

HEARTLAND PAYMENT SYSTEMS INC  
Form DEF 14A  
April 11, 2013

UNITED STATES  
SECURITIES EXCHANGE COMMISSION  
Washington, DC 20549

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT  
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:

- |                                     |   |                          |   |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/>            | Preliminary Proxy Statement                 | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement                  |                          |   |
| <input type="checkbox"/>            | Definitive Additional Materials             |                          |   |
| <input type="checkbox"/>            | Soliciting Material Pursuant to Rule 14a-12 |                          |   |

HEARTLAND PAYMENT SYSTEMS, INC.  
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
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(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):

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(4 ) Date Filed:

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HEARTLAND PAYMENT SYSTEMS, INC.  
90 NASSAU STREET  
PRINCETON, NJ 08542  
NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 8, 2013

The Board of Directors of Heartland Payment Systems, Inc. (the “Company”) hereby gives notice that the 2013 annual meeting of stockholders (the “Annual Meeting”) will be held at the Princeton Library, 65 Witherspoon Street, Princeton, New Jersey 08542, on Wednesday, May 8, 2013 at 9:00 a.m. (local time), for the following purposes:

1. To elect seven (7) directors, nominated by the Board of Directors, to the Company’s Board of Directors for terms expiring at the 2014 annual meeting of stockholders and until their successors are duly elected and qualified as provided in the Company’s Bylaws.
2. To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.
3. To approve, by a non-binding advisory vote, our executive compensation.
4. To transact any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

Proposal No. 1 relates solely to the election of seven (7) directors nominated by the Board of Directors and does not include any other matters relating to the election of directors, including without limitation, the election of directors nominated by any stockholder of the Company.

This notice of meeting, the Company’s Proxy Statement and the accompanying proxy card, and the Company’s Annual Report, including the Company’s Form 10-K for the fiscal year ended December 31, 2012, were first mailed on or about April 11, 2013. Stockholders of record at the close of business on April 10, 2013 (the “Record Date”) are entitled to notice of and vote at the meeting and any adjournments or postponements thereof. If you attend the meeting you may vote in person if you wish, even though you have previously returned your proxy.

You are entitled to attend the Annual Meeting in person only if you were a stockholder of the Company as of the close of business on the Record Date or hold a valid proxy for the Annual Meeting. You should be prepared to present photo identification for admittance. If you are not a stockholder of record but hold shares through a broker, bank, trustee or nominee (i.e., in street name), you should provide proof of beneficial ownership as of the Record Date (such as your most recent account statement prior to the Record Date), a copy of the voting instruction card provided by your broker, bank, trustee or nominee, or similar evidence of ownership.

By Order of the Board of Directors

/s/ Charles H.N. Kallenbach

Charles H.N. Kallenbach  
General Counsel, Chief Legal Officer and Secretary

Princeton, New Jersey

Date: April 11, 2013

In this proxy statement, the words “the Company,” “we,” “our,” “ours,” “us” and similar terms refer to Heartland Payment Systems, Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

**IMPORTANT: YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE. THIS WILL ENSURE REPRESENTATION OF YOUR SHARES AT THE MEETING.**



HEARTLAND PAYMENT SYSTEMS, INC.

90 NASSAU STREET

PRINCETON, NJ 08542

PROXY STATEMENT

2013 Annual Meeting of Stockholders

To Be Held On May 8, 2013

This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders are being furnished in connection with the solicitation by our Board of Directors of proxies for use at our 2013 annual meeting of stockholders (the "Annual Meeting") to be held on Wednesday, May 8, 2013, at 9:00 a.m., local time, at the Princeton Library, 65 Witherspoon Street, Princeton, New Jersey 08542, and at any adjournments or postponements thereof.

This Proxy Statement and the enclosed proxy card and our Annual Report to Stockholders, including our Form 10-K for the fiscal year ended December 31, 2012, are first being sent to stockholders on or about April 11, 2013.

