

FIRST DATA CORP  
Form DEF 14A  
March 26, 2002

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**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

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

**FIRST DATA CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**FIRST DATA CORPORATION**  
**6200 South Quebec Street**  
**Greenwood Village, Colorado 80111**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 8, 2002**

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of First Data Corporation, a Delaware corporation (the "Company"), will be held at the Inverness Hotel, 200 Inverness Drive West, Englewood, Colorado 80112, on Wednesday, May 8, 2002, at 11:30 a.m. (M.T.), for the following purposes:

1. The election of four directors;
2. The approval of an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's Common Stock from 600,000,000 to 2,000,000,000;
3. The approval of the First Data Corporation 2002 Long-Term Incentive Plan and the allocation of 32,000,000 shares of the Company's Common Stock to the Plan;
4. The approval of an increase in the number of shares issuable under the Company's Employee Stock Purchase Plan by 3,000,000 shares of the Company's Common Stock;
5. The ratification of the selection of Ernst & Young LLP as independent auditors of the Company for 2002; and
6. The transaction of such other business as may properly come before the meeting or any adjournment or postponement thereof.

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Shareholders of record at the close of business on March 11, 2002 (the "Record Date") will be entitled to vote at the meeting and any adjournment or postponement thereof. A list of shareholders entitled to vote at the meeting will be maintained at the Company's Investor Relations offices, 6200 South Quebec Street, Greenwood Village, Colorado 80111 during the ten days preceding the meeting. Shareholders may examine the list during ordinary business hours for any purpose germane to the meeting.

You are cordially invited to attend the meeting, but whether or not you expect to attend in person, you are urged to mark, date and sign the enclosed proxy and return it in the enclosed prepaid envelope or follow the alternative voting procedures described on the proxy.

By Order of the Board of Directors

Michael T. Whealy  
*Corporate Secretary*  
March 27, 2002

### YOUR VOTE IS IMPORTANT

**PLEASE PROMPTLY MARK, DATE, SIGN AND RETURN YOUR PROXY OR FOLLOW ANY ALTERNATIVE VOTING PROCEDURES DESCRIBED ON THE PROXY SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND SO THAT THE PRESENCE OF A QUORUM MAY BE ASSURED. YOUR PROMPT ACTION WILL AID THE COMPANY IN REDUCING THE EXPENSE OF PROXY SOLICITATION.**

## FIRST DATA CORPORATION

6200 South Quebec Street  
Greenwood Village, Colorado 80111

### PROXY STATEMENT

The Board of Directors of First Data Corporation ("**First Data**" or the "**Company**") is soliciting your proxy to vote at the Annual Meeting of Stockholders to be held on May 8, 2002, at 11:30 a.m. (M.T.), and any adjournment or postponement of that meeting. The meeting will be held at the Inverness Hotel, 200 Inverness Drive West, Englewood, Colorado 80112. This Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Shareholders was first mailed on or about March 27, 2002 to all shareholders of record as of March 11, 2002 (the "**Record Date**"). The only voting securities of the Company are shares of the Company's Common Stock, \$.01 par value per share (the "**Common Stock**"), of which there were 381,824,752 shares outstanding as of the Record Date (excluding treasury stock).

The Company's Annual Report to Shareholders, which contains financial statements for the year ended December 31, 2001, accompanies this Proxy Statement. You may also obtain a copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission, without charge, by writing to Investor Relations, First Data Corporation, 6200 South Quebec Street, Greenwood Village, Colorado 80111.

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## THE PROXY PROCESS AND SHAREHOLDER VOTING

The proxy process is the means by which corporate shareholders can exercise their rights to vote for the election of directors and other strategic corporate proposals. This **Proxy Statement** provides notice of a scheduled shareholder meeting, describes the proposals presented for shareholder action and includes information required to be disclosed to shareholders. The accompanying **Proxy Card** provides shareholders with a simple means to vote on the described proposals without having to attend the shareholder meeting in person. By executing the Proxy Card, you authorize Charles T. Fote and Michael T. Whealy to act as your **Proxies** to vote your shares as specified.

The proxy voting mechanism also is vitally important to the Company. In order for the Company to obtain the necessary shareholder approval of proposals, a "**quorum**" of shareholders (a majority of the issued and outstanding shares entitled to vote, excluding treasury stock) must be represented at the meeting in person or by proxy. Since few shareholders can spend the time or money to attend shareholder meetings in person, voting by proxy is necessary to obtain a quorum and complete the shareholder vote.

It is important that you vote your shares to assure a quorum is obtained so corporate business can be transacted. If a quorum is not obtained, the Company must postpone the meeting and solicit additional proxies; this is an expensive and time-consuming process that is not in the best interest of the Company or its shareholders.

## QUESTIONS AND ANSWERS ABOUT THE PROXY PROCESS

### *Why Did I Receive These Materials?*

Shareholders of the Company as of the close of business on the March 11, 2002 Record Date are entitled to vote at the Company's Annual Meeting. The Company is required by law to distribute these proxy materials to all shareholders as of the Record Date.

### *What Does It Mean If I Receive More Than One Set Of Materials?*

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This means you own shares of the Company that are registered under different names. For example, you may own some shares directly as a "**Registered Holder**" and other shares through a broker or you may own shares through more than one broker. In these situations you will receive multiple sets of proxy materials. It is necessary for you to vote, sign and return all of the Proxy Cards or follow the instructions for any alternative voting procedure on each of the Proxy Cards you receive in order to vote all of the shares you own. Each Proxy Card you received came with its own prepaid return envelope; if you vote by mail make sure you return each Proxy Card in the return envelope which accompanied that Proxy Card.

### *How Do I Vote?*

You may vote by mail or follow any alternative voting procedure described on the Proxy Card. To use an alternative voting procedure, follow the instructions on each Proxy Card that you receive. To vote by mail, sign and date each Proxy Card you receive, indicating your voting preference on each proposal, and return each Proxy Card in the prepaid envelope which accompanied that Proxy Card. If you return a signed and dated Proxy Card but you do not indicate your voting preferences, your shares will be voted in favor of the director nominees and in favor of the other proposals. All outstanding shares of Common Stock represented by your signed and dated Proxy Card or for which you have provided instructions by the alternative voting procedure that are received in time for the 2002 Annual Meeting will be voted.

### *Does My Vote Matter?*

Absolutely! Corporations are required to obtain shareholder approval for the election of directors and other important matters. Shareholder participation is not a mere formality. It is essential for the Company to continue to function. Each share of Common Stock is entitled to one vote and every share voted has the same weight. It is also important that you vote to assure that a quorum is obtained so corporate business can be transacted.

### *What Percentage Of Votes Is Required To Elect Directors?*

If a quorum is obtained, the four nominees receiving the greatest number of votes will be elected.

### *What Percentage Of Votes Is Required To Approve Other Proposals?*

If a quorum is obtained, proposals other than the election of directors require the affirmative vote of a majority of shares of Common Stock represented at the meeting and entitled to vote. Since majority approval is required, an "**ABSTAIN**" vote has the effect of a vote against the proposal.

### *What Is The Effect Of Not Voting?*

It depends on how ownership of your shares is registered. If you own shares as a Registered Holder, rather than through a broker, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. Assuming a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. As described in the answer to the following Question, in the absence of your voting instruction, your broker may or may not vote your shares.

### *If I Don't Vote, Will My Broker Vote For Me?*

If you own your shares through a broker and you don't vote, your broker may vote your shares in its discretion on some "routine matters." With respect to other proposals, however, your broker may not be able to vote your shares for you. With respect to these proposals, the aggregate number of unvoted shares is reported as the "**broker non-vote**." "Broker non-vote" shares are counted toward the quorum requirement but they do not affect the determination of whether a matter is approved. The Company believes that Proposals 1, 2 and 5 set forth in this Proxy Statement are routine matters on which brokers will be permitted to vote unvoted shares. The Company also believes that Proposals 3 and 4 would not be considered routine matters and brokers may not vote on behalf of their clients if no voting instructions have been furnished.

