

BLACKHAWK NETWORK HOLDINGS, INC
Form DEF 14A
April 10, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Information 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

BLACKHAWK NETWORK HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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BLACKHAWK NETWORK HOLDINGS, INC.

6220 Stoneridge Mall Road

Pleasanton, CA 94588

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 21, 2014

On May 21, 2014, Blackhawk Network Holdings, Inc. will hold its Annual Meeting of Stockholders at 2:00 p.m. Pacific Time. The meeting will be held at the Hilton Pleasanton at the Club, 7050 Johnson Drive, Pleasanton, California 94588, for the following purposes:

1. To elect Douglas J. Mackenzie and Lawrence F. Probst III as Class I directors to hold office until the 2017 annual meeting of stockholders or until their successors are elected and qualified;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 3, 2015;
3. To approve, on a non-binding, advisory basis, the compensation of our named executive officers (the say-on-pay vote) as disclosed in the attached Proxy Statement pursuant to compensation disclosure rules under the Securities Exchange Act of 1934, as amended;
4. To cast a non-binding, advisory vote on the frequency of future say-on-pay votes;
5. To approve our 2013 Equity Incentive Award Plan; and
6. To transact such other business as may properly come before the meeting or at any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only stockholders who owned our common stock at the close of business on March 28, 2014 (the Record Date) can vote at this meeting or any adjournments or postponements thereof.

Our Board of Directors recommends that you vote FOR the election of the director nominees named in Proposal No. 1 of the Proxy Statement, FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm as described in Proposal No. 2 of the Proxy Statement; FOR the approval, on a non-binding, advisory basis, of the compensation of our named executive officers as described in Proposal No. 3 of the Proxy Statement; for every 3 YEARS with respect to the non-binding, advisory vote on the frequency of say-on-pay votes as described in Proposal No. 4 of the Proxy Statement; and FOR the approval of our 2013 Equity Incentive Award Plan as described in Proposal No. 5 of the Proxy Statement.

For our Annual Meeting, we have elected to use the Internet as our primary means of providing our proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send to these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our Proxy Statement and Annual Report to Stockholders, and for voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials free of charge, if they so choose. The electronic delivery of our proxy materials will significantly reduce our printing and mailing costs and the environmental impact of the proxy materials.

The Notice of Internet Availability of Proxy Materials will also provide the date, time and location of the Annual Meeting; the matters to be acted upon at the meeting and the recommendation of the Board of Directors with regard to each matter; a toll-free number, an e-mail address and a website where stockholders can request a

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paper or email copy of the Proxy Statement, our Annual Report to Stockholders and a form of proxy relating to the Annual Meeting; information on how to access the form of proxy; and information on how to attend the Annual Meeting and vote in person.

You are cordially invited to attend the Annual Meeting, but whether or not you expect to attend in person, you are urged to vote and submit your proxy by following the voting procedures described in the Notice of Internet Availability of Proxy Materials or on the proxy card.

By Order of the Board of Directors,

David E. Durant

Secretary

Pleasanton, California

Dated: April 10, 2014

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BLACKHAWK NETWORK HOLDINGS, INC.

6220 Stoneridge Mall Road

Pleasanton, CA 94588

2014 PROXY STATEMENT

FOR THE 2014 ANNUAL MEETING OF THE STOCKHOLDERS

MAY 21, 2014

The Board of Directors of Blackhawk Network Holdings, Inc. is soliciting your proxy to vote at the Annual Meeting of Stockholders to be held on May 21, 2014, at 2:00 p.m., local time, and any adjournment or postponement of that meeting (the Annual Meeting). The Annual Meeting will be held at the Hilton Pleasanton at the Club, 7050 Johnson Drive, Pleasanton, California 94588.

We have elected to use the Internet as the primary means of providing our proxy materials to stockholders. Accordingly, on or about April 10, 2014, we are making this Proxy Statement and the accompanying proxy card, Notice of Annual Meeting of Stockholders and Annual Report to Stockholders available on the Internet and mailing a Notice of Internet Availability of Proxy Materials to stockholders of record as of March 28, 2014 (the Record Date). Brokers and other nominees who hold shares on behalf of beneficial owners will be sending their own similar notice. All stockholders as of the Record Date will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability of Proxy Materials or request to receive a printed set of the proxy materials. Instructions on how to request a printed copy by mail or electronically, including an option to request paper copies on an ongoing basis, may be found in the Notice of Internet Availability of Proxy Materials and on the website referred to in the notice. We intend to mail this Proxy Statement, together with the accompanying proxy card, to those stockholders entitled to vote at the Annual Meeting who have properly requested paper copies of such materials within three business days of request.

The only voting securities of Blackhawk Network Holdings, Inc. are shares of Class A common stock, par value \$0.001 per share (the Class A Common Stock), of which there were 12,530,246 shares outstanding as of the Record Date (excluding any treasury shares) and Class B common stock, par value \$0.001 per share (Class B Common Stock and, together with Class A Common Stock, the Common Stock), of which there were 40,059,834 shares outstanding as of the Record Date (excluding any treasury shares). We need the holders of a majority in voting power of the shares of Common Stock issued and outstanding and entitled to vote, present in person or represented by proxy, to hold the Annual Meeting.

In this Proxy Statement, we refer to Blackhawk Network Holdings, Inc. as the Company, Blackhawk, we or us and Board of Directors as the Board. When we refer to Blackhawk's fiscal year, we mean the 52-week or 53-week fiscal year ending on the Saturday closest to December 31. The fiscal year presented in this Proxy Statement consists of the 52-week period ended December 28, 2013.

The Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (SEC), is available in the Financials section of our website at <http://ir.blackhawknetwork.com>. You also may obtain a copy of the Company's Annual Report on Form 10-K, without charge, by contacting: Secretary, c/o Blackhawk Network Holdings, Inc., 6220 Stoneridge Mall Road, Pleasanton, CA 94588.

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QUESTIONS AND ANSWERS

Proxy Material and Voting Information

Who can vote at the Annual Meeting?

Only stockholders that our records show owned shares of either class of our Common Stock as of the close of business on the Record Date may vote at the Annual Meeting. As of the Record Date, we had a total of 12,530,246 shares of Class A Common Stock issued and outstanding, which were held of record by approximately 119 stockholders, and a total of 40,059,834 shares of Class B Common Stock issued and outstanding, which were held of record by approximately 395 stockholders. As of the Record Date, Safeway Inc. (Safeway) was the holder of 10,592 shares of Class A Common Stock, representing approximately 0.08% of our total outstanding shares of Class A Common Stock and 0.08% of the voting power of our Class A Common Stock, and 37,838,709 shares of our Class B Common Stock, representing approximately 94.46% of our total outstanding shares of Class B Common Stock and 94.46% of our voting power of our Class B Common Stock, and together representing approximately 72.0% of our total outstanding shares of Common Stock and 91.59% of the combined voting power of our outstanding Common Stock. On March 24, 2014, Safeway announced that its board of directors had declared a special stock dividend to Safeway s stockholders of the 37,838,709 shares of our Class B Common Stock owned by Safeway. The date of distribution by Safeway of the special stock dividend is contemplated to be April 14, 2014, and the distribution will take place in the form of a pro rata dividend of Class B Common Stock to each Safeway stockholder of record as of the close of business on April 3, 2014. Accordingly, because it will continue to be the holder of record of 91.59% of the combined voting power of our outstanding Common Stock as of the Record Date, Safeway will be able to control the outcome of each of the proposals included in this Proxy Statement and any other matters that are properly brought before the Annual Meeting.

The stock transfer books will not be closed between the Record Date and the date of the Annual Meeting. Each share of Class A Common Stock is entitled to one vote on each proposal and each share of Class B Common Stock is entitled to ten votes on each proposal. The Class A Common Stock and Class B Common Stock will vote as a single class on all matters described in this Proxy Statement for which your vote is being solicited.

Stockholder of Record: Shares Registered in Your Name

If your shares were registered directly in your name with the transfer agent for our Common Stock, Wells Fargo Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

What am I being asked to vote on?

You are being asked to vote FOR the following:

To elect Douglas J. Mackenzie and Lawrence F. Probst III as Class I directors to hold office until the 2017 annual meeting of stockholders or until their successors are elected and qualified;

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To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 3, 2015;

To approve, on a non-binding, advisory basis, the say-on-pay vote; and

To approve our 2013 Equity Incentive Plan.

You are being asked to vote for every 3 YEARS with respect to the non-binding, advisory vote on the frequency of future say-on-pay votes.

In addition, you are entitled to vote on any other matters that are properly brought before the Annual Meeting.

How do I vote?

You may vote by mail or follow any alternative voting procedure described on the proxy card or the Notice of Internet Availability of Proxy Materials. To use an alternative voting procedure, follow the instructions on each proxy card that you receive or on the Notice of Internet Availability of Proxy Materials.

For the election of directors, you may either vote FOR each of the two nominees or you may withhold your vote for any nominee you specify. For the ratification of the selection of the Company's independent auditors and the non-binding, advisory vote to approve named executive officer compensation, or approval of the 2013 Equity Incentive Plan, you may vote FOR or AGAINST or abstain from voting. For the non-binding, advisory vote on the frequency of future say-on-pay votes, you may choose (1) every year (1 YEAR on the proxy card), (2) every two years (2 YEARS on the proxy card) or (3) every three years (3 YEARS on the proxy card); in addition, you may choose to abstain from voting on this proposal.

The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting. Alternatively, you may vote by proxy over the Internet or, if you properly request and receive a proxy card by mail or email, by signing, dating and returning the proxy card, over the Internet or by telephone. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote in person. In such case, your previously submitted proxy will be disregarded.

To vote by proxy over the Internet, follow the instructions provided in the Notice of Internet Availability of Proxy Materials or on the proxy card.

To vote by telephone, if you properly requested and received a proxy card by mail or email, you may vote by proxy by calling the toll free number found on the proxy card.

To vote by mail, if you properly requested and received a proxy card by mail or email, simply complete, sign and date the proxy card and return it promptly. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote in person, come to the Annual Meeting, and we will give you a ballot when you arrive.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a voting instruction card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the voting instruction card to ensure that your vote is

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counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

Who counts the votes?

Broadridge Financial Solutions, Inc. (Broadridge) has been engaged as our independent agent to tabulate stockholder votes. If you are a stockholder of record, and you choose to vote over the Internet or by telephone, Broadridge will access and tabulate your vote electronically. If you choose to sign and mail your proxy card, your executed proxy card is returned directly to Broadridge for tabulation. As noted above, if you hold your shares through a broker, your broker (or its agent for tabulating votes of shares held in street name, as applicable) returns one proxy card to Broadridge on behalf of all its clients.

How are votes counted?

With respect to Proposal No. 1, the election of directors, the two nominees receiving the highest number of votes will be elected. With respect to Proposal Nos. 2, 3 and 5, the affirmative vote of the holders of a majority in voting power of the shares of Common Stock that are present in person or by proxy and entitled to vote on such proposal is required for approval. With respect to Proposal No. 4, the affirmative vote of the holders of a majority in voting power of the shares of Common Stock that are present in person or by proxy and entitled to vote on such proposal is required for approval. However, if none of the frequency alternatives (one, two or three years) receive a majority vote, we will consider the frequency that receives the highest number of votes by stockholders to be the frequency that has been selected by our stockholders.

Brokers who hold shares in street name for the accounts of their clients may vote such shares either as directed by their clients or, in the absence of such direction, in their own discretion if permitted by the stock exchange or other organization of which they are members. If your shares are held by a broker on your behalf, and you do not instruct the broker as to how to vote these shares on Proposal No. 2, the broker may exercise its discretion to vote for or against that proposal in the absence of your instruction. With respect to Proposal Nos. 1, 3, 4 and 5, the broker may not exercise discretion to vote on these proposals. This would be a broker non-vote and these shares will not be counted as having been voted on the applicable proposal. However, broker non-votes will be considered present and entitled to vote at the Annual Meeting and will be counted towards determining whether or not a quorum is present. Please instruct your bank or broker so your vote can be counted.

If stockholders abstain from voting, these shares will be considered present and entitled to vote at the Annual Meeting and will be counted towards determining whether or not a quorum is present. Abstentions will have no effect with regard to Proposal No. 1, and with regard to Proposal Nos. 2, 3, 4 and 5, will have the same effect as an AGAINST vote.