Voting Securities. The close of business on April 10, 2013 was selected as the record date (the "Record Date") for determining the holders of outstanding shares of our Common Stock, par value \$0.001 per share (the "Common Stock"), entitled to receive notice of and vote at the Annual Meeting. On the Record Date, there were approximately 36,597,417 shares of Common Stock outstanding and approximately 20 holders of record. Each holder of record is entitled to one (1) vote at the Annual Meeting for each share of Common Stock held by such stockholder on the Record Date. No other class of securities will be entitled to vote at the Annual Meeting. Stockholders have no cumulative voting rights.

Quorum. The presence in person or by properly executed proxy of the record holders of a majority of the outstanding shares of Common Stock as of the Record Date will constitute a quorum at the Annual Meeting. Shares that are voted "FOR", "AGAINST", "ABSTAIN" or "WITHHOLD AUTHORITY" on a matter are treated as being present at the Annual Meeting for purposes of establishing a quorum.

Vote Required. Under Delaware law and our Certificate of Incorporation and Bylaws, as each is in effect on the date hereof, if a quorum exists at the meeting, the affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted for the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. For each other proposal to be considered at the Annual Meeting, the affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy and entitled to vote on the item will be required for approval.

Abstentions. Under our Bylaws and applicable Delaware law, abstentions will be counted for purposes of determining both (i) the presence or absence of a quorum for transacting business and (ii) the total number of shares of Common Stock present in person or represented by proxy and entitled to vote on a proposal. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, for any matter other than the election of directors, an abstention will have the same effect as a vote against the proposal.

Broker Non-Votes. "Broker non-votes" (i.e., shares held by a broker, bank, trustee or nominee which are represented at the meeting, but with respect to which the broker, bank, trustee or nominee is not empowered to vote on a particular non-routine proposal) will be counted in determining whether a quorum is present. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting. Under New York Stock Exchange ("NYSE") rules, beneficial owners of shares of Common Stock held in street name who do not provide the broker, bank, trustee or nominee that holds such shares of Common Stock with specific voting instructions empower the broker, bank, trustee or nominee to have discretion to vote such shares on Proposal 2 (Ratification of Appointment of Independent Registered Public Accounting Firm), but not with respect to Proposal 1 (Election of Directors) and Proposal 3 (Advisory Vote on Executive Compensation), in which case, such shares will be counted as a "broker non-vote" on those proposals.



Voting of Proxies. All shares of Common Stock represented by a valid proxy card received prior to the Annual Meeting will be voted, and where a stockholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares of Common Stock will be voted in accordance with the specification so made. If no choice is indicated on the proxy card, the shares will be voted "FOR" all nominees and "FOR" all other proposals described herein. A stockholder giving a proxy has the power to revoke his or her proxy at any time prior to the time it is voted by delivering to our Corporate Secretary at the address given above, a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the Annual Meeting and voting in person. Attendance alone at the Annual Meeting is not sufficient to revoke a proxy; a stockholder must vote it at the Annual Meeting to revoke the proxy.

Our Board of Directors does not anticipate that any other matters will be brought before the Annual Meeting. If, however, other matters are properly presented, the persons named in the proxy card that accompanies this Proxy Statement will have discretion, to the extent allowed by Delaware law, to vote in accordance with their own judgment on such matters.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

General

Seven (7) individuals, all of whom are presently members of our Board of Directors, have been nominated for election as our directors for terms expiring at our 2014 annual meeting of stockholders and until their respective successors are elected and qualified. The persons named in the proxy card that accompanies this Proxy Statement, who have been designated by our Board of Directors, intend, unless otherwise instructed on the proxy card, to vote for the election to our Board of Directors of the persons named below. If any nominee should become unavailable to serve, the proxy may be voted for the election of another person designated by the Board of Directors. The Board of Directors has no reason to believe any of the persons named will be unable to serve if elected.

On January 15, 2013, George F. Raymond, an independent director who has served on our Board of Directors since 2004, notified our Board of Directors that he would not be standing for re-election at the Annual Meeting. We acknowledge with gratitude Mr. Raymond's many years of valued service to our Company and stockholders and wish him well in the future.