### *Is My Vote Confidential?*

It is the policy of the Company that all shareholder meeting proxies, ballots and voting records that identify the particular vote of a shareholder are confidential. The vote of any shareholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except (i) as necessary to meet applicable legal and stock exchange listing requirements, (ii) to

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assert claims for or defend claims against the Company, (iii) to allow the inspectors of election to certify the results of the shareholder vote, (iv) in the event a proxy solicitation in opposition to the Company or the election of the Board of Directors takes place, (v) if a shareholder has requested that their vote be disclosed, or (vi) to respond to shareholders who have written comments on Proxy Cards.

### ***If I Own My Shares Through A Broker, How Is My Vote Recorded?***

Brokers typically own shares of Common Stock for many shareholders. In this situation the Registered Holder on the Company's stock register is the broker or its nominee. This often is referred to as holding shares in "**Street Name.**" The "**Beneficial Owners**" do not appear in the Company's shareholder register. Therefore, for shares held in Street Name, distributing the proxy materials and tabulating votes are both two-step processes. Brokers inform the Company how many of their clients are Beneficial Owners and the Company provides the broker with that number of proxy materials. Each broker then forwards the proxy materials to its clients who are Beneficial Owners to obtain their votes. When you receive proxy materials from your broker, the accompanying return envelope is addressed to return your executed Proxy Card to your broker. Shortly before the meeting, each broker totals the votes and submits a Proxy Card reflecting the aggregate votes of the Beneficial Owners for whom it holds shares.

### ***Can I Revoke My Proxy And Change My Vote?***

You have the right to revoke your proxy at any time prior to the time your shares are voted. If you are a Registered Holder, your proxy can be revoked in several ways: (i) by timely delivery of a written revocation delivered to the Corporate Secretary, (ii) by submitting another valid proxy bearing a later date, or (iii) by attending the meeting and giving the Inspector of Elections notice that you intend to vote your shares in person. If your shares are held by a broker, you must contact your broker in order to revoke your proxy.

### ***Will Any Other Business Be Transacted At The Meeting? If So, How Will My Proxy Be Voted?***

Management does not know of any business to be transacted at the Annual Meeting other than those matters described in this Proxy Statement. The period specified in the Company's By-Laws for submitting proposals to be considered at the meeting has passed and no proposals were submitted. However, should any other matters properly come before the meeting, and any adjournments and postponements thereof, shares with respect to which voting authority has been granted to the Proxies will be voted by the Proxies in accordance with their judgment.

### ***Who Counts The Votes?***

Votes will be counted and certified by the Inspectors of Election, who are employees of Wells Fargo Bank Minnesota, National Association, the Company's independent Transfer Agent and Registrar. If you are a Registered Holder, your executed Proxy Card is returned directly to Wells Fargo for tabulation. As noted above, if you hold your shares through a broker, your broker returns one Proxy Card to Wells Fargo on behalf of its clients.

### ***How Much Does The Proxy Solicitation Cost?***

The Company has engaged the firm of Morrow & Co. to assist in distributing and soliciting proxies for a fee of \$8,000, plus expenses. However, the proxy solicitor fee is only a small fraction of the total cost of the proxy process. The largest expense in the proxy process is printing and mailing the proxy materials. Proxies also may be solicited on behalf of the Company by directors, officers or employees of the Company in person or by mail, telephone or facsimile transmission. No additional compensation will be paid to such directors, officers, or employees for soliciting proxies.

### ***What Is The Deadline For Submitting Proposals To Be Considered For Inclusion In The 2003 Proxy Statement?***

Shareholder proposals requested to be included in the Company's 2003 Proxy Statement must be received by the Company not later than November 25, 2002. Proposals should be directed to Michael T. Whealy, Corporate Secretary, First Data Corporation, 10825 Old Mill Road, Suite M-10, Omaha, Nebraska 68154.

### ***If I Do Not Submit A Proposal In Time To Be Included In The 2003 Proxy Statement, May I Still Nominate Someone To Be A Director Of The Company Or Submit Any Business To Be Considered At The Company's Annual Shareholder Meeting In 2003?***

Even if a proposal is not submitted in time to be considered for inclusion in the Company's 2003 Proxy Statement, a proper shareholder proposal or director nomination may still be considered at the Company's 2003 annual meeting but only if the proposal or nomination is received by the Company no sooner than January 8, 2003 but not later than February 7, 2003. All proposals should be directed to Michael T. Whealy, Corporate Secretary, First Data Corporation, 10825 Old Mill Road, Suite M-10, Omaha, Nebraska 68154.

**PROPOSALS SUBMITTED FOR SHAREHOLDER VOTE**

**Proposal 1**

**ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes serving staggered three-year terms. The terms of office of four current directors, Ms. Davis, Mr. Robinson, Mr. Schwartz, and Mr. Weinbach, expire at the 2002 Annual Meeting of Stockholders. Ms. Davis was elected by the Board of Directors on March 6, 2002 to fill a vacancy created by a director resignation. Ms. Davis, Mr. Robinson, Mr. Schwartz, and Mr. Weinbach have been nominated for reelection through the 2005 Annual Meeting of Stockholders or until a successor is elected and qualified. (See the Board of Directors section for information concerning all Directors). In the case of a vacancy occurring during the year in any class, the Board of Directors may elect another director as a replacement, may leave the vacancy unfilled or may reduce the number of directors.

The terms of Mr. Jones, Mr. Levenson and Mr. Russell expire at the 2003 Annual Meeting of Stockholders. The terms of Mr. Duques, Mr. Fote and Ms. Spero expire at the 2004 Annual Meeting of Stockholders.

A shareholder may (i) vote for the election of any one or more of the nominees, or (ii) withhold authority to vote for one or more of the nominees by so indicating on the Proxy Card. Your shares will be voted as you specify on the enclosed Proxy Card or as you instruct via the alternative voting procedure described on the Proxy Card. If you sign, date and return the Proxy Card without specifying how you want your shares voted, they will be voted for the election of the Director nominees. If unforeseen circumstances (such as death or disability) require the Board of Directors to substitute another person for any of the Director nominees, your shares will be voted for that other person.

Directors are elected by a plurality of votes of the shares represented at the meeting and entitled to vote. Therefore, if a quorum is present, the four nominees receiving the greatest number of votes will be elected. The effects of unvoted shares, abstentions and "broker non-votes" are discussed in the preceding Questions and Answers.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO REELECT  
MS. DAVIS, MR. ROBINSON, MR. SCHWARTZ, AND MR. WEINBACH  
AS DIRECTORS FOR A THREE-YEAR TERM.**

**Proposal 2**

**APPROVAL OF AN AMENDMENT TO THE CURRENT RESTATED CERTIFICATE OF INCORPORATION OF THE COMPANY  
TO INCREASE THE NUMBER OF AUTHORIZED  
SHARES OF THE COMPANY'S COMMON STOCK FROM 600,000,000 TO 2,000,000,000**

First Data's Amended and Restated Certificate of Incorporation currently authorizes us to issue up to 600,000,000 shares of common stock, \$.01 par value and 10,000,000 shares of preferred stock, \$1.00 par value. The Board of Directors has adopted, subject to stockholder approval, an amendment to our Amended and Restated Certificate of Incorporation to increase the authorized number of shares of our common stock from 600,000,000 shares to 2,000,000,000 shares. The amendment would not affect the authorized number of shares of preferred stock. Under the amendment, the first paragraph of Section A of Article FOURTH of the Amended and Restated Certificate of Incorporation would read as follows:

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 2,000,000,000 shares of Common Stock, each having a par value of \$.01, and 10,000,000 shares of Preferred Stock, each having a par value of \$1.00 per share.