How do I vote via Internet or telephone?

You may vote by proxy via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials or on the proxy card. If you properly request and receive printed copies of the proxy materials by mail, you may vote by proxy by calling the toll-free number found on the proxy card. Please be aware that if you vote over the Internet or by telephone, you may incur costs such as telephone and Internet access charges, as applicable, for which you will be responsible. The Internet and telephone voting facilities for eligible stockholders of record will close at 11:59 p.m. Pacific Time on May 14, 2014. The giving of such a telephonic or Internet proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

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What if I return a proxy card but do not make specific choices?

If we receive a signed and dated proxy card and the proxy card does not specify how your shares are to be voted, your shares will be voted FOR the election of each of the two nominees for director, FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, FOR approval, on a non-binding, advisory basis, of the compensation of our named executive officers, for every 3 YEARS with respect to the non-binding, advisory vote on the frequency of future say-on-pay votes and FOR approval of our 2013 Equity Incentive Plan. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one set of materials?

If you receive more than one set of materials, your shares are registered in more than one name or are registered in different accounts. In order to vote all the shares you own, you must follow the instructions for voting on each Notice of Internet Availability of Proxy Materials or the proxy card that you receive by mail or email pursuant to your request, which include instructions for voting over the Internet, by telephone or by signing, dating and returning any of such proxy cards.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy over the Internet, by telephone or by mail with a later date.

You may send a written notice that you are revoking your proxy to our Secretary at Blackhawk Network Holdings, Inc., 6220 Stoneridge Mall Road, Pleasanton, CA 94588.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker, bank or other agent, you should follow the instructions provided by them.

When are stockholder proposals due for next year's Annual Meeting?

To be considered for inclusion in the proxy materials for next year's annual meeting, your proposal must be submitted in writing by December 10, 2014 to our Secretary at Blackhawk Network Holdings, Inc., 6220 Stoneridge Mall Road,

Pleasanton, CA 94588. If you wish to submit a proposal that is not to be included in next year's proxy materials pursuant to the SEC's stockholder proposal procedures or to nominate a director, you must do so between January 21, 2015 and February 20, 2015; provided that if the date of the annual meeting is earlier than April 21, 2015 or later than July 20, 2015 your proposal to be timely must be submitted not earlier than the 120th day prior to the annual meeting date and not later than the 90th day prior to the annual meeting date or, if later, the 10th day following the day on which public disclosure of the annual meeting date is first made. You are also advised to review our amended and restated bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

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What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if the holders of a majority in voting power of the shares of Common Stock issued and outstanding and entitled to vote are present in person or represented by proxy at the Annual Meeting. As of the Record Date, there were 12,530,246 shares of Class A Common Stock and 40,059,834 shares of Class B Common Stock outstanding. Each share of Class A Common Stock is entitled to one vote on each proposal and each share of Class B Common Stock is entitled to ten votes on each proposal. As of the Record Date, an aggregate of 206,564,294 votes constituted the requisite majority in voting power for a quorum. Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, either the chairperson of the Annual Meeting or a majority in voting power of the stockholders entitled to vote at the Annual Meeting, present in person or represented by proxy, may adjourn the Annual Meeting to another time or place.

How can I find out the results of the voting at the Annual Meeting?

Voting results will be announced by the filing of a Current Report on Form 8-K within four business days after the Annual Meeting. If final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days following the day the final results are available.

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The Board is composed of nine authorized seats and eight members, with one vacancy. In accordance with our amended and restated certificate of incorporation, the Board is divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors are divided among the three classes as follows:

Class I directors: Douglas J. Mackenzie and Lawrence F. Probst III, whose current terms will expire at the Annual Meeting;

Class II directors: Mohan Gyani, Paul Hazen and Arun Sarin, whose current terms will expire at the annual meeting of stockholders to be held in 2015; and

Class III directors: Steven A. Burd, Robert L. Edwards and William Y. Tauscher, whose current terms will expire at the annual meeting of stockholders to be held in 2016.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Messrs. Mackenzie and Probst have been nominated to serve as Class I directors and have each elected to stand for reelection. Each director to be elected will hold office from the date of his election by the stockholders until the third subsequent annual meeting of stockholders or until his successor is elected and has been qualified, or until such director's earlier death, resignation or removal.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named above. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the meeting. Proxies cannot be voted for a greater number of persons than the number of nominees named.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE***FOR*****THE ELECTION OF EACH NAMED NOMINEE.**

Set forth below is information as of March 28, 2014 regarding our Class I nominees and our other current directors who will continue in office after the Annual Meeting:

Name	Age	Director Since	Position/Office Held With the Company
<i>Class I Directors whose terms expire at the 2014 Annual Meeting</i>			
Douglas J. Mackenzie	54	August 2007	Director
Lawrence F. Probst III	63	April 2008	Director

Class II Directors whose terms expire at the 2015 Annual Meeting

Mohan Gyani	62	August 2007	Director
Paul Hazen	72	August 2007	Director
Arun Sarin	59	August 2009	Director

Class III Directors whose terms expire at the 2016 Annual Meeting

Steven A. Burd	64	August 2007	Director
Robert L. Edwards	58	July 2008	Director
William Y. Tauscher	64	August 2010	Chief Executive Officer and Chairman of the Board of Directors

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Set forth below is biographical information for the nominees and each person whose term of office as a director will continue after the Annual Meeting. The following includes certain information regarding our directors' individual experience, qualifications, attributes and skills that led the Board to conclude that they should serve as directors.

Class I Directors/Nominees for Election to a Three-Year Term Expiring at the 2017 Annual Meeting of Stockholders

Douglas J. Mackenzie has served on the Board since August 2007. Mr. Mackenzie has been a managing member of Radar Management, LLC, a private equity and venture capital firm, since January 2005, and has been a partner with Kleiner Perkins Caufield & Byers (KPCB), a venture capital firm, since 1992. He joined KPCB in 1989 and has focused his investment activities in the software sector. Mr. Mackenzie served as a member of the board of directors of Safeway, from March 2005 through May 2009. He also served on the board of directors of Marimba Inc., a software provider, from August 1996 to July 2004, and Epiphany, Inc., a software provider, from January 1998 to September 2006, as well as numerous privately held companies. In addition, he serves as an advisory council member of the Stanford Engineering School, as a board member of the Monterey Peninsula Foundation, and as a Trustee of the U.S. Ski and Snowboard Team Foundation.

Mr. Mackenzie brings to the Board extensive knowledge in investment and operations in the software sector.

Lawrence F. Probst III has served on the Board since April 2008. Mr. Probst has served on the board of directors of Electronic Arts Inc. (EA), a software company, since January 1991 and as Chairman of the board since July 1994. He has served as Executive Chairman of EA since March 2013. In addition, Mr. Probst served in a variety of senior management and executive positions at EA from 1984 until September 2008, including Chief Executive Officer from May 1991 to April 2007 and President from December 1990 to October 1997. Mr. Probst also sits on the board of two cancer research groups, the V Foundation and ABC2, and has served as the Chairman of the board of directors of the U.S. Olympic Committee since October 2008 and a member of the International Olympic Committee since September 2013.

Mr. Probst brings to the Board extensive management, operational and board governance experience.

Class II Directors Continuing in Office until the 2015 Annual Meeting of Stockholders

Mohan Gyani has served on the Board since August 2007. Mr. Gyani has served as a director of Safeway since October 2004. He has served as Vice Chairman of the board of directors of Roamware, Inc., a provider of mobile operator solutions, since January 2006, and also served as Chairman of the board of directors and Chief Executive Officer of Roamware from May 2005 through December 2005. Mr. Gyani served as the President and Chief Executive Officer of AT&T Wireless Mobility Services from 2000 until his retirement from that company in 2003, after which he served as a senior advisor to the Chairman and Chief Executive Officer of AT&T Wireless through December 2004. From 1995 through 1999, he served as the Executive Vice President and Chief Financial Officer of AirTouch Communications, Inc., a telecommunications device company. Mr. Gyani currently serves as a director of Keynote Systems, Inc., a mobile and web cloud testing and monitoring company, where he serves as lead independent director and also serves on the compensation committee. He is a director of the UnionBanCal Corporation, a bank holding company, where he serves as the chair of the audit committee and a member of the compensation committee, and its banking subsidiary, Union Bank of California. Mr. Gyani also serves as a director of a number of privately held companies.

Mr. Gyani brings to the Board an in-depth knowledge of, and years of experience in, public company governance.

Paul Hazen has served on the Board since August 2007. Mr. Hazen is the former Chairman and Chief Executive Officer of Wells Fargo & Company (Wells Fargo). Mr. Hazen joined Wells Fargo in 1970. He

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served as Vice Chairman from 1981 to 1984, President and Chief Operating Officer from 1984 to 1995, Chairman and Chief Executive Officer from January 1995 to November 1998, and Chairman from January 1995 to May 2001. Mr. Hazen was also the President of Wells Fargo Real Estate Investment Trust, a publicly traded REIT, from 1973 to 1978. Mr. Hazen retired after he left his post as Chairman of Wells Fargo in May 2001. Mr. Hazen is currently Chairman of KKR Financial Holdings LLC and Accel-KKR and serves on the boards of KSL Resorts and Horny Toad Activewear. He is also a senior advisor to KKR, an investment firm. Past board positions include Safeway (Lead Independent Director), Phelps Dodge, Vodafone Group Plc (Deputy Chairman and Lead Independent Director), Willis Group Holdings Ltd., Prosper Marketplace, National Retirement Partners, Xstrata, the San Francisco Symphony, and the San Francisco Museum of Modern Art. Mr. Hazen also served on the Federal Advisory Council to the Federal Reserve from 1987 to 1991, acting as President of the Council in 1991, reporting to Alan Greenspan as Chairman.

Mr. Hazen brings to the Board significant experience in business strategy as a senior executive of a large company, as well as considerable directorial and board committee experience.

Arun Sarin has served on the Board since August 2009. Mr. Sarin has served on the board of directors of Safeway since August 2009. From April 2003 to July 2008, Mr. Sarin was the Chief Executive Officer of Vodafone Group Plc. (Vodafone), a global mobile communications company. From 1999 to 2008, Mr. Sarin was a director of Vodafone. Mr. Sarin has served on the board of directors of The Charles Schwab Corporation, a provider of brokerage, banking and financial advisory services, and Cisco Systems, Inc., a networking technology company since September 2009. He previously served as a member of the Court of Directors of the Bank of England, ending in 2009. From 1999 to 2003, he served as a director of The Gap, Inc., a specialty retailer. Mr. Sarin is currently a senior advisor to KKR, an investment firm.

Mr. Sarin brings to the Board significant experience as a former senior executive of a large, global company, where he developed expertise in finance, marketing and operations, and considerable directorial and board committee experience.

Class III Directors Continuing in Office until the 2016 Annual Meeting of Stockholders

Steven A. Burd has served on the Board since August 2007. Mr. Burd served on the board of directors of Safeway from September 1993 to May 2013 and as Chairman of the board of directors of Safeway from May 1998 to May 2013. He served as Chief Executive Officer of Safeway from April 1993 to May 2013 and as President from October 1992 to April 2012. Mr. Burd is also a director of Kohl's Corporation, a specialty department store company, where he serves as lead independent director and on the compensation and nominating and corporate governance committees.

Mr. Burd brings to the Board considerable management, directorial, board committee experience and an understanding of our business.

Robert L. Edwards has served on the Board since July 2008, and previously served on our board of directors from January 2006 to August 2007. Mr. Edwards has been Chief Executive Officer of Safeway since May 2013, President of Safeway since April 2012 and served as Executive Vice President and Chief Financial Officer of Safeway from March 2004 to April 2012. Prior to joining Safeway, from September 2003 to March 2004, he served as Executive Vice President and Chief Financial Officer of Maxtor Corporation, a hard disk drive manufacturer. From 1998 to August 2003, Mr. Edwards held various executive positions, including Chief Financial Officer and Chief Administrative Officer at Imation Corporation, a developer, manufacturer and supplier of magnetic and optical data storage media. Mr. Edwards is also a director of KKR Financial Holdings LLC, a specialty finance company, where he serves on the audit committee.

Mr. Edwards brings to the Board both a strong understanding of our business and extensive knowledge of financial reporting.