Vote Required

If a quorum is present, the affirmative vote of the holders of a plurality of the shares of Common Stock present or represented at the Annual Meeting and entitled to vote on the matter is required to elect any director named below.

Board Recommendation

Our Board of Directors recommends that stockholders vote "FOR" the nominees listed below.

Information Concerning Directors and Nominees

Information regarding each nominee for director is set forth in the following table:

Name	Age	Director Since	Position	Term Expires at the Annual Meeting Held In The Year
Robert O. Carr	67	2000	Chairman and Chief Executive Officer	2014
Maureen Breakiron-Evans	58	2012	Director	2014
Mitchell L. Hollin	50	2001	Director	2014
Robert H. Niehaus	57	2001	Director	2014

Name	Age	Director Since	Position	Term Expires at the Annual Meeting Held In The Year
Marc J. Ostro, Ph.D.	63	2002	Director	2014
Jonathan J. Palmer	70	2003	Director	2014
Richard W. Vague	57	2007	Director	2014

Our policy is not to discriminate on the basis of race, gender or ethnicity and our Board of Directors is supportive of any qualified candidate who would also provide our Board of Directors with more diversity; however, we have no formal policy regarding Board diversity. Our Nominating and Corporate Governance Committee and Board of Directors may consider a broad range of factors relating to the qualifications and background of nominees, which may include diversity, which is not only limited to race, gender or national origin. Our Nominating and Corporate Governance Committee's and Board of Directors' priority in selecting Board members is identification of persons who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among Board members, and professional and personal experiences and expertise relevant to our business strategy. The biographical information presented below includes certain qualifications, attributes, skills and other information with respect to the seven (7) directors nominated for re-election and currently serving on our Board of Directors that caused our Nominating and Corporate Governance Committee and Board of Directors to determine that the person should serve as one of our directors:

Robert O. Carr, age 67, has served as Chairman of our Board of Directors and as our Chief Executive Officer since our inception in October 2000. Mr. Carr had been Chairman of the Members' Committee and Chief Executive Officer of our predecessor, Heartland Payment Systems LLC, from March 1997 to October 2000 when the merger of Heartland Payment Systems LLC into our Company became effective. Mr. Carr co-founded Heartland Payment Systems LLC with Heartland Bank in March 1997. Prior to founding Heartland, Mr. Carr worked in the payments and software development industries for 25 years. Mr. Carr received a B.S. and M.S. in Mathematics and Computer Science from the University of Illinois. Because of Mr. Carr's deep knowledge of our business and industry as well as his detailed and in-depth knowledge of the issues, opportunities and challenges facing us, we believe that he is an invaluable member of our Board of Directors.

Maureen Breakiron-Evans, age 58, has served as one of our directors since November 2012. Ms. Breakiron-Evans served as Chief Financial Officer of Towers Perrin from January 2007 until April 2008, where she was the head of Financial Resources and responsible for the firm's financial strategy. From February 2005 until October 2006, Ms. Breakiron-Evans served as Vice President and General Auditor of CIGNA Corporation where she was responsible for managing the enterprise risk management and internal audit functions. From 2001 to 2004, Ms. Breakiron-Evans served as Executive Vice President and Chief Financial Officer at Inovant, LLC, which is VISA's captive technology development and transaction processing company. Prior to that, Ms. Breakiron-Evans held several positions at Transamerica Corporation in San Francisco including Vice President and General Auditor, Vice President of Control and Services and President of Transamerica Business Technologies Corp. Ms. Breakiron-Evans began her career as a financial auditor, ultimately serving as an Audit Partner with Arthur Andersen & Co. On January 1, 2011, Ms. Breakiron-Evans began serving a four year term as a director of the Federal Home Loan Bank of Pittsburgh. Ms. Breakiron-Evans also serves as a director of Cognizant Technology Solutions Corporation, an information technology services provider, since 2009, where she serves on the Audit and Nominating and Corporate Governance Committee. Ms. Breakiron-Evans also served as a director of ING Direct, an Internet bank, from November 2005 until March 2007. Ms. Breakiron-Evans received a Bachelor of Business Administration degree from Stetson University, a Master of Business Administration degree from Harvard Business School and a Master of Liberal Arts degree from Stanford University. She is also a Certified Public Accountant in the State of California. Because of her knowledge of business and financial matters as well as her experience as an outside director and as a member of audit committees, we believe that Ms. Breakiron-Evans is able to provide valuable input regarding our financial and other matters.