The Board also has approved, subject to shareholder approval of this proposal, a stock split to be effected in the form of a stock dividend of one share of First Data Common Stock for each share of Common Stock outstanding. If the shareholders approve this Proposal, the stock split effected in the form of a stock dividend would be payable on June 4, 2002 to holders of First Data Common Stock of record at the close of business on May 20, 2002. As of December 31, 2001, First Data had 380,571,106 shares of First Data Common Stock issued and outstanding and 56,091,426 shares reserved for issuance pursuant to First Data's incentive compensation and benefit plans, the 2% Senior Convertible Contingent Debt Securities due 2008, and other warrants and convertible obligations. If the 2002 Long-Term Incentive Plan proposed in Proposal 3, the authorization for additional shares under the First Data Employee Stock Purchase Plan proposed in Proposal 4, and this Proposal are all approved by shareholders, approximately 761,142,212 shares of Common Stock are expected to be issued and outstanding after the stock split and an additional 182,182,852 shares reserved for future issuance pursuant to First Data's incentive compensation and benefit plans, the 2% Senior Convertible Contingent Debt Securities due 2008, and other warrants and convertible obligations.

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The proposed increase in the authorized number of shares of First Data Common Stock has been recommended by the Board of Directors to provide adequate shares for the proposed stock split and to make additional shares available for issuance, without the delay and expense of obtaining the approval of stockholders at a special meeting, to afford the Company greater flexibility in acting upon proposed transactions. The additional authorized shares also will be available for general corporate needs, such as any future stock splits, stock dividends or issuances under the Company's incentive and employee benefit plans. Additionally, the shares could be used for such purposes as raising additional capital for the operations of the Company or in connection with acquisitions or investments. The terms of any future issuance of the Company's Common Stock will be determined by our Board of Directors based largely on market and financial conditions and other factors existing at the time of issuance and sale. Such additional authorized shares would be available for issuance without further action by the stockholders of the Company, except as provided under the General Corporate Law of the State of Delaware or the rules of any national securities exchange on which the Company's Common Stock is listed at the time.

The additional shares of First Data Common Stock for which authorization is being sought would be part of the existing class of First Data Common Stock and, if and when issued, would have the same rights and privileges as the shares of First Data Common Stock presently outstanding.

Our stockholders will have no preemptive rights to purchase additional shares and the issuance of additional shares of our common stock may dilute our stockholders' existing equity interest. The increased flexibility which would be afforded to First Data if this Proposal is adopted also could be used by the incumbent Board of Directors to make a change in control of First Data more difficult. For example, the issuance of shares of First Data Common Stock in a public or private sale, merger or similar transaction would increase the number of outstanding shares thereby possibly diluting the interest of a party attempting to obtain control of First Data. The Proposal has not been presented for an anti-takeover purpose and, as of March 6, 2002, the Board of Directors is not aware of any attempt to bring about a change in control of First Data. If this Proposal is approved by stockholders, the amendment will become effective upon the filing of an Amended Certificate of Incorporation with the Secretary of State of Delaware, which we intend to file promptly upon approval.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR PROPOSAL 2.**

#### **Proposal 3**

#### **APPROVAL OF THE FIRST DATA CORPORATION 2002 LONG-TERM INCENTIVE PLAN AND THE ALLOCATION OF 32,000,000 SHARES OF THE COMPANY'S COMMON STOCK TO THE PLAN**

On April 8, 1992, the First Data Corporation 1992 Long-Term Incentive Plan ("1992 LTIP") was approved. The 1992 LTIP is a ten-year plan that provides awards to key employees and other key individuals who perform services for the company, its subsidiaries or affiliates. To prevent the 1992 LTIP from expiring, the Compensation and Benefits Committee of the Company's Board of Directors (the "Compensation Committee"), through a delegation of authority from the Board, extended the term of the 1992 LTIP until the date on which shareholders approve a new long-term incentive plan, but in no event greater than five years. For grants to non-U.S. employees, the 1992 LTIP has been extended until the time in which a new long-term incentive plan is approved by shareholders and such plan satisfies the legal, tax, securities, or other requirements under local law.

To replace the 1992 LTIP, the Compensation Committee (through a delegation of authority from the Board) has approved the First Data Corporation 2002 Long-Term Incentive Plan ("2002 LTIP"). The purposes of the 2002 LTIP are to (i) to advance the Company's interests by attracting and retaining key employees and other key individuals who perform services for the Company, a subsidiary or an affiliate, (ii) to align the interests of the Company's stockholders and recipients of awards under the 2002 LTIP by increasing the award recipients' proprietary interest in the Company's growth and success and (iii) to motivate award recipients to act in the long-term best interests of the Company and its stockholders.

#### **Summary of the 2002 First Data Corporation Long-Term Incentive Plan**

The following is a description of the 2002 LTIP, as proposed. This description is qualified in its entirety by reference to the plan document, as proposed, a copy of which is attached to this Proxy Statement as Exhibit A.

**Shares Available.** Thirty-two million (32,000,000) shares of the Company's common stock may be subject to awards under the 2002 LTIP, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar event. If this Proposal and Proposal 2 (authorizing the Company to issue additional shares and upon approval would result in a stock split effect in the form of a stock dividend) are approved by shareholders, then under the terms of Section 5.7 of the 2002 LTIP, the total number of shares authorized for issuance would be doubled, resulting in a total of sixty-four million (64,000,000) authorized shares.



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**Eligibility.** Key employees of the Company, subsidiaries and affiliates and other key individuals who perform services for the Company, a subsidiary or an affiliate are eligible to receive awards. The Compensation Committee has discretion to select participants and determine the form, amount and timing of each award to such persons, the exercise price or base price associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of an award.

**Forms of Awards.** The Compensation Committee may award stock options (including nonqualified options, incentive stock options, and purchased stock options), stock appreciation rights ("SARs"), restricted stock awards, performance grants, or any combination thereof.

Options are rights to purchase a specified number of shares of Common Stock at a price fixed by the Compensation Committee. In the case of purchased stock options, a specified number of nonqualified stock options are offered for grant to selected participants in exchange for a purchase price that is payable at the time of grant. Options generally expire no later than ten years after the date of grant. Options will become exercisable at such time and in such installments as the Compensation Committee will determine; however, the minimum vesting period is generally six months. Payment of the option price (sometimes called the exercise price or strike price) must be made in full at the time of exercise in such form as the Compensation Committee shall determine. Payment methods include cash, the exchange of shares already owned, broker-cashless exercise, or a combination of cash and exchange of shares. Incentive stock options may not be granted to any person who is not an employee of the Company or any parent or subsidiary, as defined in Section 424 of the Internal Revenue Code. All incentive stock options must be granted within ten years of the date the 2002 LTIP was approved by the Compensation Committee.

SARs may be granted alone or in tandem with stock options. At exercise, the holder must surrender the SAR and in the case of tandem awards, must surrender the related stock option. In return, the holder will receive a cash payment equal to the difference between the base price of the SAR and the fair market value of the Company's Common Stock on the date of exercise, multiplied by the number of shares subject to the SAR or option, which is exercised.

Restricted stock awards provide for a specified number of shares of Common Stock subject to a restriction against transfer during a period of time or until performance measures are satisfied, as established by the Compensation Committee. Unless otherwise set forth in the agreement relating to a restricted stock award, the holder has all rights as a stockholder of the Company, including voting rights, the right to receive dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock; provided, however, that a distribution with respect to shares of Common Stock will be deposited with the Company and will be subject to the same restrictions as the shares of Common Stock with respect to which such distribution was made. The minimum restriction period is one year.

Performance grants are awards whose final value, if any, is determined by the degree to which specified performance measures have been achieved during a performance period set by the Compensation Committee. Performance measures that may be used include one or more of the following: the attainment by a share of Common Stock of a specified value within or for a specified period of time, earnings per share, earnings before interest expense and taxes, return to stockholders (including dividends), return on equity, earnings, revenues, market share, cash flow or cost reduction goals, or any combination of the foregoing. Such criteria and objectives may relate to results obtained by the individual, the Company, a subsidiary, or an affiliate, or any business unit or division thereof, or may apply to results obtained relative to a specific industry or a specific index. Payment may be made in the form of cash, Common Stock, restricted stock, or a combination thereof, as specified by the Compensation Committee.