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William Y. Tauscher has served as our Chief Executive Officer since August 2010, as a member of the Board of directors since August 2007 and as Chairman of the Board since August 2009. He also served as our Executive Chairman from March 2010 to August 2010 and as President from August 2010 to November 2010. Mr. Tauscher has served on the board of directors of Safeway since May 1998, and currently serves on the executive committee of the board of directors of Safeway. Since 1986, he has been a managing member of the Tauscher Group, which invests and assists in the management of enterprises involved with home products, transportation, telecommunications and real estate. From 2004 to August 2010, he served as the Chief Executive Officer, and continues to serve as the Chairman of the board of directors, of Vertical Communications, Inc., a communications technology company. Mr. Tauscher also serves as a director of a number of privately held companies. Mr. Tauscher holds a B.S. in administrative sciences from Yale University.

Mr. Tauscher brings to the Board significant experience as a senior executive and director of multiple companies.

Executive Officers

The executive officers of the Company at March 28, 2014, other than those already discussed above, are set forth in the table below.

Name	Age	Position/Office Held With the Company
Talbott Roche	47	President
Jerry N. Ulrich	59	Chief Financial Officer and Chief Administrative Officer
David C. Tate	45	Senior Vice President, Products and Marketing
Christopher C. Crum	52	Senior Vice President, Sales
David E. Durant	51	Group Vice President, General Counsel & Secretary

Talbott Roche has served as our President since November 2010. Ms. Roche originally joined us as Assistant Vice President in July 2001 while we were a specialty marketing division of Safeway. Ms. Roche transitioned to the role of our Senior Vice President, Marketing, Product and Business Development in January 2005 and served in that position until November 2010. Prior to joining us, Ms. Roche served as a Branding Consultant and Director of New Business Development for Landor Associates, a marketing consulting firm, from October 2000 to July 2001. From 1996 to 2000, Ms. Roche held various executive positions at News Corporation, a media and marketing services company, including Senior Vice President, Sales for the Smart Source iGroup and Vice President, Sales for News America Marketing. Ms. Roche holds a B.A. in economics from Stanford University.

Jerry N. Ulrich has served as our Chief Financial Officer since June 2006. Mr. Ulrich was appointed to the additional position of Chief Administrative Officer of Blackhawk in March 2007. Prior to joining Blackhawk, Mr. Ulrich served as the Vice President Operations and Chief Financial Officer of Xign Corporation, an electronic payments service provider, from January 2001 through June 2006. In addition, Mr. Ulrich served as interim President and Chief Executive Officer of Optimal Networks Corporation, an information technology solutions provider, from 1999 to 2000; as President of Netwave Technologies, Inc., a wireless network products company, from 1996 to 1999; and in various positions including Chief Financial Officer and Chief Operating Officer for Xircom, Inc., a computer networking company, from 1992 to 1996. Mr. Ulrich received a B.S. in business administration with a major in accounting from The Ohio State University.

David C. Tate has served as our Senior Vice President, Products and Marketing since December 2013. Mr. Tate originally joined us as Regional Vice President, Business Development in October 2001 while we were a specialty marketing division of Safeway. Mr. Tate was promoted to Group Vice President, Gift Cards in January 2005. Mr. Tate

was promoted to General Manager, Core Business in January 2011. Prior to joining Blackhawk, Mr. Tate served in various sales, management and executive roles at On Technology and NewChannel Inc. Mr. Tate holds a B.A. in business from Southern New Hampshire University.

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Christopher C. Crum has served as our Senior Vice President, Sales since December 2013. Mr. Crum originally joined us in May 2006 as Regional Vice President, Alliance Sales until his promotion to Vice President, West in March 2007. Mr. Crum was promoted to Group Vice President, North America Sales in February 2009. Prior to joining Blackhawk, Mr. Crum served in various sales and executive roles at Endeca Technologies and Broadvision, Inc. Mr. Crum holds a B.B.A. in economics from California State University of Fresno.

David E. Durant has served as our Group Vice President, General Counsel and Secretary since December 2008. Mr. Durant originally joined us in July 2001, serving as a Senior Corporate Counsel while we were a specialty marketing division of Safeway. Mr. Durant became our Assistant Vice President and Assistant Secretary upon our incorporation in July 2003. Mr. Durant then transitioned to the role of Group Vice President, Legal in June 2006. Prior to joining us, Mr. Durant served as Senior Corporate Counsel at Safeway from 1999 to 2006. Mr. Durant holds a B.A. in political science from Rutgers University and a J.D. from The University of Chicago Law School.

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CORPORATE GOVERNANCE

General

Blackhawk aspires to the highest ethical standards for its employees, officers and directors, and remains committed to the interests of its stockholders. We believe we can achieve these objectives only with a plan for corporate governance that clearly defines responsibilities, sets high standards of conduct and promotes compliance with the law. The Board has adopted formal corporate governance guidelines, as well as policies and procedures designed to foster the appropriate level of corporate governance. Some of these guidelines and procedures are discussed below. For further information, including electronic versions of our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, our Audit Committee Charter, our Compensation Committee Charter, our Conflicts Committee Charter and our Nominating and Corporate Governance Committee Charter, please visit the Corporate Governance section of our website (<http://ir.blackhawknetwork.com>) located under the Investor Overview heading.

Independence of the Board of Directors

Because Safeway owns more than 50% of our outstanding voting securities, we are a controlled company within the meaning of the NASDAQ Stock Market corporate governance rules. As a controlled company, we are exempt from the rules that would otherwise require that the Board be composed of a majority of independent directors and that our compensation committee and nominating and corporate governance committee be composed entirely of independent directors. The controlled company exemption does not modify the independence requirements for the audit committee, and we have complied with the requirements of the SEC and the NASDAQ Stock Market corporate governance rules requiring that our audit committee be composed exclusively of independent directors, subject to the phase-in provisions of the applicable listing requirements and the SEC's rules, which permit up to one committee member who does not satisfy the applicable independence requirements (Mr. Edwards) for up to one year after the date of our initial public offering. We expect that Mr. Edwards will resign from the audit committee and the Board will appoint an independent director to the audit committee in compliance with applicable listing requirements and the SEC's rules no later than the one-year anniversary of our initial public offering.

On March 24, 2014, Safeway announced that its board of directors had declared a special stock dividend to Safeway's stockholders of the 37,838,709 shares of our Class B Common Stock owned by Safeway (the Spin-Off). The date of distribution by Safeway of the special stock dividend is contemplated to be April 14, 2014, and the distribution will take place in the form of a pro rata dividend of Class B Common Stock to each Safeway stockholder of record as of the close of business on April 3, 2014. Following the distribution, we will no longer be a controlled company and generally will have one year from when we cease to be a controlled company to comply with the rules that require that our compensation committee and nominating and corporate governance committee be composed entirely of independent directors.

The Board has undertaken a review of the independence of each director and considered whether any director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, the Board determined that Messrs. Gyani, Hazen, Mackenzie, Probst and Sarin, representing five of our eight directors, are independent directors as defined under the NASDAQ Stock Market corporate governance rules and in accordance with the regulations of the SEC.

There are no family relationships among any of our directors or executive officers.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics that is applicable to all of our directors, officers and employees. A copy of Blackhawk's Code of Business Conduct and Ethics is available in the Corporate Governance section of our website (<http://ir.blackhawknetwork.com>) located under the Investor Overview heading and is also available in print upon request. Any amendments or waivers of the Code of Business Conduct and Ethics

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also will be posted on our website within four business days following the amendment or waiver as required by applicable rules and regulations of the SEC and the rules of the NASDAQ Stock Market.

Information Regarding the Board of Directors and its Committees***Board Leadership; Role in Risk Oversight***

We believe that our Board and committee structure provides strong overall management of the Company. Currently, five of the eight members of the Board are independent. Mr. Tauscher currently serves as our Chairman and Chief Executive Officer. The Board recognizes that one of its key responsibilities is to evaluate and determine the optimal leadership structure of the Company so as to provide independent oversight of management. We do not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as we believe it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. The Board has determined that having the Company's Chief Executive Officer serve as Chairman of the Board is in the best interest of the Company's stockholders at this time. This structure makes the best use of the Chief Executive Officer's knowledge of the Company. The Company does not have a lead independent director at this time.

The Board as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board committees. These committees then provide reports to the full Board. The oversight responsibility of the Board and its committees is enabled by management reporting processes that are designed to provide visibility to the Board about the identification, assessment and management of critical risks and management's risk mitigation strategies. These areas of focus include strategic, operational, financial and reporting, succession and compensation, compliance and other risks. Our Board and its committees oversee risks associated with their respective areas of responsibility, as summarized below. Each committee meets in executive session with key management personnel and representatives of outside advisors as required.

Board/Committee

Full Board

Primary Areas of Risk Oversight

Strategic, financial and execution risks and exposures associated with our business strategy, product innovation and sales road map, policy matters, significant litigation and regulatory exposures, and other current matters that may present material risk to our financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures.

Audit Committee

Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, investment guidelines and credit and liquidity matters, our programs and policies relating to legal compliance and strategy, and our operational infrastructure, particularly reliability, business continuity and capacity.

Nominating and Corporate Governance Committee

Risks and exposures associated with director and management succession planning, corporate governance and overall Board effectiveness.

Compensation Committee

Risks and exposures associated with leadership assessment, executive compensation programs and arrangements, including overall incentive and equity plans.

Conflicts Committee

Risks and exposures associated with related party transactions in which Safeway is a party with an interest adverse to our interests.

Table of Contents**Board Meetings and Committees*****Committees of the Board of Directors***

The Board has established the following standing committees: an audit committee, a compensation committee, a conflicts committee and a nominating and corporate governance committee.

The following chart details the membership of each standing committee, which is current as of April 10, 2014.

Name of Director	Audit	Compensation	Conflicts	Nominating and Corporate Governance
Steven A. Burd				C
Robert L. Edwards	M	C		
Mohan Gyani	C			M
Paul Hazen		M		
Douglas J. Mackenzie			M	M
Lawrence F. Probst III	M		M	
Arun Sarin		M		

M = Member

C = Chair

Meetings of the Board of Directors, Board and Committee Member Attendance and Annual Meeting Attendance

The Board met seven times during 2013. The audit committee met seven times, the compensation committee met two times, the nominating and corporate governance committee met one time and the conflicts committee met one time during 2013. During 2013, each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he served. We are encouraging all of our directors and nominees for director to attend our annual meeting of stockholders; however, attendance is not mandatory.

Audit Committee

Our audit committee oversees the corporate accounting and financial reporting process. Among other matters, the audit committee evaluates our independent registered public accounting firm's qualifications, independence and performance, determines the engagement of the independent registered public accounting firm, reviews and approves the scope of the annual audit and the audit fees, discusses with management and our independent registered public accounting firm the results of the annual audit and the review of our quarterly consolidated financial statements, approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services, monitors the rotation of partners of the independent registered public accounting firm on the Blackhawk engagement team as required by law, reviews our critical accounting policies and estimates, oversees our internal audit function and annually reviews the audit committee charter and the committee's performance. The current members of our audit committee are Mr. Gyani, who is the chair of the committee, Mr. Edwards and Mr. Probst. All members of the audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the NASDAQ Stock Market. The Board has determined that Mr. Gyani is an audit committee financial

expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of the NASDAQ Stock Market. Mr. Gyani and Mr. Probst are independent directors as defined under the applicable rules and regulations of the SEC and the NASDAQ Stock Market. Mr. Edwards is President and Chief Executive Officer of Safeway, our parent company, and therefore is not an independent director but serves on the audit committee under the phase-in provisions described above under Corporate Governance Independence of the Board of Directors. The audit committee operates under a written charter that satisfies the applicable standards

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of the SEC and the NASDAQ Stock Market. A copy of the audit committee charter is available to stockholders on the Company's website at <http://ir.blackhawknetwork.com>.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. Among other things, the compensation committee reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, sets the compensation of these officers based on such evaluations, administers the issuance of stock options and other awards under our stock plans and annually reviews the compensation committee charter and the committee's performance. The current members of the compensation committee are Mr. Edwards, who is the chair of the committee, Mr. Hazen and Mr. Sarin. Mr. Hazen and Mr. Sarin are independent directors as defined under the applicable rules and regulations of the SEC, the NASDAQ Stock Market and Internal Revenue Code of 1986, as amended (the "Code"). We will have one year from when we cease to be a controlled company in connection with the distribution by Safeway of its shares of our Class B Common Stock to comply with the rules that require that our compensation committee be composed entirely of independent directors. During 2013, the compensation committee continued to engage Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., to assist the compensation committee with its responsibilities related to the Company's executive and board of director compensation programs. Based on information provided by Mercer and by Company management, in April 2013, the compensation committee determined that no conflict of interest exists with, or was raised during the 2013 fiscal year by the work of, Mercer, and Mercer is independent considering all of the six factors enumerated by the SEC for evaluating adviser independence. The compensation committee reviews and evaluates, at least annually, the performance of the compensation committee and its members, including compliance of the compensation committee with its charter. A copy of the compensation committee charter is available to stockholders on the Company's website at <http://ir.blackhawknetwork.com>.