Mitchell L. Hollin, age 50, has served as one of our directors since October 2001 and as our lead director since January 2011. Mr. Hollin is a Partner of LLR Capital, L.P., which is the general partner of LLR Equity Partners, L.P., an independent private equity firm, which he joined in August 2000. From 1994 until joining LLR Capital, L.P., Mr.



Hollin was a founder and Managing Director of Advanta Partners LP, a private equity firm affiliated with Advanta Corporation. Prior to his involvement with Advanta Partners LP, Mr. Hollin was a Vice President at Cedar Point Partners LP, a middle market buyout firm and before that an Associate at Patricof & Co. Ventures, Inc., an international

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venture capital firm. Mr. Hollin is a member of the board of directors of various private companies. Mr. Hollin received a B.S. in Economics and an M.B.A. from the Wharton School of the University of Pennsylvania. We believe Mr. Hollin's 20 plus years of private equity investment experience with industry expertise in financial services, information technology and outsourced business services as well as his service as a director of numerous companies provides our Board of Directors with insight into the strategic and operational issues that our Company faces. Robert H. Niehaus, age 57, has served as one of our directors since October 2001. Mr. Niehaus is the Chairman and founder of GCP Capital Partners, the successor to Greenhill Capital Partners, the merchant banking business of Greenhill & Co., Inc. (NYSE: GHL). Mr. Niehaus also serves as a Senior Advisor of Greenhill & Co. Prior to year end 2010, Mr. Niehaus served as the Chairman and a Senior Member of Greenhill Capital Partners, which he formed upon his arrival in January 2000. Mr. Niehaus served as a member of Greenhill & Co.'s Management Committee from its formation in January 2004 until December 2010. Prior to joining Greenhill & Co., Mr. Niehaus spent 17 years at Morgan Stanley & Co., where he was a Managing Director in the merchant banking department from 1990 to 1999. Mr. Niehaus was Vice Chairman and a Director of the Morgan Stanley Leveraged Equity Fund II, L.P., a private equity investment fund, from 1992 to 1999, and was Vice Chairman and a Director of Morgan Stanley Capital Partners III, L.P., a private equity fund, from 1994 to 1999. Mr. Niehaus was also the Chief Operating Officer of Morgan Stanley's merchant banking department from 1996 to 1998. Mr. Niehaus currently serves as the Chairman of the Board of Directors of Iridium Communications Inc., a mobile satellite company and the director of various private companies. Mr. Niehaus previously served as a director of the following publicly held companies: American Italian Pasta Company from 1992 to January 2008, Crusader Energy Group Inc. from July 2008 to July 2009, EXCO Resources Inc. from November 2004 to June 2009, Global Signal, Inc. from October 2002 until its merger with Crown Castle International Corp., or Crown Castle, in January 2007, and Crown Castle from January 2007 to July 2007. Mr. Niehaus received a B.A. in International Affairs from the Woodrow Wilson School at Princeton University and an M.B.A. from the Harvard Business School. Mr. Niehaus has substantial experience in investment banking and financial services, and has served as a director of numerous companies. He is familiar with and has designed complex capital structures.

Marc J. Ostro, Ph.D., age 63, has served as one of our directors since October 2002. Since February 17, 2006, Dr. Ostro has served as a General Partner in Devon Park Bioventures, a venture capital fund targeting investments in therapeutics companies and, in certain cases, medical device, diagnostic and drug discovery technology companies. Previously, from January 2002 to February 2006, Dr. Ostro was a partner at TL Ventures, L.P., a Pennsylvania-based venture capital firm. Immediately prior to that, Dr. Ostro was a private consultant to the biotechnology industry since May 2000. From November 1997 to May 2000, he was Senior Managing Director and Group Leader for KPMG Life Science Corporate Finance (Mergers and Acquisitions). In 1981, Dr. Ostro co-founded The Liposome Company, a biotechnology company. Dr. Ostro received a B.S. in Biology from Lehigh University, a Ph.D. in Biochemistry from Syracuse University, and was a Postdoctoral Fellow and Assistant Professor at the University of Illinois Medical School. Dr. Ostro brings to our Board significant experience with complex capital structures and related issues and with assisting companies with strategic allocation of capital resources.

