve Bank of Atlanta, Miami Branch in 2002. Mr. Cobb served as a director of BBX Capital Corporation from 2003 until 2013, and of BFC Financial Corporation from 2004 until 2013. Mr. Cobb holds a Bachelor's degree from the University of Southern Mississippi. Mr. Cobb's qualifications include extensive accounting and executive-level business experience, with a particular focus on the banking and financial services industries. Please see Director Succession and Retirement Policy on page 10 of this proxy statement with regard to the board's determination with respect to nomination for re-election.

E. Linn Draper, Jr., Ph.D. /

Compensation Committee (Chair) • Age: 75

Dr. Draper has served as a director since February 2005. He has served in an executive and directoral capacity for a number of companies since 1980. Dr. Draper was chairman of the board of American Electric Power Company, Inc., or AEP, for 11 years until his retirement from AEP in 2004, and served as president and chief executive officer of AEP from 1993 to 2003. He was the president of the Ohio Valley Electric Corporation from 1992 until 2004, and was the chairman, president and chief executive officer of Gulf States Utilities Company from 1987 to 1992. Dr. Draper currently serves as a director of NorthWestern Corporation. Dr. Draper also serves on the University of Texas Engineering Advisory Board. Dr. Draper was a director of Temple-Inland Inc. from 2004 until 2012, of TransCanada Corporation from 2005 until 2013, and of Alpha Natural Resources, Inc. from 2004 until 2016. He holds two Bachelor's degrees from Rice University and a Doctorate from Cornell University. Dr. Draper has extensive experience serving as an advisor and as a director, including compensation committee experience. In addition, Dr. Draper has had executive-level experience in a highly regulated industry environment. Please see Director Succession and Retirement Policy on page 10 of this proxy statement with regard to the board's determination with respect to nomination for re-election.

Edward J. Heffernan /

President • Chief Executive Officer • Executive Committee • Age: 54

Mr. Heffernan, president and chief executive officer, joined us in May 1998, and has served as a director since June 2009. From May 2000 until March 2009, Mr. Heffernan served as an executive vice president and chief financial officer and, prior to that, he was responsible for mergers and acquisitions. Before joining us, he served as vice president, mergers and acquisitions, for First Data Corporation from October 1994 to May 1998. Prior to that, he served as vice president, mergers and acquisitions for Citicorp from July 1990 to October 1994, and prior to that he served in corporate finance at Credit Suisse First Boston from June 1986 until July 1990. Mr. Heffernan's other board activities are focused solely in the not-for-profit sector, and specifically those areas identified by our associates as most meaningful to them: children's health and education. He is currently chairman of the board of Children's Health System of Texas (parent company of Children's Medical Centers), serves on the board of trustees of The Shelton School of Dallas (for learning different children) as well as holding board positions in higher education at Wesleyan University and Columbia Business School. Mr. Heffernan holds a Bachelor's degree from Wesleyan University and an MBA from Columbia Business School. Mr. Heffernan's role as our former chief financial officer and current chief executive officer provides a link to the company's management and a unique level of insight into the company's operations.

Kenneth R. Jensen /

Audit Committee • Executive Committee • Age: 73

Mr. Jensen has served as a director since February 2001. Mr. Jensen has served as a business consultant and strategic advisor for a number of companies since July 2006. Mr. Jensen served as the executive vice president, chief financial officer, treasurer and assistant secretary of Fiserv, Inc., a public company engaged in data processing outsourcing, from July 1984 until June 2006. He was named senior executive vice president of Fiserv in 1986. Mr. Jensen was a director of Fiserv, Inc. from 1984 until 2007, of United Capital Financial Partners, Inc. from 2008 until 2013, and of Transfirst Group Holdings, Inc. from 2009 until 2014. Mr. Jensen holds a Bachelor's degree from Princeton University in Economics, an MBA from the University of Chicago in Accounting, Economics and Finance and a Ph.D. from the University of Chicago in Accounting, Economics and Finance. Mr. Jensen possesses both strong academic credentials as well as extensive executive leadership experience at a public company in a similar industry, including specifically an understanding of accounting and finance issues.