**Termination of Employment.** The effect of a participant's termination of employment on his award depends on the reason for such termination. For stock options and SARs, unless otherwise specified in the agreement, termination of employment due to disability or death will result in the option becoming fully vested and exercisable for a period of one year from the date employment terminates; involuntary termination without cause will result in the option or SAR being exercisable, to the extent vested on the date employment terminates, for a period of 90 days thereafter; termination of employment due to retirement will result in the award continuing to vest for up to four years thereafter and will be exercisable until four years following the date of retirement; termination of employment for reasons other than disability, death, or involuntary termination for cause result in the option ceasing to vest, and to the extent vested, such stock option or SAR may be exercised until the close of the New York Stock Exchange ("NYSE") on the date of termination. If the NYSE is closed at the time or on the date of such termination, then such stock option or SAR will be immediately forfeited and canceled.

For restricted stock awards, unless otherwise specified in the agreement, termination of employment due to disability or death will cause the restriction period to lapse on the date employment terminates and will result in any performance measures applicable to such award being deemed to have been satisfied at the maximum level; termination due to retirement will cause the restriction period to terminate on the date specified in the agreement relating to such award, and on such date, any performance measures will be deemed to have been satisfied at the maximum level, provided, however, that if the restriction period would extend more than four years from the date of retirement, the award will be immediately forfeited and canceled on the date of retirement; termination of employment for reasons other than disability, death or retirement will result in the award being immediately forfeited and canceled.

For performance grants, unless otherwise set forth in the agreement, if a participant's employment with or service to the Company terminates during the performance period by reason of disability, retirement or death, the performance period will continue and the participant (or the participant's executor, administrator, legal representative, beneficiary or similar person, as applicable) will be entitled to a prorated award.

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The prorated award will be equal to the value of the award at the end of the performance period multiplied by a fraction, the numerator of which will equal the number of months the participant was employed with or performing services for the Company during the performance period (fractional months will be ignored) and the denominator of which will equal the number of months in the performance period; provided, however, that such holder, or such holder's executor, administrator, legal representative, beneficiary or similar person, as applicable, will not be entitled to payment or distribution of such performance grant earlier than the date set forth in the agreement. Unless the agreement specifies otherwise, if a participant's employment with or service to the Company terminates during the performance period for a reason other than disability, retirement or death, any unvested portion of the performance grant will be immediately forfeited.

**Maximum Award.** To the extent necessary for an award to be qualified performance-based compensation under Section 162(m) of the Code, the maximum aggregate number of shares of Common Stock with respect to which stock options, SARs, restricted stock, or performance grants may be issued to any individual during a calendar year is one-half of one percent of the total number of outstanding shares of Common Stock of the Company as of the preceding December 31<sup>st</sup>. The maximum amount of cash payable during a calendar year to any person in connection with a performance grant is \$8,000,000.

**Change in Control.** The Compensation Committee in its discretion and at any time may take such action as it deems appropriate to address the effect of a Change in Control on awards issued under the 2002 LTIP.

**Federal Income Tax Consequences.** A participant to whom a nonqualified stock option is granted will recognize no income at the time of the grant. When the participant exercises a nonqualified stock option, he will generally recognize ordinary income equal to the difference, if any, between the fair market value of the Common Stock received at such time and the exercise price. The tax basis of such shares to the participant will be equal to the exercise price paid plus the amount includable in his gross income as compensation. The holding period for such shares will normally commence on the day on which he recognizes taxable income in respect of such shares. A participant to whom a purchased stock option is granted will recognize no income at the time of grant. When the participant exercises a purchased stock option, he will generally recognize ordinary compensation income equal to the difference, if any, between the fair market value of the Common Stock he receives at such time and the sum of the exercise price for such shares.

A participant to whom an incentive stock option which qualifies under Section 422 of the Code is granted will generally recognize no income at the time of grant or at the time of exercise. However, upon the exercise of an incentive stock option, the excess of the fair market value of the Common Stock over the exercise price thereof may result in the participant being subject to an alternative minimum tax ("AMT") under applicable provisions of the Code. In order to obtain incentive stock option treatment for federal income tax purposes, the participant (i) must be an employee of the Company, a subsidiary, or affiliate continuously from the date of grant until any termination of employment and (ii) in the event of such a termination, must generally exercise an incentive stock option within three months after such termination. When a participant sells the Common Stock received upon exercise of an incentive stock option (more than one year after exercise and more than two years after the date of grant of such incentive stock option), he will normally recognize a long-term capital gain or loss equal to the difference, if any, between the sale price of such shares at such time and the exercise price. If the participant does not hold such shares for either period, when he sells such shares (a "disqualifying disposition") he will recognize ordinary compensation income equal to the lesser of (i) the difference, if any, between the fair market value of such shares on the date of exercise and the exercise price, or (ii) the difference, if any, between the sale price and the exercise price. Any other gain or loss on such sale (in addition to the ordinary income mentioned above), will normally be capital gain or loss. The tax basis of such shares to the participant, for purposes of computing such other gain or loss, should be equal to the exercise price paid (plus the amount includable in his gross income as compensation, if any).

The inclusion of SARs in a nonqualified stock option or an incentive stock option will normally not result in taxable income to the participant. At the time of exercise, the participant will normally recognize ordinary compensation income in an amount equal to the cash and the fair market value of the Common Stock he receives to satisfy his SAR. The tax basis of any such shares received by the participant pursuant to an SAR should be equal to the amount includable in his gross income as compensation in respect of such shares, and participant's holding period therefor should normally commence on the day on which he recognizes taxable income in respect of such shares.

A participant who receives Common Stock pursuant to a restricted stock award should not recognize any taxable income upon the receipt of such award, but should recognize taxable compensation income at the time the applicable restriction period lapses, in an amount equal to the fair market value of such shares at such time. The tax basis of such shares to the recipient should be equal to the amount includable in his gross income as compensation, and his holding period for such shares should normally commence on the day following the date on which such shares are no longer subject to a restriction period. Dividends paid on restricted stock awards should be included as compensation for federal income tax purposes when received.

A participant to whom a performance grant award is made should recognize no taxable income at the time such award is made. The participant should recognize taxable income, however, at the time cash, Common Stock or other Company securities or property is paid to him pursuant to such award, and the amount of such income should be the amount of such cash and the fair market value at such time of such shares or securities, or property. The tax basis of any such shares, securities or property received by the participant pursuant to a performance grant award should be equal to the amount includable in his gross income as compensation in respect of such shares, securities or property, and the holding period therefor should normally commence on the day following the date on which he recognizes taxable income in respect of such

shares, securities or property. Any income equivalents paid to a recipient with respect to his performance grant award should generally be regarded for federal income tax purposes as compensation.

If the participant is subject to Section 16 of the Securities Exchange Act of 1934, the tax consequences may be different than those described above. Generally, such a participant will not recognize income on receipt of property such as Common Stock until he is no longer subject to liability with respect to the disposition of such Common Stock. However, by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than 30 days after the date of transfer of property, such a participant may elect to be taxed at the time of such transfer.

Any compensation includable in the gross income of a recipient will be subject to appropriate federal income tax withholding.

The company for which a participant is performing services will generally be allowed to deduct amounts that are includable in the income of the participant as ordinary compensation income at the time such amounts are so includable, provided that the amounts qualify as reasonable compensation for personal services actually rendered.

The discussion set forth above is intended only as a summary and does not purport to be a complete enumeration or analysis of all potential tax effects relevant to recipients of awards under the 2002 LTIP.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR PROPOSAL 3.**

#### **Proposal 4**

#### **APPROVAL OF AN INCREASE IN THE NUMBER OF SHARES ISSUABLE UNDER THE COMPANY'S EMPLOYEE STOCK PURCHASE PLAN BY 3,000,000 SHARES OF THE COMPANY'S COMMON STOCK**

In May 1996, the Board and shareholders approved the First Data Corporation Employee Stock Purchase ESPP ("ESPP"), a stock purchase plan that is intended to comply with the requirements of Section 423 of the Internal Revenue Code. A total of three million (3,000,000) shares of Common Stock, par value \$.01 per share, was approved for participant purchases under the ESPP. This total was adjusted to six million (6,000,000) shares as a result of the November 15, 1996 stock split. As of January 7, 2002, four million eight hundred twenty four thousand four hundred ten (4,824,410) shares had been issued under the ESPP. To date, the Company has repurchased shares on the open market to provide for all of the shares that have been issued under the ESPP.