Compensation Consultant Fee Disclosure

Other than advising the compensation committee, Mercer did not provide any material services to our company in 2013. Because of the policies and procedures that Mercer and the compensation committee have in place, the compensation committee is confident that the advice it receives from the individual executive compensation consultant is objective and not influenced by Mercer's or its affiliates' relationships with the Company.

Mercer's fees for executive compensation consulting to the compensation committee in fiscal year 2013 were \$74,193.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is responsible for making recommendations regarding candidates for directorships and the size and composition of the Board. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations concerning governance matters. For Board membership, the nominating and corporate governance committee takes into consideration applicable laws and regulations (including the NASDAQ Stock Market listing standards), diversity, age, skills, experience, integrity, ability to make independent analytical inquiries, understanding of the Company's business and business environment, willingness to devote adequate time and effort to Board responsibilities and other relevant factors.

The nominating and corporate governance committee will consider director candidates recommended by stockholders. Though the committee has not established a formal policy with regard to consideration of director candidates

recommended by stockholders, the Board believes that such the procedures set forth in the Company s amended and restated bylaws are currently sufficient and that the establishment of a formal policy is not necessary.

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Stockholders who wish to recommend individuals for consideration by the nominating and corporate governance committee to become nominees for election to the Board may do so by delivering, along with any updates or supplements required by the Company's amended and restated bylaws, a written recommendation, c/o the Company's Secretary, to the following address: Blackhawk Network Holdings, Inc., 6220 Stoneridge Mall Road, Pleasanton, CA 94588 not earlier than the 120th day prior to and not later than the 90th day prior to the first anniversary of the Company's annual meeting of stockholders for the preceding year; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, such recommendation shall be delivered not earlier than the 120th day prior to the Company's annual meeting and not later than the 90th day prior to such annual meeting, or, if later, the 10th day following the day on which public disclosure of the date of such annual meeting was first made. Submissions must include the required information and follow the specified procedures set forth in the Company's amended and restated bylaws. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The nominating and corporate governance committee will evaluate any director candidates that are properly recommended by stockholders in the same manner as it evaluates all other director candidates, as described above.

The nominating and corporate governance committee is composed of Messrs. Burd, Gyani and Mackenzie, with Mr. Burd serving as the chair of the committee. Potential candidates for nomination to the Board will be discussed by the committee. The Board has affirmatively determined that each of Messrs. Gyani and Mackenzie meets the definition of independent director for purposes of the NASDAQ Stock Market listing rules. We will have one year from when we cease to be a controlled company in connection with the distribution by Safeway of its shares of our Class B Common Stock to comply with the rules that require that our nominating and corporate governance committee be composed entirely of independent directors. A copy of the nominating and corporate governance committee charter is available to stockholders on the Company's website at <http://ir.blackhawknetwork.com>.

Conflicts Committee

Our conflicts committee is responsible for reviewing all of our related party transactions in which Safeway is a party with an interest adverse to our interests. Each member of the conflicts committee (a) must satisfy the audit committee independence requirements under the rules and regulations of the SEC that would be applicable to the Company, (b) must not have been an employee or director of Safeway at any time in the three years prior to his or her appointment to the conflicts committee and (c) must not have any material interest in Safeway. The current members of the conflicts committee are Mr. Mackenzie and Mr. Probst, each of whom meets the independence requirements described in the immediately preceding sentence. A copy of the conflicts committee charter is available to stockholders on the Company's website at <http://ir.blackhawknetwork.com>.

Stockholder Communications with the Board of Directors

Stockholders and other interested parties may communicate with the Board at the following address:

The Board of Directors

c/o Secretary

Blackhawk Network Holdings, Inc.

6220 Stoneridge Mall Road

Pleasanton, CA 94588

Communications are distributed to the Board or to any individual director, as appropriate, depending on the facts and circumstances outlined in the communication. 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 non-management director upon request.

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Compensation Committee Interlocks and Insider Participation

During 2013, Messrs. Edwards, Hazen and Sarin served on our compensation committee. None of the members of our compensation committee is or has at any time been one of our officers or was during fiscal year 2013 an employee.

During our last fiscal year, Mr. Tauscher, our Chairman and Chief Executive Officer, served on the board of directors of Safeway and on the executive committee of the board of Safeway. Mr. Edwards, Safeway's President and Chief Executive Officer, also served on the Board. Mr. Burd, who was Safeway's Chief Executive Officer until May 14, 2013, also served on the Board. Please see Certain Relationships and Related Party Transactions.

There are no family relationships among any of our directors or executive officers.

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation and amended and restated bylaws, provide that we will limit the liability of, and indemnify, our directors and officers and may limit the liability of, and indemnify, our employees and agents to the fullest extent permitted by the Delaware General Corporation Law, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

any breach of the director's duty of loyalty to us or to our stockholders;

acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

unlawful payment of dividends or unlawful stock repurchases or redemptions; and

any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our amended and restated certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our amended and restated bylaws, the Company also is empowered to enter into indemnification agreements with our directors, officers, employees and other agents and to purchase and maintain insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in that capacity, subject to certain exclusions and limits of the amount of coverage.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we have entered into indemnification agreements with each of our directors, officers and certain employees. These agreements provide for the indemnification of our directors, officers and certain employees for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents.

Table of Contents**PROPOSAL NO. 2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the Board has engaged Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 3, 2015 and is seeking ratification of such selection by our stockholders at the Annual Meeting. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our amended and restated bylaws nor other governing documents or law require stockholder ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm. However, the audit committee is submitting the selection of Deloitte & Touche LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the audit committee will reconsider whether or not to retain Deloitte & Touche LLP. Even if the selection is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

To be approved, the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm must receive a FOR vote from the holders of a majority in voting power of the shares of Common Stock that are present in person or represented by proxy and entitled to vote on the proposal. Abstentions and broker non-votes will be counted towards a quorum. Abstentions will have the same effect as an AGAINST vote for purposes of determining whether this matter has been approved. Broker non-votes will have no effect on the outcome of this proposal.

Principal Accountant Fees and Services

<i>Fee Category</i>	<i>Fiscal 2013 Fees</i>	<i>Fiscal 2012 Fees</i>
Audit Fees	\$ 3,006,400	\$ 2,535,100
Audit-Related Fees	42,000	2,000
Tax Fees	425,900	177,000
All Other Fees	0	0
Total Fees	\$ 3,474,300	\$ 2,714,100

Audit Fees

Audit fees represent fees billed for professional services rendered for the audit of our annual financial statements, including reviews of our quarterly financial statements, as well as audit services provided in connection with certain other regulatory filings including our 2013 filings of reports or registration statements on Form 10-K, Form 10-Q, Form S-1, Form S-8 and Form 8-K. Included in Audit Fees are \$0.8 million and \$1.5 million for services rendered in connection with our registration statements on Form S-1, related to our initial public offering, and Form S-8, comfort letter consents and other SEC-related work for 2013 and 2012, respectively.

Audit-Related Fees

Audit-related fees primarily include fees for certain consultations on various accounting and reporting matters.

Tax Fees

Tax fees include fees for services relating to tax compliance, tax planning and tax advice. These services include assistance regarding federal, state and international tax compliance and tax return preparation.

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All Other Fees

There were no other fees of Deloitte during 2013 and 2012.

Pre-Approval Policies and Procedures

The audit committee pre-approves all audit and non-audit services provided by its independent registered public accounting firm. This policy is set forth in the charter of the audit committee and available at <http://ir.blackhawknetwork.com>. The audit committee approved all audit and other services provided by Deloitte for 2013 and the estimated costs of those services. Actual amounts billed, to the extent in excess of the estimated amounts, were periodically reviewed and approved by the audit committee.

The audit committee considered whether the non-audit services rendered by Deloitte were compatible with maintaining Deloitte's independence and concluded that they were so compatible.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR

THE RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP

AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE FISCAL YEAR ENDING JANUARY 3, 2015.

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PROPOSAL NO. 3: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules.

Summary

We are asking our stockholders to provide advisory approval of the compensation of our named executive officers (which consist of our Chief Executive Officer, Chief Financial Officer and our next three highest paid executives), as such compensation is described in the Compensation Discussion & Analysis section below, the tabular disclosure regarding such compensation and the accompanying narrative disclosure set forth in this Proxy Statement, beginning on page 40. Our executive compensation programs are designed to enable us to attract, motivate and retain executive talent, who are critical to our success. These programs reward corporate and individual performance and provide long-term incentive compensation that focuses our executives efforts on building stockholder value by aligning their interests with those of our stockholders. The following summarizes some of our 2013 business highlights and the key aspects of our executive compensation program. We urge our stockholders to review the Compensation Discussion & Analysis and Summary Compensation Table sections of this proxy statement for more information.

2013 Business Highlights

In April 2013, we completed our initial public offering (the Offering) for the sale of 11,500,000 shares of our Class A Common Stock at an offering price of \$23.00 per share. All of these shares were sold by existing stockholders, and we remained a subsidiary of Safeway. In connection with the Offering, we amended our certificate of incorporation to provide for dual classes of common stock. Our previously existing common stock was re-designated as Class B Common Stock and currently has ten votes per share. Our newly-designated Class A Common Stock has one vote per share and trades on the NASDAQ Global Select Market under the symbol HAWK.

In 2013, we purchased IntelliSpend Prepaid Solutions, LLC and its subsidiaries (IntelliSpend), which broadened our distribution channels to include businesses that offer prepaid cards for their incentives and rewards programs. Our IntelliSpend business unit also sells its solutions through approximately 300 channel partners that offer a full range of incentives products in the United States and Canada.

We also expanded our international presence through our 2013 acquisition of Retailo AG and its subsidiaries, a leading third-party gift card distribution network in Germany, Austria and Switzerland.

We emphasize pay-for-performance and tie a significant amount of our named executive officers pay to our performance. We believe that a significant portion of our executives compensation should be variable, at-risk and tied to performance. Our short-term incentive plan rewards annual performance based on our compensation committee s evaluation of company and individual performance. The performance goals under our short-term incentive plan, which relate to achievement of pre-tax income and direct margin goals, are key drivers of performance in our business.

We believe that our executive compensation programs are strongly aligned with the long-term interests of our stockholders. We believe that our compensation programs strongly align our executives interests with those of our stockholders. We have used stock options as a key equity incentive vehicle because our executives are able to benefit

from stock options only if the market price of our common stock increases relative to the option's exercise price, which provides meaningful incentives to our executives to achieve increases in the value of our stock over time. As a result, stock options are an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of these awards to our future performance. In addition to linking compensation value to stockholder value, stock options generally require

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continued service over a multi-year period (typically four years) as a condition to vesting, which creates a strong retention incentive and helps ensure the continuity of our operations. For fiscal year 2014, we have further strengthened the alignment of executives with stockholders by granting performance-based equity awards to the named executive officers, which are earned only upon the achievement of specified financial performance goals.

We maintain strong governance standards and best practices for our compensation programs. Our compensation committee meets regularly to address compensation matters in a timely manner and consistently reviews our executive compensation program to ensure that it provides competitive pay opportunities to help attract and retain the highly-qualified and dedicated executive talent that is so important to our business. As part of its commitment to strong corporate governance and best practices, our compensation committee engaged and received advice on the compensation program from an independent, third-party compensation consultant and in 2014, we anticipate adopting stock ownership guidelines for our executives and directors to promote further alignment of interests with stockholders over the long-term. In addition, our compensation committee has adopted an insider trading policy.

Recommendation

As an advisory vote, this proposal will not bind our company. However, our compensation committee, which is responsible for the design and administration of our executive compensation practices, values the opinions of our stockholders, including those expressed through the vote on this proposal. The compensation committee will consider the outcome of this vote in making future compensation decisions for our named executive officers.