Jonathan J. Palmer, age 70, has served as one of our directors since November 2003. Since May 2006, Mr. Palmer has served as President and Chief Executive Officer of PA Liberty Holdings, an investment company. From November 2005 until September 2010, Mr. Palmer served as President and Chief Executive Officer of FSV Payment Systems, a leading prepaid debit issuer and processor. From 1999 to October 2003, Mr. Palmer served as President and Chief Executive Officer of Vital Processing Services. From 1996 to 1999, he served as President and Chief Executive Officer of Wellspring Resources, an outsourced benefits administrator. From 1990 to 1996, Mr. Palmer was the Chief Retail Banking and Technology Executive at Barnett Banks, where he created Barnett Technologies, an outsourced services firm offering a wide range of back office functions for banks. Prior to joining Barnett Banks, he was an Executive Vice President with Shearson Lehman Brothers, and held a number of roles at Fidelity Bank in Philadelphia, succeeding to Vice Chairman in the late 1980s. Mr. Palmer received a B.S. in Applied Mathematics from LaSalle University, and an M.B.A. from the Wharton School of the University of Pennsylvania. Mr. Palmer brings to our Board substantial experience in our industry, having served as Chief Executive Officer of several companies in the payment processing industry. Because of such experience, we believe that Mr. Palmer has a deep

understanding of many of the strategic and operational issues we face and provides useful insight to our Board as we review our strategic initiatives.

Richard W. Vague, age 57, has served as one of our directors since May 2007. Since October 2010, Mr. Vague has served as Managing Partner of Gabriel Investments, an early stage investment fund. From May 2007 until September

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2011, Mr. Vague served as Chief Executive Officer and Co-Founder of Energy Plus, a Philadelphia-based electricity and natural gas supplier. Immediately prior to that, Mr. Vague served as the Chief Executive Officer of Barclays Bank Delaware, a financial institution and credit card issuer, a company he co-founded as Juniper Financial in 2000; the company was sold to Barclays Bank Delaware in 2004. From 1985 to 1999, Mr. Vague was with First USA, a company he co-founded and eventually served as Chairman and CEO. He also served for a period as Chairman of Paymentech, the merchant processing subsidiary of First USA. In 1997, Bank One acquired First USA. Mr. Vague received a B.S. in communication from the University of Texas at Austin. Mr. Vague has served as a Chief Executive Officer and corporate Chairman in our industry for more than 20 years, which gives him an understanding of many of the strategic and operational issues we face.

There are no family relationships among any of the Company's directors or executive officers.

#### Information Concerning the Board of Directors

Under our Certificate of Incorporation and Bylaws, our Board of Directors determines the number of directors on the Board. We currently have eight (8) directors but Mr. Raymond notified our board in January 2013 that he would not be standing for re-election. Our Board of Directors held seven (7) meetings during the fiscal year ended December 31, 2012. Each of our directors attended at least 75% of those meeting, excepting Marc J. Ostro and Richard W. Vague, who attended 71%, of the meetings of the Board of Directors. Each of our directors attended at least 75% of the relevant committees held during fiscal year 2012.

It is our policy to encourage directors to attend our annual meetings of stockholders. Four (4) of seven (7) of our directors who stood for election attended our 2012 annual meeting of stockholders.

Our Board of Directors has determined that the following directors are "independent" under current NYSE rules: Maureen Breakiron-Evans, Mitchell L. Hollin, Robert H. Niehaus, Marc J. Ostro, Ph.D., Jonathan J. Palmer and Richard W. Vague. To be considered independent our directors must meet the bright-line independence standards under the listing standards of the NYSE, and the Board of Directors must affirmatively determine that the director otherwise has no material relationship with us, directly, or as an officer, stockholder or partner of an organization that has a relationship with us.