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Robert A. Minicucci /

Chair of the Board • Compensation Committee • Executive Committee • Nominating & Corporate Governance Committee • Age: 64

Mr. Minicucci, chair of the board, has served as a director since August 1996. Mr. Minicucci joined Welsh, Carson, Anderson & Stowe, or WCAS, in August 1993, served as a general partner of WCAS and continues to serve as a general partner for certain of the WCAS limited partnerships. Before joining WCAS, he served as senior vice president and chief financial officer of First Data Corporation from December 1991 to August 1993. Prior to joining First Data Corporation, Mr. Minicucci was treasurer and senior vice president of American Express Company. Mr. Minicucci was a director of Paycom Software, Inc. from 2007 until 2016, serving as its chairman from 2013 until 2016, and of Retalix Ltd. from 2009 until 2013. Mr. Minicucci is currently the chairman of the board of directors of Amdocs Limited. Mr. Minicucci holds a Bachelor's degree from Amherst College and an MBA from Harvard Business School. Mr. Minicucci has demonstrated executive leadership skills in a similar industry and has first-hand knowledge of the company based on his experience as a member of our board of directors since our inception in 1996.

Timothy J. Theriault /

Audit Committee • Age: 56

Mr. Theriault has served as a director since October 2016. Mr. Theriault served as an advisor to the chief executive officer of Walgreens Boots Alliance, Inc. from June 2015 until November 2016. Prior to that, he served as executive vice president and global chief information officer of Walgreens Boots Alliance, Inc. from July 2014 to June 2015. He served in senior leadership positions with increasing responsibility at Walgreen Co. from October 2009 to July 2014, including as senior vice president and chief information, innovation and improvement officer. Prior to that, Mr. Theriault was employed by Northern Trust Corporation, where he served in various executive and management positions with increasing responsibility in the area of information technology from May 1991 to October 2009 and July 1982 to October 1989. Mr. Theriault served as director of end user computing and advanced technologies for S. C. Johnson & Son, Inc., from October 1989 to May 1991. He currently serves as a director of Vitamin Shoppe, Inc. Mr. Theriault holds a Bachelor's degree from Illinois State University and completed the Harvard Business School advanced management program. Mr. Theriault brings extensive information technology, global business and operations experience gained as a senior executive in the financial services, health care and retail industries.

Laurie A. Tucker /

Nominating & Corporate Governance Committee • Age: 60

Ms. Tucker has served as a director since June 2015. Ms. Tucker has served as the founder and chief strategy officer for marketing consultancy firm, Calade Partners LLC since January 2014. Ms. Tucker served as the senior vice president-corporate marketing of FedEx Services, Inc., a subsidiary of FedEx Corporation, a public company engaged in transportation, e-commerce and business services, from 2000 to 2013 and was employed by FedEx in various capacities of increasing experience and responsibilities since 1978. Ms. Tucker was a director of Iron Mountain Incorporated from 2007 until 2014. Ms. Tucker holds a Bachelor's degree and an MBA from the University of Memphis. Ms. Tucker brings demonstrated executive leadership skills at a large multinational public company, including extensive knowledge of e-commerce and customer technology, customer service and corporate marketing strategies.

Charles L. Horn and Laura Santillan, and each of them, as proxies, will have full discretion to cast votes for other persons in the event any nominee is unable to serve. Our board of directors has no reason to believe that any nominee will be unable to serve if elected. If a quorum is present, directors are elected by a majority of the votes cast, in person or by proxy. This means that the ten nominees will be elected if they receive more "For" votes than "Against" votes. In accordance with Section 3.3.1 of our bylaws, any nominee who is currently serving as a director and does not receive a majority of votes cast shall immediately tender his or her resignation for consideration by our board of directors. Our board of directors will evaluate whether to accept or reject such resignation, or whether other action should be taken. The board of directors will publicly disclose its decision to accept or reject such resignation and its rationale within 90 days from the date of certification of the director election results.

√ The Board of Directors unanimously recommends that stockholders vote FOR the election of each of the ten director nominees.