Accordingly, we are presenting the following say-on-pay resolution for vote at the 2014 Annual Meeting of Stockholders:

RESOLVED, that the stockholders of Blackhawk Network Holdings, Inc. approve, on an advisory basis, the compensation of Blackhawk's named executive officers as described in the Compensation Discussion & Analysis and disclosed in the Summary Compensation Table and related compensation tables and narrative disclosure as set forth in this proxy statement.

The Board of Directors unanimously recommends that you vote **FOR** the approval, on an advisory basis, of our executive compensation program as presented in this proxy statement.

The affirmative vote of the holders of a majority in voting power of the shares of Common Stock that are present in person or by proxy and entitled to vote thereon at the Annual Meeting, provided a quorum is present, is required for approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this proxy statement. Abstentions and broker non-votes will be counted towards a quorum. Abstentions will have the same effect as an **AGAINST** vote for purposes of determining whether this matter has been approved. Broker non-votes will have no effect on the outcome of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR

THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF

OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN

**THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION
TABLES AND THE RELATED NARRATIVE DISCLOSURE.**

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PROPOSAL NO. 4: ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION PROGRAM

Background

The Dodd-Frank Act also enables our stockholders to indicate how frequently they believe we should seek an advisory vote on the compensation of our named executive officers. We are seeking an advisory, non-binding determination from our stockholders as to the frequency with which stockholders would like to have an opportunity to provide an advisory approval of our executive compensation program. We are providing stockholders the option of selecting a frequency of every one, two or three years, or abstaining. For the reasons described below, we recommend that our stockholders select a frequency of three years, or a triennial vote.

Our executive compensation programs are designed to support long-term value creation. A triennial vote will allow stockholders to better judge our compensation programs in relation to our long-term performance.

A triennial vote will provide our compensation committee and our Board sufficient time to thoughtfully evaluate the results of the most recent advisory vote on executive compensation, to discuss the implications of the vote with our stockholders and to develop and implement any changes to our executive compensation programs that may be appropriate in light of the vote. Less frequent say-on-pay votes will improve the ability of institutional stockholders to exercise their voting rights in a more deliberate, thoughtful and informed way that is in the best interests of stockholders, and is less burdensome to such stockholders than a more frequent vote.

A triennial vote will allow for any changes to our executive compensation programs to be in place long enough for stockholders to see and evaluate the effectiveness of these changes.

We have in the past been, and will in the future continue to be, engaged with our stockholders on a number of topics and in a number of forums. Thus, we view the advisory vote on executive compensation as an additional, but not exclusive, opportunity for our stockholders to communicate with us regarding their views on our executive compensation programs.

Recommendation

Based on the factors discussed above, our Board recommends that future say-on-pay votes occur every three years until the next frequency vote. Stockholders are not being asked to approve or disapprove the Board's recommendation, but rather to indicate their choice among the following say-on-pay frequency options: every one year, every two years or every three years, or to abstain from voting.

The Board of Directors unanimously recommends that you vote for every **THREE YEARS** as the frequency for the presentation of an advisory vote on our executive compensation programs.

The affirmative vote of the holders of a majority in voting power of the shares that are present in person or by proxy and entitled to vote thereon at the Annual Meeting, provided a quorum is present, is required for the approval of the vote regarding the frequency of an advisory vote on the compensation of our named executive officers. Abstentions

and broker non-votes will be counted towards a quorum. Abstentions will have the same effect as an **AGAINST** vote for purposes of determining whether this matter has been approved. Broker non-votes will have no effect on the outcome of this proposal. With respect to this proposal, if none of the frequency alternatives (one year, two years or three years) receives a majority vote, we will consider the frequency that receives the highest number of votes by stockholders to be the frequency that has been selected by our stockholders.

This vote is advisory, and therefore not binding on our company, our compensation committee or our Board. Although the vote is non-binding, our Board values the opinions of our stockholders and will take into account the outcome of the vote when considering how frequently we should conduct a say-on-pay vote going forward. However, because this vote is advisory and not binding on our company or our Board, our Board may decide that

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it is in our company's and our stockholders' best interests to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR

THE OPTION OF THREE YEARS FOR FUTURE ADVISORY VOTES

TO APPROVE EXECUTIVE COMPENSATION PROGRAM.

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PROPOSAL NO. 5: APPROVAL OF THE 2013 EQUITY INCENTIVE AWARD PLAN

Introduction

We are asking our stockholders to approve the Blackhawk Network Holdings, Inc. 2013 Equity Incentive Award Plan (the 2013 Plan), to satisfy the stockholder approval requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)). A copy of the 2013 Plan is attached hereto as Appendix A.

In general, Section 162(m) places a limit on the deductibility for federal income tax purposes of the compensation paid to our Chief Executive Officer or any of our three other most highly compensated executive officers (other than our Chief Financial Officer) (covered employees). Under Section 162(m), compensation paid to such persons in excess of \$1 million in a taxable year generally is not deductible. However, compensation that qualifies as performance-based under Section 162(m) does not count against the \$1 million deduction limitation. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by our public stockholders. For purposes of Section 162(m), the material terms include (a) the employees eligible to receive compensation, (b) a description of the business criteria on which the performance goals may be based and (c) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects of the 2013 Plan is discussed below, and stockholder approval of this Proposal 5 will be deemed to constitute approval of the material terms of the performance goals under the 2013 Plan for purposes of the stockholder approval requirements of Section 162(m).

Stockholder approval of the material terms of the performance goals under the 2013 Plan is only one of several requirements under Section 162(m) that must be satisfied for amounts paid under the 2013 Plan to qualify for the performance-based compensation exemption under Section 162(m), and submission of the material terms of the 2013 Plan s performance goals for stockholder approval should not be viewed as a guarantee that we will be able to deduct any or all compensation under the 2013 Plan. Nothing in this proposal precludes us or our compensation committee from making any payment or granting awards that are not intended to qualify for tax deductibility under Section 162(m).

If our stockholders do not approve the 2013 Plan pursuant to this Proposal 5, we will not make any further grants under the 2013 Plan to Section 162(m) covered employees or pay any compensation under the 2013 Plan to Section 162(m) covered employees (other than pursuant to awards granted prior to the date of our Annual Meeting). The 2013 Plan will, however, remain in effect with respect to individuals other than covered employees and we may continue to grant performance-vesting and other equity awards under the 2013 Plan to such individuals, subject to the terms and conditions of the 2013 Plan. In addition, all previously granted awards will continue to be subject to the 2013 Plan.

As of March 28, 2014, the number of shares remaining available for issuance pursuant to awards granted under the 2013 Plan was approximately 1,945,000 and the closing sale price of our common stock on that date was \$25.63.

Highlights of 2013 Plan

The 2013 Plan authorizes the compensation committee of our Board (or, if our Board determines, another committee of our Board) to provide equity-based compensation for the purpose of providing the Company s directors, officers, employees and consultants equity compensation, incentives and rewards for superior performance. Some of the key features of the 2013 Plan that reflect our commitment to effective management of incentive compensation are as follows:

No Repricing or Replacement of Options or Stock Appreciation Rights. The 2013 Plan prohibits, without stockholder approval: (i) the amendment of options or stock appreciation rights to reduce the

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exercise price and (ii) the replacement of an option or stock appreciation right with cash or any other award when the price per share of the option or stock appreciation right exceeds the fair market value of underlying shares.

No In-the-Money Option or Stock Appreciation Right Grants. The 2013 Plan prohibits the grant of options or stock appreciation rights with an exercise or base price less than the fair market value of our common stock, generally the closing price of our common stock, on the date of grant.

No Liberal Share-Counting . The following shares are not be added back to the 2013 Plan's share limit: (i) shares tendered or withheld to cover any exercise price or tax withholding; (ii) shares subject to stock appreciation rights that are not issued when the stock appreciation right is stock-settled; (iii) shares purchased on the open market with cash proceeds from the exercise of an option.

Section 162(m) Qualification. The 2013 Plan is designed to allow awards under the 2013 Plan, including incentive bonuses, to qualify as performance-based compensation under Section 162(m) of the Code.

Material Terms of the 2013 Plan

The material terms of the 2013 Plan are summarized below. This description is qualified in its entirety by reference to the 2013 Plan attached hereto as Appendix A.

Eligibility and Administration. Awards under the 2013 Plan may be granted to individuals who are then our officers, employees or consultants or are the officers, employees or consultants of certain of our affiliates. Such awards also may be granted to our directors. Only employees of our company or certain of our subsidiaries may be granted incentive stock options, or ISOs. Currently, there are approximately 1,350 employees, 6 non-employee directors and 0 consultants eligible to participate in the 2013 Plan.

The 2013 Plan is administered by our board of directors with respect to awards to non-employee directors and by our compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers, subject to certain limitations that may be imposed under Section 162(m), Section 16 of the Exchange Act and/or stock exchange rules, as applicable. We refer to the body that administers the 2013 Plan as the administrator. The 2013 Plan provides that the administrator may delegate its authority to grant or amend awards to employees other than executive officers and certain senior executives of the company to a committee consisting of one or more members of our board of directors or one or more of our officers, other than awards made to our non-employee directors, which must be approved by our full board of directors. Our board of directors may at any time remove the compensation committee as the administrator and reconstitute itself the authority to administer the 2013 Plan.

Subject to the terms and conditions of the 2013 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and to determine the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2013 Plan. The administrator is also authorized to establish, adopt or revise rules relating to administration of the 2013 Plan.

Limitation on Awards and Shares Available. Under the 2013 Plan, 3,000,000 shares of our Class A Common Stock were initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options,

stock appreciation rights, (SARs), restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards, performance awards, performance share awards and other incentive awards, plus the number of shares remaining available for future awards under our Second Amended and Restated 2006 Restricted Stock and Restricted Stock Unit Plan (the 2006 Plan) and our Amended and Restated 2007 Stock Option and Stock Appreciation Right Plan (the 2007 Plan) as of the completion of our initial public offering in April 2013. The number of shares reserved for issuance or transfer

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pursuant to awards under the 2013 Plan will be increased by the number of shares represented by awards outstanding under our 2006 Plan or 2007 Plan that are terminated, expire or lapse on or after the effective date and are not issued under the 2006 Plan or 2007 Plan; any such shares will be added to the 2013 Plan's share limit as Class A Common Stock.

The following counting provisions will be in effect for the share reserve under the 2013 Plan:

to the extent that an award is forfeited or expires or an award is settled in cash without the delivery of shares, any shares subject to the award at such time will be available for future grants under the 2013 Plan;

to the extent shares are tendered or withheld to satisfy the exercise price or tax withholding obligation with respect to any award under the 2013 Plan, such tendered or withheld shares will not be available for future grants under the 2013 Plan;

to the extent that shares of our Class A Common Stock are repurchased by us prior to vesting so that shares are returned to us, such shares will be available for future grants under the 2013 Plan;

shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the SAR on its exercise will not be available for future grants under the 2013 Plan;

shares purchased on the open market with the cash proceeds from the exercise of options will not be available for future grants under the 2013 Plan;

the payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2013 Plan;

awards granted under the 2013 Plan pursuant to a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares available for grant under the 2013 Plan; and

to the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any affiliate will not be counted against the shares available for issuance under the 2013 Plan.

In addition, the maximum number of shares of our common stock that may be subject to one or more awards granted to any one participant pursuant to the 2013 Plan during any calendar year is 1,000,000 and the maximum amount that may be paid under a cash award pursuant to the 2013 Plan to any one participant during any calendar year is \$2,000,000.

Awards. The 2013 Plan provides that the administrator may grant or issue stock options, SARs, restricted stock, restricted stock units, deferred stock, dividend equivalents, performance awards, performance share awards, stock payments and other incentive awards, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

Nonstatutory Stock Options, or NSOs, will provide for the right to purchase shares of our Class A Common Stock at a specified price which may not be less than fair market value on the date of grant (except with respect to substitute awards), and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NSOs may be granted for any term specified by the administrator that does not exceed ten years.

Incentive Stock Options, or ISOs, will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of

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common stock on the date of grant (except with respect to substitute awards), may only be granted to employees, and must not be exercisable after a period of ten years measured from the date of grant. In the case of an ISO granted to certain significant stockholders, the 2013 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.