Robert O. Carr serves as Chairman at meetings of our Board of Directors. Mitchell L. Hollin, our lead director, presided over executive sessions of our non-management directors. During fiscal year 2012, seven (7) executive sessions of our non-management directors were held. Our Board of Directors has standing Audit, Compensation and Nominating and Corporate Governance Committees.

For additional information on our corporate governance, including the charters approved by our Board of Directors for our Audit Committee, our Compensation Committee and our Nominating and Corporate Governance Committee, the Code of Business Conduct and Ethics and the Corporate Governance Guidelines, please visit our investor relations website at [www.heartlandpaymentsystems.com](http://www.heartlandpaymentsystems.com). Printed copies of this information may be obtained by requesting copies from our Corporate Secretary, Heartland Payment Systems, Inc., 90 Nassau Street, Princeton, New Jersey 08542.

#### Board Leadership Structure and Board's Role in Risk Oversight

Robert O. Carr has served as Chairman of the Board of Directors and Chief Executive Officer since our inception in June 2000. Our Board of Directors believes that Mr. Carr's service as both Chairman of the Board of Directors and Chief Executive Officer is in our best interests and the best interests of our stockholders. This Board leadership structure is commonly utilized by public companies in the United States, and we believe that this Board leadership structure has been effective for us. Mr. Carr possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing us, and is thus best positioned to develop agendas that ensure that our Board's time and attention are focused on the matters that are most critical to us. We believe this eliminates the potential for duplication of efforts and inconsistent actions. Additionally, having one person serve as both Chairman of the Board of Directors and Chief Executive Officer shows our employees, customers, stockholders and other constituencies that we are under strong and decisive leadership, ensures clear accountability and enhances our ability to communicate our message and strategy clearly and consistently.



While our Bylaws and Corporate Governance Guidelines do not require that our Chairman of the Board of Directors and Chief Executive Officer positions be filled by the same person, our Board of Directors believes that having Mr. Carr fill both positions is the appropriate leadership structure for us and demonstrates our commitment to ensuring that our strategic plans are executed. In addition, our Board of Directors believes the combined role of Chairman of the Board of Directors and Chief Executive Officer, together with an independent lead director having the duties described below, is in the best interest of stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

Recognizing that it is important for our Board of Directors to be able to meet independently of management and for there to be independent oversight of management, in January 2011 our Board of Directors created the position of lead director. Mr. Hollin serves as lead director of our Board of Directors. Our Board of Directors has determined that the lead director will perform the following functions to ensure that the independent directors play an active role in corporate governance. The lead director is responsible for: (i) presiding at all meetings of our Board of Directors at which our Chairman of the Board of Directors is not present, including executive sessions of the independent directors; (ii) setting the agenda for and leading executive sessions of the independent directors (which are held on a regular basis); (iii) briefing our Chief Executive Officer on selected issues arising in the executive sessions; (iv) collaborating with our Chief Executive Officer in the setting of Board agendas; (v) seeking agenda items from other independent directors; (vi) facilitating discussion among the independent directors on key issues and concerns outside of meetings of our Board of Directors, (vii) serving as a non-exclusive conduit to our Chief Executive Officer of views, concerns, and issues of the independent directors; (viii), calling meetings of the independent directors, and (ix) suggesting that the Chairman of the Board call full Board meetings when appropriate.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. Management is responsible for the day-to-day management of risks we face, while our Board of Directors, as a whole and through its Committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our Board of Directors is actively involved in oversight of risks that could affect us. This oversight is conducted primarily through the Audit Committee of our Board of Directors, as disclosed in the description of the Audit Committee below and in the charter of the Audit Committee, but our full Board of Directors has retained responsibility for general oversight of risks. Our Board of Directors satisfies this responsibility through full reports by the Chairman of the Audit Committee regarding the Audit Committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our Company, as our Board of Directors believes that full and open communication between management and the Board of Directors is essential for effective risk management and oversight. With respect to risks related to our compensation programs, we have considered the structure and design of our compensation program and believe that the program does not create risks that would have a materially adverse effect on us. Because of the structure and mix of compensation, including compensation tied to individual performance and our Company's financial performance, and our Compensation Recovery Policy, which is described below, we believe that our compensation programs are designed to reduce the likelihood of excessive risk-taking. As necessary, we will review our compensation programs to determine how our pay practices interact with our risk profile and make adequate changes in light of such risks.