The Compensation Committee, through a delegation of authority from the Board, has approved an amendment to the ESPP to increase the number of shares available for issuance thereunder. The Company believes that the ESPP is a valuable employee benefit that assists the Company in its efforts to attract, retain and motivate valuable employees. Unless the amendment is approved, the Company anticipates that the ESPP will have to be terminated prior to the 2003 annual meeting of shareholders because all of the shares currently authorized for issuance under the ESPP will have been issued.

**Proposed Amendment.** The proposed amendment seeks to allocate an additional three million (3,000,000) shares for issuance under the ESPP, bringing the total number of shares authorized for issuance thereunder to nine million (9,000,000) shares. If this Proposal and Proposal 2 (authorizing the Company to issue additional shares and upon approval would result in a stock split) are approved by shareholders, then under the terms of Section 18 of the ESPP, the proposed amendment would authorize an additional six million (6,000,000) shares.

**Material Features of the ESPP.** The following is a description of the ESPP, including the proposed amendment. This description is qualified in its entirety by reference to the amended and restated plan document, which includes the language of the proposed amendment in numbered paragraph 10, a copy of which is attached to this Proxy Statement as Exhibit B.

**Shares Available.** One million one hundred seventy five thousand five hundred ninety (1,175,590) shares were remaining to be issued under the ESPP as of January 7, 2002. If the proposed amendment is approved, four million one hundred seventy five thousand five hundred ninety (4,175,590) shares of the Company's common stock would then be available for future awards under the ESPP, subject to adjustment in the event of a stock split, stock dividend or other similar event. If this Proposal and Proposal 2 (authorizing the Company to issue additional shares and upon approval would result in a stock split) are approved by shareholders, then under the terms of Section 18 of the ESPP, the total number of shares that would become available for future awards under the ESPP would be eight million three hundred fifty one thousand one hundred eighty (8,351,180) shares.

**Eligibility.** All employees of the Company, and of such of its affiliates as may be designated as participating entities by the Employee Benefits Administration and Investment Committee (the "EBAIC"), or such other committee as may be designated by the Board to serve as the

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administrative committee for the ESPP, are eligible to participate in the ESPP. Employees who own 5% or more of the total combined voting power or value of all classes of stock of the Company or an affiliate are, however, excluded from participation. As of March 1, 2002, approximately twenty three thousand four hundred eighty two (23,482) employees were eligible to participate in the ESPP.

**Participation and Payroll Deductions.** Employees who are eligible to participate in the ESPP elect to do so by filing a subscription agreement authorizing payroll deductions. Payroll deductions under the ESPP must be in whole dollar amounts with a minimum rate of \$5 per week or \$20 per month. Deductions for non-U.S. participants are determined at the discretion of the EBAIC. At the discretion of the EBAIC, payroll deductions may be limited to a percentage of compensation. The amounts deducted from participants' pay is reflected in an account maintained on the books and records of the Company. No interest is paid on the amounts credited to these accounts.

**Deduction Changes and Withdrawal.** Employees can change their rate of payroll deduction at any time. This change becomes effective as of the beginning of the next offering period following receipt of a new subscription agreement. A participant can cease participating in the ESPP at any time by giving notice prior to a purchase date (the last business day of the quarterly offering period), and receive the entire balance that has accumulated in his account through the date paid. A participant who withdraws from the ESPP can again participate at the start of any subsequent offering period by filing a new subscription agreement at least seven business days prior to the start of the offering period.

**Purchases.** Purchases are made under the ESPP on a quarterly basis. Funds held in a participant's account on the last business day of the quarter are used to purchase shares of Common Stock for the participant. Shares are purchased at 85% of fair market value on the purchase date, or at 85% of fair market value as of the first day of the quarter, whichever price is lower. Purchases are subject to the aggregate limitation on the number of shares that are available under the ESPP and the ESPP limitations applicable to individual participants. Only whole shares will be purchased, and any funds remaining in the account after the purchase will be held for use in the next quarterly offering period. Common Stock purchased is held in investment accounts for each participant. No interest accrues or is paid with respect to funds held in such accounts. Dividends paid on the shares will be accumulated with other funds of the participant held for purchases under the ESPP. Any shares held in a participant's accounts will be voted in accordance with the participant's instructions.

Employees who have purchased shares of Common Stock under the ESPP have the right to receive a certificate or certificates for all or a portion of their shares. The certificates will be registered in the name of the participant or jointly with a member of the participant's family if the participant indicated such joint ownership. Employees may sell acquired shares at any time; the Company has, however, the discretion to impose a holding period during which sales of the shares are restricted provided reasonable notice is given to participants.

A participant's rights under the ESPP are not transferable by the participant during his or her lifetime.

**Limit on Purchase of Shares.** Participants are not permitted to purchase shares of Common Stock under plans of the Company and its affiliates (including the ESPP) that would result in the participant purchasing shares valued in excess of \$25,000 in any calendar year. For this purpose the value is determined with respect to the shares that are to be purchased in an offering period as of the first day of each offering period. In addition, no participant may purchase shares of Common Stock under the ESPP if the participant would own 5% or more of the total combined voting power or value of all classes of stock of the Company or an affiliate, taking into account the rights to purchase stock under the ESPP as stock owned by the participant.

**Termination of Employment.** When a participant terminates employment, payroll deductions under the ESPP cease. The balance in the participant's account as of the last day of the quarter in which the participant terminates will be used to purchase additional whole shares of Common Stock under the general purchase provisions of the ESPP. A certificate for the participant's shares and all funds held for the participant will be distributed to the participant or, in the case of the participant's death, the participant's successor in interest.

**Administration.** The ESPP is administered by the EBAIC, or such other committee as may be designated by the Board. The EBAIC has discretionary authority to interpret the ESPP and to make rules from time to time as necessary or appropriate, suspend or limit participation in the ESPP by non-U.S. entities, to adopt procedures or sub-plans, and to delegate ministerial functions to Company management. The Committee or its delegate may engage an agent to perform custodial and record keeping functions for the ESPP and to provide periodic status reports to the participants.

**Amendment and Termination of the ESPP.** The Board of Directors or its delegate may amend the ESPP, subject to shareholder approval for any changes which would cause the ESPP to be treated as a new plan for purposes of Section 423 of the Code (such as increasing the number of shares that may be available under the ESPP), and can terminate the ESPP at any time at its discretion. If the ESPP is terminated, all funds held in participants' accounts will be transferred to a successor plan, if there is one, or will be refunded to the participants, and all certificates for the shares credited to each participant's investment account will be forwarded to the participant.

**Certain Federal Income Tax Effects of ESPP Participation.** The following discussion summarizes general principles of federal income tax law applicable to the ESPP and the shares of Common Stock acquired under the ESPP as of the date hereof.

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The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. As such, participants may receive favorable tax treatment for purchases of shares under the ESPP. A participant will not recognize income with respect to purchases of shares under the ESPP until he sells or otherwise disposes of the shares. If the participant sells or otherwise disposes of the shares more than two years from the first day of the offering period in which such shares were purchased and the amount realized exceeds the purchase price, the participant will recognize ordinary compensation income equal to the lesser of (i) the excess of the fair market value of the shares as of the first day of the offering period over the purchase price and (ii) the amount realized over the purchase price. If the amount realized exceeds the fair market value of the shares on the first day of the offering period, such excess will be taxed as long-term capital gain. Under these circumstances, the employer will not receive a tax deduction for any compensation income recognized by the participant.