Restricted Stock may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock typically may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, generally will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse; however, extraordinary dividends generally will not be released until restrictions are removed or expire.

Restricted Stock Units may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, restricted stock units may not be sold, or otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, stock underlying restricted stock units will not be issued until the restricted stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

Deferred Stock Awards represent the right to receive shares of our Class A Common Stock on a future date. Deferred stock may not be sold or otherwise hypothecated or transferred until issued. Deferred stock will not be issued until the deferred stock award has vested, and recipients of deferred stock generally will have no voting or dividend rights prior to the time when the vesting conditions are satisfied and the shares are issued. Deferred stock awards generally will be forfeited, and the underlying shares of deferred stock will not be issued, if the applicable vesting conditions and other restrictions are not met.

Stock Appreciation Rights may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. Except with respect to substitute awards, the exercise price of any SAR granted under the 2013 Plan must be at least 100% of the fair market value of a share of our Class A Common Stock on the date of grant. SARs under the 2013 Plan will be settled in cash or shares of our Class A Common Stock, or in a combination of both, at the election of the administrator.

Dividend Equivalents represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the award. Dividend equivalents may be settled in cash or shares and at such times as determined by the compensation committee or board of directors, as applicable.

Stock Payments may be authorized by the administrator in the form of Class A Common Stock or an option or other right to purchase Class A Common Stock as part of a deferred compensation or other arrangement in lieu of all or any part of compensation, including bonuses, that would otherwise be payable in cash to the employee, consultant or non-employee director.

Performance Shares are contractual rights to receive a range of shares of our Class A common stock, or a number of shares of our Class A common stock in cash, in the future based on the attainment of specified performance goals, in addition to other conditions that may apply to these awards.

Other Incentive Awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from shares of our Class A Common Stock or value metrics related to our shares of Class A common stock, and may remain forfeitable unless and until specified conditions are met.

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Performance Awards. Performance awards include any of the awards that are granted subject to vesting and/or payment based on the attainment of specified performance goals. The administrator will determine whether performance awards are intended to constitute qualified performance-based compensation, or QPBC, within the meaning of Section 162(m), in which case the applicable performance criteria will be selected from the list below in accordance with the requirements of Section 162(m).

Section 162(m) imposes a \$1,000,000 cap on the compensation deduction that we may take in respect of compensation paid to our covered employees (which should include our Chief Executive Officer and our next three most highly compensated employees other than our Chief Financial Officer), but excludes from the calculation of amounts subject to this limitation any amounts that constitute QPBC. However, QPBC performance criteria may be used with respect to performance awards that are not intended to constitute QPBC.

In order to constitute QPBC under Section 162(m), in addition to certain other requirements, the relevant amounts must be payable only upon the attainment of pre-established, objective performance goals set by our compensation committee and linked to stockholder-approved performance criteria. For purposes of the 2013 Plan, one or more of the following performance criteria will be used in setting performance goals applicable to QPBC and may be used in setting performance goals applicable to other performance awards: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation, (D) amortization and (E) non-cash equity-based compensation expense); (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit; (vi) cash flow (including, but not limited to, operating cash flow and free cash flow); (vii) return on assets; (viii) return on capital; (ix) return on stockholders' equity; (x) total stockholder return; (xi) return on sales; (xii) gross or net profit or operating margin; (xiii) costs; (xiv) funds from operations; (xv) expenses; (xvi) working capital; (xvii) earnings per share; (xviii) adjusted earnings per share; (xix) price per share; (xx) regulatory body approval for commercialization of a product; (xxi) implementation or completion of critical projects; (xxii) market share; (xxiii) economic value; (xxiv) debt levels or reduction; (xxv) customer retention; (xxvi) sales-related goals; (xxvii) comparisons with other stock market indices; (xxviii) operating efficiency; (xxix) customer satisfaction and/or growth; (xxx) employee satisfaction; (xxxii) research and development achievements; (xxxiii) financing and other capital raising transactions; (xxxiv) recruiting and maintaining personnel; and (xxxv) year-end cash, any of which may be measured either in absolute terms for us or any operating unit of our company or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

The 2013 Plan also permits the administrator to provide for objectively determinable adjustments to the applicable performance criteria in setting performance goals for QPBC awards. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the performance period; (vii) items related to the sale or disposition of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the performance period; (x) any other items of significant income or expense that are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments; (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xix) items relating to any other unusual or nonrecurring events or changes in applicable law, accounting principles or business conditions.

Certain Transactions. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of our assets to stockholders (other than normal cash

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dividends) or any other corporate event affecting the number of outstanding shares of our Class A Common Stock or the share price of our common stock that would require adjustments to the 2013 Plan or any awards under the 2013 Plan in order to prevent the dilution or enlargement of the potential benefits intended to be made available thereunder, the administrator will make equitable adjustments to:

the aggregate number and type of shares subject to the 2013 Plan;

the number and kind of shares subject to outstanding awards and terms and conditions of outstanding awards (including, without limitation, any applicable performance targets or criteria with respect to such awards); and

the grant or exercise price per share of any outstanding awards under the 2013 Plan.

In the event of a change in control where the acquirer does not assume or substitute awards granted, immediately prior to the completion of such transaction, awards issued under the 2013 Plan will be subject to accelerated vesting such that 100% of such awards will become vested and exercisable or payable, as applicable. In addition, the administrator will also have complete discretion to structure one or more awards under the 2013 Plan to provide that such awards will become vested and exercisable or payable on an accelerated basis. The administrator may also make appropriate adjustments to awards under the 2013 Plan and is authorized to provide for the acceleration, cash-out, termination, assumption, substitution or conversion of such awards in the event of a change in control or certain other unusual or nonrecurring events or transactions.

Foreign Participants, Transferability and Participant Payments. The administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits and the individual award limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. All awards will be subject to the provisions of any claw-back policy implemented by our company to the extent set forth in such claw-back policy and/or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2013 Plan are generally non-transferable prior to vesting and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2013 Plan, the administrator may, in its discretion, accept cash or check, shares of our common stock that meet specified conditions, a market sell order or such other consideration as it deems suitable.

Plan Amendment and Termination. Our board or the compensation committee (with board approval) may terminate, amend or modify the 2013 Plan at any time and from time to time. However, we must generally obtain stockholder approval:

to increase the number of shares available under the 2013 Plan (other than in connection with certain corporate events, as described above); or

to reprice any stock option or SAR, or cancel any stock option or SAR in exchange for cash or another award when the option or SAR price per share exceeds the fair market value of the underlying share.

Our board may terminate the 2013 Plan at any time. No incentive stock options may be granted pursuant to the 2013 Plan after the tenth anniversary of the effective date of the 2013 Plan. Any award that is outstanding on the termination date of the 2013 Plan will remain in force according to the terms of the 2013 Plan and the applicable award agreement.

Table of Contents**New Plan Benefits**

Except with respect to grants of restricted shares that will be awarded to non-employee directors serving on our board of directors on the date of this Annual Meeting, which are shown in the table below, the number of awards that our named executive officers, directors, other executive officers and other employees may receive under the 2013 Plan will be determined in the discretion of our compensation committee in the future, and our compensation committee has not made any determination to make future grants to any persons under the 2013 Plan as of the date of this Proxy Statement. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the 2013 Plan or the benefits that would have been received by such participants if the 2013 Plan had been in effect in the year ended December 28, 2013.

Name and Position	Dollar Value of Restricted Shares (\$)	Grants of Restricted Shares (#)
William Y. Tauscher, Chairman and Chief Executive Officer	0	0
Talbott Roche, President	0	0
Jerry Ulrich, Chief Financial Officer and Chief Administrative Officer	0	0
David C. Tate, Senior Vice President, Products and Marketing	0	0
David E. Durant, Secretary and General Counsel	0	0
Executive Group	0	0
Non-Executive Director Group (1)	500,625	22,500
Non-Executive Officer Employee Group	0	0

- (1) Pursuant to our director compensation program, each non-employee director serving on our board of directors (i.e., excluding Messrs. Tauscher and Edwards) will receive an annual award of 3,750 restricted shares, that will vest in full on the earlier to occur of the one year anniversary of the grant date and the date of the annual meeting of our stockholders immediately following the grant date, subject to continued service through the applicable vesting date.

Table of Contents**Awards to Certain Persons Granted as of March 28, 2014**

The table below sets forth summary information concerning the number of shares of our common stock subject to stock options, restricted stock units, restricted stock awards, and performance share awards granted to certain persons under the 2013 Plan as of March 28, 2014. Stock options granted under the 2013 Plan to employees typically have a maximum term of seven years. The exercise price of all such stock options may not be less than 100% of the fair market value of the underlying share on the date of grant. Certain awards set forth in this table for the named executive officers were granted in 2013 and therefore also are included in the Summary Compensation Table and in the Grants of Plan-Based Awards Table set forth in this Proxy Statement and are not additional awards. Certain awards set forth in this table for the non-employee directors were granted in 2013 and therefore also are included in the Director Compensation Table set forth in this Proxy Statement and are not additional awards.

Name and Position	Stock Option Grants (#)	Weighted Average Exercise Price (\$)	Restricted Stock Awards (#)	RSUs (#)	Performance Share Awards (Target #)
William Y. Tauscher, Chief Executive Officer and Chairman of the Board	115,500	\$ 26.73	0	35,050	35,050
Talbott Roche, President	69,100	\$ 26.73	0	21,000	21,000
Jerry Ulrich, Chief Financial Officer and Chief Administrative Officer	34,400	\$ 26.73	0	10,450	10,450
David C. Tate, Senior Vice President, Products and Marketing	27,500	\$ 26.73	15,000	7,950	7,950
David E. Durant, Secretary and General Counsel	21,300	\$ 26.73	0	6,500	6,500
All current executive officers as a group (5 persons)	267,850	\$ 26.73	15,000	80,950	80,950
All current non-employee directors as a group (7 persons)	0	\$ 0.00	22,500	0	0
Douglas J. Mackenzie	0	\$ 0.00	3,750	0	0
Lawrence F. Probst III	0	\$ 0.00	3,750	0	0
Each associate of any such directors, executive officers or nominees	0	\$ 0.00	0	0	0
Each other person who received or is to receive 5 percent of such options or rights	0	\$ 0.00	0	0	0
All employees, including all current officers who are not executive officers, as a group	287,661	\$ 27.29	122,110	779,110	113,550

Material U.S. Federal Income Tax Consequences

The following is a general summary under current law of the principal United States federal income tax consequences related to awards under the 2013 Plan. This summary deals with the general federal income tax principles that apply and is provided only for general information. Some kinds of taxes, such as state, local and foreign income taxes and federal employment taxes, are not discussed. This summary is not intended as tax advice to participants, who should consult their own tax advisors.

Non-Qualified Stock Options. If an optionee is granted a non-qualified stock option under the 2013 Plan, the optionee should not have taxable income on the grant of the option. Generally, the optionee should recognize ordinary income

at the time of exercise in an amount equal to the fair market value of the shares acquired on the date of exercise, less the exercise price paid for the shares. The optionee's basis in the common stock for purposes of determining gain or loss on a subsequent sale or disposition of such shares generally will be the fair market value of our common stock on the date the optionee exercises such option. Any subsequent gain or loss will be taxable as a long-term or short-term capital gain or loss, depending on the duration for which the shares are held. We or our subsidiaries or affiliates generally should be entitled to a federal income tax deduction at the time and for the same amount as the optionee recognizes ordinary income.

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Incentive Stock Options. A participant receiving ISOs should not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant should not recognize taxable income at the time of exercise. However, the excess of the fair market value of the shares of our common stock received over the option exercise price is an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an ISO is held for a minimum of two years from the date of the ISO grant and one year from the date of exercise and otherwise satisfies the ISO requirements, the gain or loss (in an amount equal to the difference between the fair market value on the date of disposition and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and we will not be entitled to any deduction. If the holding period requirements are not met, the ISO will be treated as one that does not meet the requirements of the Code for ISOs and the participant will recognize ordinary income at the time of the disposition equal to the excess of the amount realized over the exercise price, but not more than the excess of the fair market value of the shares on the date the ISO is exercised over the exercise price, with any remaining gain or loss being treated as capital gain or capital loss. We are not entitled to a tax deduction upon either the exercise of an ISO or upon disposition of the shares acquired pursuant to such exercise, except to the extent that the participant recognizes ordinary income on disposition of the shares.