A L L I A N C E D A T A 5

CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND COMMITTEES:

We are managed under the direction of our board of directors. Under our bylaws, the size of our board of directors may be between six and twelve. We currently have nine directors, including eight non-employee directors. Our board of directors has authorized an increase in the number of directors on our board from nine to ten as of our 2017 annual meeting of stockholders.

All directors are elected annually and serve a one-year term. Our board of directors presently has four regular committees, consisting of the audit committee, the compensation committee, the nominating & corporate governance committee and the executive committee. The charters for each of these committees, as well as our Corporate Governance Guidelines and our Codes of Ethics for our Senior Financial Officers, our board members and our employees, are posted on our website at <http://www.alliancedata.com>.

During 2016, the board of directors met nine times, the audit committee met twelve times, the compensation committee met eight times and the nominating & corporate governance committee met four times. Each of our directors attended at least 75% of the meetings of the board of directors and their respective regular committees. It is our policy that the director nominees who are up for election at the annual meeting attend the annual meeting, and all director nominees, except Mr. Jensen, attended the 2016 annual meeting of stockholders.

CORPORATE GOVERNANCE HIGHLIGHTS:

We believe that effective corporate governance should include regular constructive discussions with our stockholders. We have a proactive engagement process that encourages feedback from our stockholders. This feedback helps shape our governance practices, which include:

√ Independent chair of the board of directors	√ Adoption of proxy access
√ Declassified board of directors	√ 100% attendance at 2016 committee meetings
√ Majority voting to elect directors	√ Annual board and committee self-assessments
√ All independent director nominees, except CEO	√ Active stockholder outreach
√ Independent directors frequently meet in executive session	√ Commitment to social responsibility with respect to data, our people, the community and the environment
√ Active board engagement in managing talent and long-term succession planning for executives	√ Independent audit, compensation and nominating & corporate governance committees
√ Active board oversight of risk and risk management	√ All financially literate audit committee members and 3 audit committee financial experts

Audit Committee /

Members: Roger H. Ballou • D. Keith Cobb • Kenneth R. Jensen • Timothy J. Theriault

Chair: D. Keith Cobb

2016 Meetings: 12

2016 Attendance: 100%

The primary function of the audit committee is to assist our board of directors in fulfilling its oversight responsibilities by reviewing:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independent registered public accounting firm's qualifications and independence; and
- the performance of both our internal audit department and the independent registered public accounting firm.

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In addition, the audit committee has sole responsibility to:

- prepare the audit committee report included in this proxy statement;
- appoint, retain, compensate, evaluate and terminate our independent registered public accounting firm;
- approve audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- review and approve related party transactions; and
- establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding any questionable accounting or auditing matters.

Also, as discussed under the caption "Risk Oversight Function of the Board of Directors" below, the audit committee has the primary responsibility to evaluate the risk information provided by management and to report to the full board of directors those material strategic, financial, compliance, operational and enterprise risks that the audit committee believes appropriate for review by the full board of directors.

Assuming the stockholders elect our director nominees, the audit committee will consist of Roger H. Ballou, Kelly J. Barlow, D. Keith Cobb, Kenneth R. Jensen and Timothy J. Theriault. All of the members of the audit committee are, and will continue to be, independent as defined by the New York Stock Exchange ("NYSE"), the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission ("SEC") rules and regulations. Our board of directors has determined that all members of the audit committee are, and will continue to be, financially literate and each of Mr. Cobb, Mr. Ballou and Mr. Jensen possess accounting or related financial management expertise within the meaning of the listing standards of the NYSE and are audit committee financial experts within the meaning of applicable SEC rules.

Compensation Committee /

Members: Bruce K. Anderson • E. Linn Draper, Jr. • Robert A. Minicucci

Chair: E. Linn Draper, Jr.

2016 Meetings: 8

2016 Attendance: 100%

The compensation committee's primary function is to oversee matters relating to compensation and our benefit plans. Specifically, the compensation committee's responsibilities include, among other duties, the responsibility to:

- annually review the compensation levels of our executive officers;
- approve all compensation for our non-CEO executive officers, and, together with the other independent directors, approve the compensation of our chief executive officer;

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