If a participant sells or otherwise disposes of shares acquired under the ESPP prior to the end of the two year period described above, the participant will recognize as ordinary compensation income the excess of the fair market value of the shares as of the date of purchase over the purchase price, without regard to the amount realized upon such sale or disposition, and the Company will be entitled to a deduction for compensation expense equal to the ordinary income recognized by the participant. The amount of such compensation income will be added to the basis of the shares for purposes of determining the amount of gain or loss upon such disposition, and such gain or loss will be long or short-term capital gain depending upon how long such shares were held.

The discussion set forth above is intended only as a summary and does not purport to be a complete enumeration or analysis of all potential tax effects relevant to recipients of awards under the ESPP.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR PROPOSAL 4.**

#### **Proposal 5**

#### **RATIFICATION OF SELECTION OF AUDITORS**

The Board of Directors recommends to the shareholders the ratification of the selection of Ernst & Young LLP, independent auditors, to audit the accounts of the Company and its subsidiaries for 2002. Ernst & Young LLP has served as the independent auditors for the Company or its predecessor entities since 1980. Ernst & Young LLP follows a policy of rotating the partner in charge of the Company's audit every seven years. Other partners and non-partner personnel are rotated on a periodic basis.

A representative of Ernst & Young LLP will be present at the meeting with the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

#### *Summary of Auditor's Fees for 2001*

**Audit Fees.** Ernst & Young LLP's fees for the Company's 2002 annual audit were \$2.5 million.

**Financial Information Systems Design and Implementation Fees.** Ernst & Young did not render any professional services to the Company in 2001 with respect to financial information systems design and implementation.

**All Other Fees.** Ernst & Young LLP's fees for all other professional services rendered to us during 2001 were \$4.3 million, including audit-related services of \$2.9 million. Audit-related services generally include fees for service auditor reviews, subsidiary and employee benefit plan audits, business acquisitions, accounting consultations and SEC registration statements.

In the event the shareholders fail to ratify the appointment, the Board of Directors will consider it a direction to select other auditors for the subsequent year. Even if the selection is ratified, the Board of Directors, in its discretion, may select a new independent accounting firm at any time during the year if the Board of Directors feels that such a change would be in the best interest of the Company and its shareholders.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR PROPOSAL 5.**

#### **SECURITY OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS**

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The following tables sets forth, as of January 1, 2002, the beneficial ownership of Common Stock by all directors and nominees, each of the executive officers named in the Summary Compensation Table contained in this Proxy Statement and all directors and executive officers as a group. Each person has sole voting and investment power of the shares, except as noted.

Title of Class	Name	Amount and Nature of Beneficial Ownership(1)
Company Common Stock	Eula L. Adams	276,628(2)
	Alison Davis	0(3)
	Henry C. Duques	3,074,363(4)
	Charles T. Fote	1,465,623
	Courtney F. Jones	145,970
	Robert J. Levenson	608,750
	Kimberly S. Patmore	112,419
	James D. Robinson III	171,486(5)
	Charles T. Russell	84,319
	Bernard L. Schwartz	149,409
	Joan E. Spero	51,717
	Arthur F. Weinbach	10,353
	Michael T. Whealy	234,949
	All directors and executive officers as a group (16 persons)	6,518,718(6)

- (1) The number of shares reported includes shares covered by options that are exercisable within 60 days of January 1, 2002 as follows: Mr. Adams, 269,651; Mr. Duques, 3,066,742; Mr. Fote, 1,396,345; Mr. Jones, 143,970; Mr. Levenson, 597,000; Ms. Patmore, 104,500; Mr. Robinson, 145,235; Mr. Russell, 83,919; Mr. Schwartz, 133,818; Ms. Spero, 51,717; Mr. Weinbach, 10,353; Mr. Whealy, 234,006; all directors and executive officers as a group; 6,363,547.
- (2) Includes 640 shares held by Mr. Adams' wife.
- (3) Ms. Davis was elected to the Board of Directors on March 6, 2002 to fill a vacancy created by the resignation of a director.
- (4) Includes 4,268 shares held by Mr. Duques' wife.
- (5) Includes 5,000 shares held by Mr. Robinson's wife.
- (6) The percent of outstanding Common Stock beneficially owned by all directors and executive officers as a group is approximately 1.7%. The percentage beneficially owned by any director or nominee does not exceed 1%.

### BOARD OF DIRECTORS

Name and Age	Principal Occupation, Business Experience and Directorships	Director Since
Alison Davis Age 40	Chief Financial Officer and Head of Strategy, Managing Director of Barclays Global Investors since June 2000. From 1993 to 2000, she served with A.T. Kearney, Inc., most recently leading the West Coast practice and between 1984 to 1993 she held several positions with McKinsey & Company. Ms. Davis is a director of the Philharmonia Baroque Orchestra and the San Francisco Committee on Jobs.	2002
Henry C. Duques Age 58	Chairman of the Company since April 1989, Chief Executive Officer of the Company from April 1989 to January 2002 and	1989

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Name and Age	Principal Occupation, Business Experience and Directorships	Director Since
Charles T. Fote Age 53	<p>Chairman of the Board of eONE Global, LLC, a majority-owned subsidiary of the Company, since November 2000. Mr. Duques will continue to perform certain functions as a non-executive employee of the Company until April 2003. He joined American Express in September 1987 as President and Chief Executive Officer of the Data Based Services Group of American Express Travel Related Services Company, Inc. ("TRS"), the predecessor of the Company, and served in that capacity until April 1989. Mr. Duques was Group President Financial Services and a member of the Board of Directors of Automatic Data Processing, Inc. from 1984 to 1987. He is a director of Unisys Corporation, CheckFree Corporation, and SunGard Data Systems, Inc., as well as a member of the Board of Trustees of The George Washington University.</p>	2000
Courtney F. Jones Age 62	<p>Managing Director in charge of the New World Banking Group of Bankers Trust from December 1997 to July 1999. He was a Managing Director in Merrill Lynch's Investment Banking Division from July 1989 to December 1990. Prior thereto, he served as Chief Financial Officer, Executive Vice President and a member of the Board of Directors for Merrill Lynch &amp; Co. Inc. From February 1982 to September 1985, Mr. Jones served as Treasurer and Secretary of the Finance Committee of the Board of Directors of General Motors Corporation. He also was formerly a Director of General Motors Acceptance Corporation and General Motors Insurance Company.</p>	1992
Robert J. Levenson Age 60	<p>Managing Member of the Lenox Capital Group L.L.C. Mr. Levenson was an Executive Vice President of the Company from 1993 to 2000 and he continues to perform certain functions for the Company under the Agreement dated June 6, 2000. He was Senior Executive Vice President, Chief Operating Officer, and Member of the Office of the President and Director of Medco Containment Services, Inc., a provider of managed care prescription benefits, from October 1990 to December 1992. From 1985 until October 1990, he was a Group President and Director of Automatic Data Processing, Inc. Mr. Levenson is a Director of Emisphere Technologies, Inc., Superior Telecom, Inc., Vestcom International, Inc., and several privately owned companies. Mr. Levenson is a trustee of the Washington Institute, the Jewish Community Federation, and the Jewish Community Foundation of Metrowest New Jersey.</p>	1992
James D. Robinson III	Director of eONE Global, LLC, a majority-owned subsidiary of	1992