Other Awards. The current federal income tax consequences of other awards authorized under the 2013 Plan generally follow certain basic patterns: stock appreciation rights (SARs) are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); restricted stock units, stock-based performance awards and other types of awards are generally subject to income tax at the time of share delivery or other payment based on the fair market value of the share or other payment delivered on that date. Compensation that is effectively deferred will generally be subject to income taxation when paid, but will typically be subject to employment taxes in any earlier year in which vesting occurs. In each of the foregoing cases, we will generally have a corresponding deduction at the time the participant recognizes income, subject to the limitations imposed by Section 162(m) with respect to covered employees.

Section 162(m) of the Code

Section 162(m) denies a deduction to any publicly held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1,000,000. It is possible that compensation attributable to awards under the 2013 Plan, whether alone or combined with other types of compensation received by a covered employee from us, may cause this limitation to be exceeded in any particular year.

The Section 162(m) deduction limitation does not apply to qualified performance-based compensation. In order to qualify for the exemption for qualified performance-based compensation, Section 162(m) requires that: (i) the compensation be paid solely upon account of the attainment of one or more pre-established objective performance goals, (ii) the performance goals must be established by a compensation committee comprised of two or more outside directors, (iii) the material terms of the performance goals under which the compensation is to be paid must be disclosed to and approved by the stockholders and (iv) a compensation committee of outside directors must certify that the performance goals have indeed been met prior to payment.

Section 162(m) contains a special rule for stock options and SARs which provides that stock options and SARs will satisfy the qualified performance-based compensation exemption if (i) the awards are made by a qualifying compensation committee, (ii) the plan sets the maximum number of shares that can be granted to any person within a specified period, and (iii) the compensation is based solely on an increase in the stock price after the grant date.

The 2013 Plan has been designed to permit the compensation committee to grant stock options and other awards that will qualify as qualified performance-based compensation. If the 2013 Plan is approved by our

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stockholders, the compensation committee may, but is not obligated to, grant awards under the 2013 Plan that constitute qualified performance based compensation under Section 162(m). If stockholders do not approve the proposal in this Proposal No. 5, we will not make any further grants under the 2013 Plan to Section 162(m) covered employees or pay any compensation under the 2013 Plan to Section 162(m) covered employees (other than pursuant to awards granted prior to the date of our Annual Meeting).

Section 409A of the Code

Certain types of awards under the 2013 Plan may constitute, or provide for, a deferral of compensation subject to Section 409A of the Code. Unless certain requirements set forth in Section 409A of the Code are satisfied, holders of such awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% penalty tax (and, potentially, certain interest penalties and additional state taxes). To the extent applicable, the 2013 Plan and awards granted under the 2013 Plan are intended to be structured and interpreted in a manner intended to either comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance that may be issued under Section 409A of the Code. To the extent determined necessary or appropriate by the plan administrator, the 2013 Plan and applicable award agreements may be amended to further comply with Section 409A of the Code or to exempt the applicable awards from Section 409A of the Code.

Recommendation

The Board of Directors unanimously recommends that you vote **FOR** the approval of our 2013 Equity Incentive Award Plan.

The affirmative vote of the holders of a majority in voting power of the shares that are present in person or by proxy and entitled to vote thereon at the Annual Meeting, provided a quorum is present, is required for the approval of the equity incentive plan proposal. Abstentions and broker non-votes will be counted towards a quorum. Abstentions will have the same effect as an **AGAINST** vote for purposes of determining whether this matter has been approved. Broker non-votes will have no effect on the outcome of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR

THE APPROVAL OF THE 2013 EQUITY INCENTIVE AWARD PLAN.

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The following table sets forth certain information regarding the beneficial ownership of our outstanding Common Stock as of March 28, 2014 by (i) each person or group of affiliated persons known to us to be the beneficial owner of more than 5% of our Common Stock, (ii) each named executive officer and each director and (iii) all of our executive officers and directors as a group. Unless otherwise indicated in the table below, the address of each beneficial owner listed in the table is c/o Blackhawk Network Holdings, Inc., 6220 Stoneridge Mall Road, Pleasanton, California 94588.

	Class A Common Stock		Class B Common Stock		
	Number of Shares Beneficially Owned (1)	% of Class A Common Stock (1)	Number of Shares Beneficially Owned (1)(2)	% of Class B Common Stock (1)	% of Total Voting Power
5% Stockholders:					
Safeway Inc. (3) 5918 Stoneridge Mall Rd. Pleasanton, CA 94588	10,592	*	37,838,709	94.46%	91.59%
Columbia Wanger Asset Management, LLC (4) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	2,181,500	17.41%	0		*
Lazard Asset Management LLC (5) 30 Rockefeller Plaza New York, New York 10112	1,115,109	8.90%	0		*
First Investors Management Company, Inc. (6) 40 Wall Street, 10 th Floor New York, NY 10005	963,475	7.69%	0		*
Capital World Investors (7) 333 South Hope Street Los Angeles, CA 90071	921,500	7.35%	0		*
Named Executive Officers and Directors:					
William Y. Tauscher (8).	0		615,625	1.51%	1.49%
Talbot Roche (9)	1,000	*	220,737	*	*
Jerry N. Ulrich (10)	0	*	162,000	*	*
David C. Tate (11)	15,000	*	12,746	*	*
David E. Durant (12)	1,000	*	25,344	*	*
Steven A. Burd (13)	3,750	*	250,000	*	*
Robert L. Edwards (14)	10,592	*	37,922,209	94.66%	91.80%
Mohan Gyani (15)	3,750	*	50,000	*	*
Paul Hazen (16)	3,750	*	50,000	*	*
Douglas J. Mackenzie (17)	3,750	*	50,000	*	*
Lawrence F. Probst III (18)	3,750	*	50,000	*	*

Arun Sarin (19)	3,750	*	40,000	*	*
All Executive Officers and Directors as a Group (13 persons) (20)	50,092	*	39,463,286	95.85%	95.54%

* Represents beneficial ownership of less than 1%.

- (1) We have determined beneficial ownership in accordance with the rules of the SEC. In computing the number of shares of Class A Common Stock or Class B Common Stock beneficially owned by a person, entity or group and the corresponding voting percentage ownership of that person, entity or group, shares of Common Stock underlying options and warrants that are held by that person, entity or group and that are currently exercisable or exercisable within 60 days of March 28, 2014 are considered to be outstanding. We did not deem these shares to be outstanding, however, for the purpose of computing the percentage

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- ownership of any other person, entity or group. Except as indicated below, we believe, based on the information furnished to us, that the persons and entities named in this table have sole voting and investment power with respect to all shares of Common Stock that they beneficially own, subject to applicable community property laws where applicable.
- (2) Beneficial ownership as reported in the table excludes shares of Common Stock that may be issued upon the exercise of stock appreciation rights (SARs) that are exercisable within 60 days of November 2, 2013. The number of shares that will be received upon exercise of such SARs is not currently determinable and therefore is not included in the table above because each SAR gives the holder the right to receive the excess of the market price of one share of stock at the exercise date over the exercise price, which is not determinable until the date of exercise.
 - (3) Based upon a Schedule 13G filed with the SEC on February 12, 2014 by Safeway Inc. (Safeway). Safeway reports having sole voting power over 10,592 shares of Class A Common Stock and 37,838,709 shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock and sole dispositive power over 10,592 shares of Class A Common Stock and 37,838,709 shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock.
 - (4) Based upon a Schedule 13G/A filed with the SEC on February 6, 2014 by Columbia Wanger Asset Management, LLC (CWAM), a registered investment adviser, and Columbia Acorn Fund, a registered investment company. These securities are owned by various investors, including Columbia Acorn Fund, which owns 900,000 shares of Class A Common Stock, representing 7.7% of the shares of Class A Common Stock outstanding. As the investment adviser of Columbia Acorn Fund and various other investment companies and managed accounts, CWAM may be deemed to beneficially own the shares. CWAM reports having sole voting power over 1,950,500 shares of Class A Common Stock and sole dispositive power over 2,181,500 shares of Class A Common Stock; however, CWAM disclaims beneficial ownership of any such shares.
 - (5) Based upon a Schedule 13G filed with the SEC on February 14, 2014 by Lazard Asset Management LLC (Lazard). Lazard reports having sole voting power over 726,374 shares of Class A Common Stock and sole dispositive power over 1,115,109 shares of Class A Common Stock.
 - (6) Based upon a Schedule 13G filed with the SEC on February 12, 2014 by First Investors Management Company, Inc. (First Management). First Management reports having sole voting power and sole dispositive power over 963,475 shares of Class A Common Stock.
 - (7) Based upon a Schedule 13G filed with the SEC on February 13, 2014 by Capital World Investors, a division of Capital Research and Management Company (CRMC). CRMC reports having sole voting power and sole dispositive power over 921,500 shares of Class A Common Stock.
 - (8) Consists of 615,625 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
 - (9) Consists of (i) 1,000 shares of Class A Common Stock held by Talbott Roche, (ii) 95,787 shares of Class B Common Stock held by Talbott Roche, (iii) 6,000 shares of restricted Class B Common Stock that are currently unvested and subject to the Company's repurchase option and (iv) 118,950 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
 - (10) Consists of (i) 45,525 shares of Class B Common Stock held by The Ulrich Family Trust Dated November 1, 1996 as Amended and Restated in 2011, (ii) 30,725 shares of Class B Common Stock held by Jerry Ulrich, (iii) 6,000 shares of restricted Class B Common Stock that are currently unvested and subject to the Company's repurchase option and (iv) 79,750 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
 - (11) Consists of (i) 2,371 shares of Class B Common Stock held by David C. Tate, (ii) 2,500 restricted Class B Common Stock that are currently unvested and subject to the Company's repurchase option, (iv) 15,000 shares of Class A Common Stock that are currently unvested and subject to the Company's repurchase option, and (iv) 7,875 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.

(12) Consists of (i) 1,000 shares of Class A Common Stock held by David E. Durant, (ii) 4,419 shares of Class B Common Stock held by David E. Durant, (iii) 1,000 shares of restricted Class B Common Stock that are

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- currently unvested and subject to the Company's repurchase option and (iv) 19,925 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (13) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option, (ii) 50,000 shares of Class B Common Stock held by Steven A. Burd, (iii) 100,000 shares of Class B Common Stock held by the Christopher Dell Burd 1995 Trust and (iv) 100,000 shares of Class B Common Stock held by the Jason Carl Burd 1995 Trust
- (14) Consists of (i) 83,500 shares of Class B Common Stock held by Mr. Edwards, (ii) 10,592 shares of Class A Common Stock held by Safeway Inc. and (iii) 37,838,709 shares of Class B Common Stock held by Safeway Inc. Mr. Edwards is the President, Chief Executive Officer and a member of the board of directors of Safeway and may be deemed to be the beneficial owner of the shares of Class A Common Stock and Class B Common Stock held by Safeway. Mr. Edwards disclaims beneficial ownership of the Class A Common Stock and Class B Common Stock held by Safeway, except to the extent of his pecuniary interest therein.
- (15) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option and (ii) 50,000 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (16) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option and (ii) 50,000 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (17) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option and (ii) 50,000 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (18) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option and (ii) 50,000 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (19) Consists of (i) 3,750 shares of restricted Class A Common Stock that are currently unvested and subject to the Company's repurchase option and (ii) 40,000 shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.
- (20) Includes shares of Class B Common Stock that may be acquired pursuant to the exercise of stock options within 60 days of March 28, 2014.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 28, 2013, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with the exceptions noted below.

A Form 4 filed by Talbott Roche, our President to report the purchase of 1,000 shares of Class A Common Stock in the Company's Reserved Share Program in connection with our initial public offering was inadvertently overlooked and was filed late;

A Form 4 filed by David Durant, our Group Vice President, Secretary and General Counsel to report the purchase of 1,000 shares of Class A Common Stock in the Company's Reserved Share Program in connection with our initial public offering was inadvertently overlooked and was filed late;

A Form 4 filed by Daniel Dmochowski, our former President, International to report the purchase of 1,000 shares of Class A Common Stock in the Company's Reserved Share Program in connection with our initial public offering was inadvertently overlooked and was filed late; and

A Form 4 filed by Safeway was inadvertently overlooked and was filed late due to a clerical oversight.