#### Board Committees

**Audit Committee.** Our Audit Committee is solely responsible for the appointment of and reviewing fee arrangements with our independent registered public accounting firm, and approving any non-audit services by our independent registered public accounting firm. For additional information regarding our fee arrangements with our independent registered public accounting firm, see the section entitled, "Principal Accountant Fees and Services" below. Our Audit Committee reviews and monitors our internal accounting procedures and reviews the scope and results of the annual audit and other services provided by our independent registered public accounting firm. Our Audit Committee reviews our major financial and information technology risk exposures with management. Our Audit Committee currently consists of Ms. Breakiron-Evans, Messrs. Raymond and Palmer, and Dr. Ostro, each of whom is an independent director under current NYSE rules and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the

“Exchange Act”). Mr. Raymond currently serves as the Chair of our Audit Committee but we anticipate that Ms. Breakiron-Evans will replace him as Chair after the Annual Meeting since Mr. Raymond is not standing for re-election

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to our Board of Directors. We believe that each of the members of the Audit Committee is financially sophisticated and is able to read and understand our consolidated financial statements. Our Board of Directors has determined that Mr. Raymond and Ms. Breakiron-Evans both qualify as an Audit Committee “financial expert” as defined in Item 407(d)(5) of Regulation S-K. Our Audit Committee held four (4) meetings during fiscal 2012.

**Compensation Committee.** Our Compensation Committee is primarily responsible for reviewing and approving the compensation and benefits of our executive officers, evaluating the performance and compensation of our executive officers in light of our corporate goals and objectives, administering our employee benefit plans and making recommendations to our Board of Directors regarding these matters, and administering our equity compensation plans. Our Compensation Committee currently consists of Messrs. Hollin, Niehaus and Palmer, each of whom is an independent director under current NYSE rules. Mr. Niehaus serves as Chairman of our Compensation Committee. Our Compensation Committee held two (2) meetings during fiscal 2012.

Our Chief Executive Officer conducts performance reviews of members of executive management and, except with respect to himself, makes recommendations to our Compensation Committee on compensation, including salary increases, bonuses and equity grants, based on our Company’s overall performance and his assessment of the individual’s responsibilities and performance. Our Compensation Committee reviews these recommendations independently and approves, with any modifications it considers appropriate, the compensation for members of executive management, including our Chief Executive Officer. For the fiscal year 2012, our Compensation Committee engaged the services of an independent compensation consulting firm, Frederic W. Cook & Co., Inc. (“FW Cook”) to review our compensation structure as more fully described in the section entitled “Compensation Discussion and Analysis” below. FW Cook does not provide any other services to us or our affiliates.

For additional disclosure on our compensation of our named executive officers see the section entitled “Compensation Discussion and Analysis” below.

**Nominating and Corporate Governance Committee.** Our Nominating and Corporate Governance Committee makes recommendations to our Board of Directors concerning nominations to the Board, including nominations to fill a vacancy (including a vacancy created by an increase in the size of the Board of Directors). Our Nominating and Corporate Governance Committee will consider nominees for our Board of Directors nominated by stockholders upon submission in writing to our Corporate Secretary of the names of such nominees in accordance with our Bylaws. This Committee is also charged with shaping corporate governance policies and codes of ethical and legal conduct, and monitoring compliance with such policies. Our Nominating and Corporate Governance Committee currently consists of Mr. Raymond and Dr. Ostro, each of whom is an independent director under current NYSE rules. It is anticipated that our Board of Directors will appoint one of our independent directors to serve on our Nominating and Corporate Governance Committee no later than date of the Annual Meeting to fill the vacancy that will be created by Mr. Raymond’s decision not to stand for re-election at the Annual Meeting. Dr. Ostro serves as Chairman of our Nominating and Corporate Governance Committee. Our Nominating/Corporate Governance Committee did not hold any meetings during fiscal 2012 but did act by unanimous written consent twice.