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Age 66	<p>the Company, since November 2000. He is a General Partner and co-founder of RRE Ventures, a private information technology venture investment firm. He is also Chairman of Violy, Byorum &amp; Partners Holdings, LLC, a private investment firm specializing in financial advisory and investment banking activities in Latin America. Mr. Robinson previously served as Chairman and Chief Executive Officer and as a Director of American Express from 1977 until February 1993. He is a Director of Bristol-Myers Squibb Company, The Coca-Cola Company, Novell, Inc., Screaming Media, Sunbeam Corporation and several privately owned companies. Mr. Robinson is a member of the Business Council and the Council on Foreign Relations. He is Honorary Co-Chairman of Memorial Sloan-Kettering Cancer Center, an honorary Trustee of the Brookings Institution and Chairman Emeritus of the World Travel and Tourism Council Institution.</p>	
Charles T. Russell Age 72	<p>Director of eONE Global, LLC, a majority-owned subsidiary of the Company, since November 2000. He served as President and Chief Executive Officer of VISA International from 1984 to January 1994. Mr. Russell joined VISA in 1971. He serves on the Board of Visitors at the University of Pittsburgh's Joseph M. Katz School of Business.</p>	1994
Bernard L. Schwartz Age 76	<p>Chairman of the Board of Directors and Chief Executive Officer of Loral Space &amp; Communications Ltd., a high-technology company concentrating on satellite manufacturing and satellite-based services. He served as Chairman of the Board of Directors and Chief Executive Officer of Loral Corporation, a leading defense electronics business, from 1972 to 1996. Mr. Schwartz also serves as Chairman and Chief Executive Officer of K&amp;F Industries, Inc. a worldwide supplier of aircraft braking systems. In addition, Mr. Schwartz is a member of the Advisory Council at the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University where he established a chair in political economy, a director of Reliance Group Holdings, Inc., a trustee of Mount Sinai-New York University Medical Center, a trustee of Thirteen/WNET and vice chairman of the New York Film Society.</p>	1992
Joan E. Spero Age 57	<p>President of the Doris Duke Charitable Foundation since January 1997. Ms. Spero was Undersecretary of State for Economic, Business and Agricultural Affairs from 1993 to 1997. From 1981 to 1993, Ms. Spero held several offices with American Express Company, the last being Executive Vice President, Corporate Affairs and Communications. Prior to that Ms. Spero was Ambassador to the United Nations for Economic and Social Affairs from 1980 to 1981 and she was an Assistant Professor at Columbia University from 1973 to 1979. She is a member of the Board of Trustees of the Brookings Institution, the Wisconsin Alumni Research Foundation, the Council on Foreign Relations and Columbia University. Ms. Spero was a member of the Board of Directors of Hercules Incorporated from 1985 to 1993 and acted as Chair of the Audit and Compensation Committees for periods of that time.</p>	1998
Arthur F. Weinbach Age 58	<p>Chairman and Chief Executive Officer of Automatic Data Processing Inc. ("ADP") since 1998. Mr. Weinbach joined ADP in 1980 and has served as an ADP Director since 1989. He is also a Director of Schering-Plough Corp. as well as serving on</p>	2000



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the boards of Boys Hope, New Jersey Seeds and the United Way of Tri-State.

### GOVERNANCE OF THE COMPANY

In accordance with applicable Delaware law, the business of the Company is managed under the direction of its Board of Directors. Pursuant to the Company's Restated Certificate of Incorporation, the Board of Directors is to consist of not less than one nor more than fifteen Directors. Directors are divided into three classes and Directors in each class are elected for a three-year term. During 2001, the Board of Directors met six times (not including Committee meetings). Each of the Directors attended at least 75 percent of the aggregate number of meetings of the Board and Board committees on which they served during 2001.

### COMMITTEES OF THE BOARD OF DIRECTORS

The members of the Audit Committee are Courtney F. Jones (Chairperson), Joan E. Spero and Arthur F. Weinbach. The Audit Committee consists solely of directors who, in the opinion of the Board of Directors, are free from any relationship with the Company that would interfere with the exercise of their independence from the Company and management. All Audit Committee members must be financially literate, and at least one member must have accounting or related financial management expertise. The Audit Committee represents the Board of Directors in discharging its responsibility relating to the financial controls, accounting, compliance with law, audit and reporting activities of the Corporation and its subsidiaries as well as reviewing contingency plans for business continuity undertakings. The Audit Committee also (i) reviews and reassesses the adequacy of the Audit Committee charter that has been adopted by the Board of Directors on an annual basis and recommends any proposed changes to the Board of Directors for approval, (ii) reviews and discusses the audited financial statements with management, (iii) discusses with the independent auditors the matters required to be discussed by the Statement of Auditing Standards No. 61, (iv) reviews with the independent auditors the nature and scope of any relationships between the auditors and the Company as well as the professional services provided by the independent auditors and takes appropriate action to ensure the continuing independence of the auditors, (v) recommends to the Corporation's Board of Directors whether the audited financial statements should be included in the Corporation's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission, (vi) reviews and approves the report of the Audit Committee in the Corporation's Annual Report on Form 10-K and the proxy statement for its annual meeting of shareholders, (vii) approves any special assignments given to independent auditors and fees relating thereto, (viii) reviews and discusses with the outside auditors their audit procedures, the planned scope of the annual audit, the fees relating thereto, the independent auditors' report of audit, the accompanying management letter, if any, and management's responses, (ix) reviews the planned scope and results of the Corporation's internal audit examinations and assessments, (x) consults with management, the internal auditors and the independent auditors regarding the adequacy of the Corporation's internal accounting controls, the effectiveness and efficiency of the Corporation's internal audit staff, and legal compliance matters, (xi) reviews and investigates possible violations of law and of the Corporation's Code of Conduct, retains outside counsel and other experts to assist in such investigations and directs that appropriate remedial steps are taken if such violations are detected, (xii) reviews related-party transactions for financial disclosure purposes, (xiii) reviews and discusses with management and the outside auditors the accounting policies which may be viewed as critical, and reviews and discusses any significant changes in accounting policies made or contemplated by the Corporation, (xiv) reviews with management and the independent auditor any material financial arrangements of the Corporation which do not appear on the financial statements of the Corporation and the effect of regulatory and accounting initiatives, and (xv) reviews interim financial information with management and the independent auditors. During 2001, the Audit Committee met five times.

The members of the Compensation and Benefits Committee (the "Compensation Committee") are Charles T. Russell (Chairperson), Alison Davis, and Bernard L. Schwartz. Ms. Davis was appointed as a new member of the Compensation Committee on March 6, 2002 to replace Joan E. Spero who had been serving on both the Compensation and Audit Committees. The Compensation Committee consists solely of directors who are not current or former employees of the Company or any subsidiary. The Compensation Committee is responsible for (i) the administration of all salary and incentive compensation plans for the officers and key employees of the Company and its subsidiaries, (ii) the administration of all fringe benefit plans of the Company and its subsidiaries, (iii) reviewing management organization, development and succession planning, (iii) reviewing senior management compensation, and (iv) granting and otherwise administering specific awards under the Corporation's 1992 Long-Term Incentive Plan and comparable plans. The Compensation Committee may exercise all of the powers and authority of the Board with respect to the Company's employee pension benefit plans and employee welfare benefit plans. The Compensation Committee regularly consults with independent compensation advisors in performing its duties. The Compensation Committee also has responsibility for screening and nominating new Director candidates. In exercising its Director nomination responsibilities, the Committee shall consider women and minority candidates consistent with the Company's nondiscrimination policies. In addition, the Committee will consider persons recommended by shareholders. Shareholder recommendations may be submitted to the Secretary of the Company at 10825 Old Mill Road, Suite M-10, Omaha, Nebraska 68154, and they will be forwarded to the Compensation Committee members for their consideration. During 2001, the Compensation Committee met five times.

On March 7, 2001, the Board of Directors established the Oversight Committee which consists of one or more directors who, in the judgment of the Board of Directors, have no relationship to the Company or other parties related to the Company that may interfere with their

independence from management, the Corporation and any related parties. The Committee's current membership consists of Courtney F. Jones (Chairperson), who also serves as Chairperson of the Audit Committee. The Oversight Committee is responsible for (i) reviewing intercompany transactions and relationships that involve potential conflicts of interest with related parties, (ii) establishing policies and procedures regarding relationships with related parties, (iii) reviewing compliance with such policies and procedures, and (iv) approving in advance transactions or relationships involving a conflict of interest between the Company and related parties in cases in which management or the Committee deems approval is required to protect the interests of shareholders of the Company. During 2001, the Oversight Committee met five times.

The members of the Executive Committee are James D. Robinson III (Chairperson), Henry C. Duques, and Courtney F. Jones. The Executive Committee meets in place of the full Board of Directors in intervals between meetings of the Board. The Committee may act on behalf of the Board of Directors on all matters permitted by the General Corporation Law of the State of Delaware. The Executive Committee met three times in 2001.

#### **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of the Board of Directors of the Company oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Company's Board of Directors has adopted a written charter for the Audit Committee, which is included as Exhibit C to this proxy statement.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements of the Company and its subsidiaries to be set forth in the Company's 2001 Annual Report to Shareholders and the Company's Annual Report on Form 10-K for the year ended December 31, 2001 with management of the Company. The Audit Committee also discussed with Ernst & Young LLP, independent auditors for the Company, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended. Statement on Auditing Standards No. 61 includes, among other items, matters relating to the conduct of an audit of the Company's financial statements under generally accepted auditing standards.

The Audit Committee has received the written communication from Ernst & Young LLP required by Independence Standards Board Standard No. 1, has considered the compatibility of nonaudit services with the auditors' independence, and has discussed with Ernst & Young LLP their independence from the Company.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for 2001 for filing with the Securities and Exchange Commission.

#### **AUDIT COMMITTEE**

Courtney F. Jones (Chairperson)  
Joan E. Spero  
Arthur F. Weinbach

#### **REPORT OF THE OVERSIGHT COMMITTEE**

The Oversight Committee assists the Board of Directors of the Company in overseeing transactions between the Company and related parties to protect the interests of the Company's shareholders. In reviewing transactions and creating policies and procedures, the Oversight Committee considers a number of factors, including the interests of the Company's shareholders, the significant investment that the Company and the shareholders have made in related parties, the importance of the business objectives of the related parties to the Company and the present and future value of the related parties to the Company's shareholders.

During 2001, the Oversight Committee reviewed four transactions and determined that the transactions had been negotiated in an arm's-length manner on commercially reasonable terms that were fair to the Company. The Oversight Committee also established a number of policies and procedures during the year regarding the oversight process.

#### **OVERSIGHT COMMITTEE**

Courtney F. Jones (Chairperson)

## COMPENSATION OF DIRECTORS

Directors who are not employees of the Company or its affiliates were paid an annual retainer of \$50,000. In addition, a non-employee chairman of a standing committee receives an annual retainer of \$8,000. Non-employee directors have the option of electing to receive all or a portion of the annual retainer fees in the form of stock option grants pursuant to the First Data Corporation 1993 Director's Stock Option Plan. Non-employee directors also receive annual grants of non-qualified options pursuant to the same plan. Each non-employee director receives options for 10,000 shares of Common Stock upon commencing services as a director and options for 4,000 shares of Common Stock on the date of each annual shareholders' meeting thereafter, except that on the fourth annual shareholders' meeting after the initial grant and every third annual shareholders' meeting thereafter, instead of options for 4,000 shares, each non-employee director receives options for 14,000 shares. Each non-employee director who serves at the request of the Company on the governing board of an entity in which the Company has a significant ownership or business interest also receives options for 2,000 shares of Common Stock upon initial appointment to that board and options for 2,000 shares of Common Stock each year thereafter as long as he or she remained a non-employee director and continued to serve on such board at the request of the Company. If Proposal 2 (authorizing the Company to issue additional shares and upon approval would result in a stock split) is approved by shareholders, the numbers of options referred to above would be doubled under the terms of the Directors Stock Option Plan. Directors are reimbursed for their actual expenses incurred in attending Board, committee and shareholder meetings, including those for travel, food and lodging.

## EXECUTIVE COMPENSATION REPORT BY THE COMPENSATION AND BENEFITS COMMITTEE

The Compensation and Benefits Committee (the "Committee") consists of three independent, non-employee directors. The Committee establishes executive compensation policies and employee benefits plans. It also sets the bonus awards for senior management, including the Named Executives.

**Compensation Philosophy.** First Data operates in a competitive and rapidly changing industry. The Company believes that its executive compensation programs should be designed to attract, retain and motivate executives who possess the high-quality skills and talents necessary to grow and transform the business. These programs are also designed to reflect the Company's belief that the interests of its Chief Executive Officer (CEO) and senior management should be aligned with those of the shareholders.

In furtherance of its objectives, the Committee has structured the CEO and senior management's total compensation as a combination of base salary, annual incentive compensation, stock options and a long-term incentive award. For these executives, the Committee has determined that a significant portion of total compensation should be comprised of "at-risk," performance-based components. The at-risk components are structured to reward results that benefit shareholders and are not earned unless specific, pre-established goals are met.

The Committee seeks to set executive compensation at appropriate and competitive levels. In this regard, the Committee relies on market data provided by surveys conducted by external compensation consultants. The Committee's philosophy is that base salary and annual incentive compensation should be competitive with the market, and, based upon the Company's financial performance both as a whole and relative to specific targets, that long-term incentive compensation should directly align with the value created for shareholders.

**Base Salary.** It is the Committee's policy, in setting total compensation, that while base salary should remain competitive, annual and long-term incentive compensation should be emphasized. Accordingly, the CEO's salary is targeted between the 50<sup>th</sup> and 75<sup>th</sup> percentile of market. The salaries of the other Named Executives are targeted to reflect salaries at approximately the 75<sup>th</sup> percentile of market. The Committee targets the total compensation to be paid when pre-established performance goals are achieved to be at or above the 75<sup>th</sup> percentile of market.

**Annual Incentive Compensation.** The Committee implemented a separate annual incentive plan for the CEO and Chief Operating Officer in 1999, after obtaining shareholder approval to maintain the tax deductibility of the incentive plan payments. The Senior Executive Incentive Plan provides an annual incentive opportunity based on the performance of Company earnings before interest expense and taxes (EBIT). For 2002, the Committee has determined to include additional objectives for performance of Company earnings per share (EPS), which may reduce the amount otherwise payable under the Plan. The 2002 Plan is designed to focus attention and efforts on both of these important financial measurements.

For executive management, except Mr. Fote, the Company adopted an annual management incentive program with bonus targets payable if specific goals are achieved. The annual incentive opportunity is based on the overall performance of the Company and on the performance of a business unit. The purpose of this incentive is to tie a significant portion of annual pay directly to key financial results and other important objectives.

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**Stock Options.** The Committee has established an annual option grant program under which the number of option grants made each February to the Named Executives and other senior management is performance driven. In 2001, the CEO was eligible for up to 100,000 options and each of the other Named Executives was eligible for a maximum grant of 60,000 options. In addition, in connection with Mr. Fote's promotion to CEO of the Company, he was granted a special stock option grant of 500,000 stock options, to vest incrementally over four years.

**Long-Term Incentive Compensation.** Because the Committee considers a long-term orientation essential for the CEO and members of executive management, a major part of their incentive compensation is based on the Company's Shareholder Value Plan. Under the plan, performance units are awarded each year at the beginning of a two-year performance period. The value of the performance unit awards is determined at the end of this period by measuring the Company's total shareholder return compared to the total shareholder return of the companies in the S&P 500 Index over the same period (subject to the Committee's discretion to adjust downward). The awards reach their maximum value if the percentage increase in the price of the Company's common stock, plus dividends, exceeds that of 75% of the companies in the S&P 500 Index. This award amount is banked for an additional two-year period and increases annually by an amount equal to 50% of the Company's return on equity percentage or, if the return on equity is negative, decreases by an amount equal to 100% of the Company's return on equity percentage.

The increase in the Company's common stock during the performance period beginning January 1, 1999 and ending December 31, 2001 was at the 90<sup>th</sup> percentile of the companies in the S&P 500 Index, resulting in the maximum unit value of \$3,600,000 being awarded to Mr. Duques, \$2,000,000 to Mr. Fote, and \$750,000 for other Named Executives.

**Performance Reviews.** Although the CEO's annual and long-term incentive award is formula driven (subject to the Committee's discretion to make a downward adjustment), the Committee developed a formalized process for providing performance rev