#### Communication with Directors

Stockholders who wish to communicate with our entire Board of Directors, the non-management directors as a group or the Chairs of any of the Board Committees may do so telephonically by calling Charles Kallenbach, our General Counsel, Chief Legal Officer and Corporate Secretary, at (609) 683-3831, extension 2224 or by mail c/o Corporate Secretary, Heartland Payment Systems, Inc., 90 Nassau Street, 2<sup>nd</sup> Floor, Princeton, New Jersey 08542.

Communications are distributed to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, our Board of Directors has requested that certain items that are unrelated to the duties and responsibilities of our Board of Directors should be excluded, such as spam, job inquiries, business solicitations or product inquiries. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any director upon request.

Our Board of Directors has also adopted policies designed to allow stockholders and other interested parties to communicate directly with our directors. Any interested party that wishes to communicate directly with our Board of Directors or any director or the non-management directors as a group should send communications in writing to Chair



of the Audit Committee (currently George Raymond but we anticipate it will be Maureen Breakiron-Evans after the

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Annual Meeting), c/o Heartland Payment Systems, Inc., 90 Nassau Street, Princeton, New Jersey 08542. The mailing envelope must contain a clear notation indicating that the enclosed letter is “Stockholder/Interested Party – Non-Management Director Communication,” “Stockholder/Interested Party – Board Communication,” “Stockholder/Interested Party – Audit Committee Communication” or “Stockholder/Interested Party – Director Communication,” as appropriate. All such letters must identify the author as a stockholder or other interested party and clearly state whether the intended recipients are all members of the Board of Directors, a Board Committee or certain specified individual directors. Copies of all such letters will be circulated to the appropriate director or directors. There is no screening process in respect of communications from stockholders or other interested parties which are sent in such manner. Interested parties may also call Ms. Breakiron-Evans with such concerns at (888) 798-3131, extension 2230. The information for communicating with the Audit Committee and non-management directors is also available in the Corporate Governance Guidelines which are located in the investor relations section of our website, [www.heartlandpaymentsystems.com](http://www.heartlandpaymentsystems.com).

#### Director Compensation

In 2012, non-employee members of our Board of Directors received annualized retainers at the rate of \$50,000. Mr. Carr, as an employee of our Company, did not receive compensation for his service on our Board of Directors. Our lead director, Mr. Hollin, received an additional annualized retainer at the rate of \$15,000. The Chairman of the Audit Committee, Mr. Raymond, received an additional annualized retainer at the rate of \$15,000. The Chairmen of our Compensation Committee and Nominating and Corporate Governance Committee, Mr. Niehaus and Dr. Ostro, respectively, each received an additional annualized retainer at the rate of \$7,500. In addition, all non-employee members of committees of our Board of Directors received \$2,000 for each committee meeting attended in person and \$1,000 for each committee meeting attended via telephone. In addition, a non-employee director generally will receive an annual grant of nonvested restricted stock units valued at \$75,000 on the date of award, which will be the date of our annual meeting of stockholders. These restricted stock units vest upon the earlier of the one year anniversary of the date of grant or the last business day preceding our next annual meeting.

Under these arrangements, we paid the non-employee members of our Board of Directors the following compensation during the fiscal year ended December 31, 2012:

Name	Fees Earned or Paid in Cash (\$)	Equity Awards (\$)(1)	Total Compensation (\$)
Maureen Breakiron-Evans(2)	\$ 4,167	\$30,229	\$ 34,396
Mitchell L. Hollin	\$67,000	\$74,988	\$141,988
Robert H. Niehaus	\$59,500	\$74,988	\$134,488
Marc J. Ostro, Ph.D.	\$60,500		