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COMPENSATION OF DIRECTORS

Director Compensation

In connection with our initial public offering, the Board approved a compensation plan, which we refer to as the Non-Employee Director Program for our non-employee directors who are not employed by our Company or by our parent, Safeway Inc., whom we refer to as eligible directors. The Non-Employee Director Program, which governed 2013 post-initial public offering compensation for our eligible directors, consists of annual retainer fees and long-term equity awards. Under the Non-Employee Director Program eligible directors are entitled to receive a combination of cash and equity-based compensation, as described below.

Annual Retainer

Effective upon our initial public offering, each eligible director is entitled to receive an annual cash retainer of \$50,000. In addition the committee chairpersons receive the following annual cash retainers (as applicable):

Audit committee chair: \$15,000

Compensation committee chair: \$10,000

Nominating and corporate governance committee chair: \$5,000

In addition, each chair and non-chair committee member receives the following annual cash retainers (as applicable):

Audit committee member: \$10,000

Compensation committee member: \$7,500

Nominating and corporate governance committee member: \$7,500

All annual retainers are paid in cash in arrears following the end of the applicable calendar quarter.

Equity Compensation

Under the Non-Employee Director Program, each eligible director serving on the board on the date of each annual stockholder meeting will receive an award of 3,750 restricted shares, which will vest in full on the earlier to occur of the one-year anniversary of the grant date and the date of the annual meeting of our stockholders immediately following the grant date, subject to continued service through the applicable vesting date.

In December 2013, our Board granted each non-employee director an award of 3,750 restricted shares to compensate them for their services since our initial public offering in 2013. These awards will vest in full on May 21, 2014.

In the table below, we have set forth information regarding the compensation of our eligible directors for the fiscal year ended December 28, 2013.

Name of Director (1)	Fees Earned or Paid in Cash	Stock Awards (2)	Total
Steven A. Burd	\$ 46,875.00	\$ 83,437.50	\$ 130,312.50
Mohan Gyani	\$ 61,875.00	\$ 83,437.50	\$ 145,312.50
Paul Hazen	\$ 43,125.00	\$ 83,437.50	\$ 126,562.50
Douglas J. Mackenzie	\$ 43,125.00	\$ 83,437.50	\$ 126,562.50
Lawrence F. Probst III	\$ 45,000.00	\$ 83,437.50	\$ 128,437.50
Arun Sarin	\$ 43,125.00	\$ 83,437.50	\$ 126,562.50

- (1) Mr. Tauscher, our Chief Executive Officer, is not included in this table as he is an employee of the company and does not receive compensation for his services as a director. All compensation paid to Mr. Tauscher in

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2013 for services he provided to us is reflected in the Summary Compensation Table. Mr. Edwards is employed by our parent company, Safeway Inc., and therefore did not receive any compensation from us in 2013 under the Non-Employee Director Program, or otherwise.

- (2) On December 4, 2013, each director named in the table above received a grant of 3,750 restricted shares. Amounts reflect the full grant date fair value of restricted stock awards granted with respect to services performed in 2013 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all restricted stock awards made to directors in Notes 1 and 8 to our financial statements included in our Form 10-K filed March 17, 2014. As of December 28, 2013 each of our non-employee directors held 3,750 shares of restricted stock.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section discusses the material components of the executive compensation program for our executive officers. In 2013, our named executive officers and their positions were as follows:

William Y. Tauscher, Chairman and Chief Executive Officer;

Talbot Roche, President;

Jerry Ulrich, Chief Financial Officer and Chief Administrative Officer;

David C. Tate, Senior Vice President, Products and Marketing; and

David E. Durant, Secretary and General Counsel.

Specifically, this section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each compensation component that we provide. Each of the key elements of our executive compensation program is discussed in more detail below. The following discussion and analysis of compensation arrangements of our named executive officers should be read together with the compensation tables and related disclosures set forth below.

Executive Summary

Compensation Objectives and Philosophy

Our compensation programs for our executive officers are designed to attract and retain excellent managers and to motivate these managers to increase the market value of our stock over the long term. In support of these principal objectives, our compensation programs are designed to:

Provide our executives with base salaries, retirement and other benefits and perquisites that are competitive with those provided by other companies with whom we compete for executive talent, in order to attract, motivate and retain high performance individuals;

Tie a significant portion of total compensation to annual bonuses that reward our executives for the attainment of our annual financial, operational and strategic goals, when met or exceeded;

Motivate our executives using equity-based compensation in order to improve our long-term performance; and

Incentivize our executives to maximize individual performance.

We believe our compensation programs place emphasis on the achievement of Company-wide goals, rather than on the achievement of individual goals. We believe these features help align the interests of our executives with those of our long-term stockholders, promote the objective of compensating our executives for Company-wide performance and advance our objective of increasing stockholder returns.

Key Policies and Practices

We have implemented a number of policies and practices to drive performance, mitigate excessive risk taking and promote alignment of executive and stockholder interests. A summary of these policies and practices is below.

What We Do

Place a Significant Percentage of Compensation at Risk to Align Pay and Performance

Mitigate Undue Risk in Compensation by Placing Caps on Incentive Awards

Regularly Review Share Utilization to Ensure Reasonable Dilution Levels

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Utilize an Independent Compensation Consulting Firm

Provide Reasonable Post-Employment/Change in Control Provisions

Deliver a Portion of Long-Term Incentives as Performance Awards (adopted in fiscal year 2014)

What We Don't Do

No Employment Contracts, Except with our CFO

No Excessive Severance or Change In Control Benefits, Including No Single-Trigger Vesting for Stock Options and Stock Awards

No Historical Repricing Underwater Stock Options

No Dividend or Dividend Equivalents Paid on Unearned Performance Awards

No Tax Gross-Ups

No Perquisites or Supplementary Retirement Benefits (except frozen benefits with Safeway)

Elements of Compensation

The compensation committee uses four core compensation and benefits elements to provide a competitive overall compensation and benefits package to executive officers. We believe each of these elements forms an integral part of the overall compensation program and, taken collectively, these elements serve to achieve our compensation objectives, as follows:

Compensation Element

Primary Objective

Base salary

To provide a stable part of the compensation package; recognize ongoing performance of job responsibilities and provide a degree of financial certainty; also a necessary tool in attracting and retaining employees.

Annual performance-based cash compensation (bonuses)

To emphasize corporate and individual objectives and provide reward (and retention) opportunities for our named executive officers (and employees generally) when key business and individual objectives are met.

Long-term equity incentive compensation

To incentivize and reward increases in stockholder value, to emphasize and reinforce our focus on team success; also a necessary tool in attracting and retaining key employees.

401(k) and other benefits also provided to the broader employee population To provide retirement savings in a tax-efficient manner and to provide a basic level of protection from health, dental, life and disability risks and provide a degree of financial certainty; also a necessary tool in attracting and retaining employees.

How Compensation is Determined

Engagement of Compensation Consultants

Historically, the Board or compensation committee has not engaged the services of a compensation consultant to assist it in the determination of the other key elements of the compensation program for our named executive officers; however, in connection with, and since completion of our initial public offering in April 2013, the compensation committee has engaged and continues to engage Mercer to assist it in designing programs and setting compensation levels that are appropriate for a public company.

The executive compensation services provided by Mercer to the compensation committee during the fiscal year included the following:

Development of a peer group of comparable public companies for purposes of determining executive compensation levels

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Assessment of market director compensation practices for purposes of developing a competitive board of director compensation program

Assessment of cash and equity compensation for the top five executives relative to the peer group

Assessment of total equity usage, dilution rates and equity plan design relative to the peer group and general market practices

Advice on governance best practices and market trends

Advice on other ad hoc matters related to rewarding top executive talent

Evaluation Market Competitiveness

The compensation committee considers multiple data sources in making decisions about executive compensation. In general, the compensation committee aims to position total compensation within a reasonable range of market 50th percentile, defined as the middle point of relevant peer group and survey market data. However, market data is not applied in a formulaic manner and other factors may have an equal or greater impact on compensation decisions. For example, the positioning of an executive officer's individual pay may be positioned above or below the market median based on factors such as experience, proficiency and attraction, retention and succession planning requirements. In addition, the positioning of each element of compensation may vary based on broader considerations, such as the desired pay mix for certain roles, the impact of compensation decisions on accounting expense or stockholder dilution, or the need to tailor the compensation package to compete with a broader set of local talent competitors.

The compensation committee selects peer companies primarily based on industry similarity and company size, which is measured by revenue. The compensation committee chose the peer group in consultation with its external consultant based on the following criteria: public companies located in the U.S. in the Data Processing & Outsourced Services, Application Software or Consumer Finance industries with revenue between \$300 million and \$2.3 billion. The peer group used for making 2013 compensation decisions comprises 14 companies:

ACI Worldwide	Cardtronics	Euronet Worldwide Inc.
Fleetcor Technologies	Global Cash Access Holdings	Global Payments Inc.
Green Dot Corp	Heartland Payment Systems	Moneygram International Inc.
Netspend Holdings Inc.*	Total System Services Inc.	Vantiv Inc.
Verifone Systems Inc.	Wex Inc.	

* Subsequently acquired by Total System Services Inc.

Data from Radford's *Global Technology Survey* was also considered by the Committee as a secondary market reference point. The survey data is scoped based on revenue to reflect similarly sized companies, but represents a broader set of technology companies than the peer group listed above. Both national and Northern California data is reviewed, although neither is applied formulaically in making compensation decisions.

Compensation Discussion and Analysis

Base Salaries

We provide our executive officers, including our named executive officers, with a base salary to compensate them for services rendered to the Company during the fiscal year. Generally, initial base salary amounts were established based on a number of factors, including the scope of the named executive officer's responsibilities, years of service and the Board's or compensation committee's general knowledge of the competitive market based on, among other things, experience with other companies and our industry.

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Thereafter, base salaries have been evaluated annually for all executive officers. In addition to the factors above, individual factors are also considered, in a subjective manner, in setting base salaries, including the executive's experience, achievements, leadership, teamwork and value to the Company. Consideration of these individual factors encourages our executives to improve their individual performances.

The base salary of our CEO is determined annually by the Board, or since our initial public offering, by our compensation committee. At the end of each fiscal year, our compensation committee collects information regarding Mr. Tauscher's performance and discusses relevant issues and matters with him. Our compensation committee subsequently meets, without Mr. Tauscher present, and conducts a formal performance review of Mr. Tauscher and sets his base salary for the next fiscal year.

Mr. Tauscher assesses the individual performance of each other named executive officer and proposes to our compensation committee the executive's base salary. Our compensation committee then relies on the experience of its members and Mr. Tauscher's assessment to determine the other named executive officers' base salaries.

In February 2013, base salaries for all of the executive officers were increased by 3%. These increases were determined primarily based on consideration of general industry base pay increase trends for executives as reported by Mercer, but also considered individual competitiveness against market benchmarks. The compensation committee believed these increases in base salary were appropriate based on the Company's strong performance and each executive's individual achievements in 2012. Mr. Tate also received an increase of 11% of his salary in June and an additional 13% increase in December, which reflects the increase in role and responsibilities associated with his promotion.

2013 Bonuses

The primary purpose of our bonus program is to motivate our executives to meet or exceed Company-wide performance goals, particularly on a short-term basis. We believe bonus programs at certain levels are necessary for competitive purposes to attract and retain desirable executives, and the fact that named executive officers must be employed by us on the payment date in order to be eligible for a bonus assists in retention.

For 2013, the Board approved the 2013 Bonus Plan, pursuant to which each named executive officer was eligible to receive an annual bonus based on the achievement of specified company performance metrics and, with respect to Mr. Tate and Mr. Durant, the achievement of individual performance goals. The metrics used to measure achievement, rationale for selection and the respective weighting of each are detailed in the table below for each executive officer:

Executive	Metrics				Individual Goals
	Corporate Pre-Tax Income (1)	Segment Direct Margin (2)	Segment Load Value (3)	Individual Goals	
Purpose	Provides strong line of sight to both growth and expense management	Measures efficiency and effectiveness of efforts to grow business	Measures efficiency and effectiveness of efforts to grow business	Measures achievement of strategic goals that support the business strategy	
					Weightings

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William Y. Tauscher	100%	0%	0%	0%
Talbott Roche	50%	50%(4)	0%	0%
Jerry Ulrich	100%	0	0%	0%
David C. Tate	25%	25%(5)	25%	25%
David E. Durant	75%	0%	0%	25%

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- (1) In determining corporate pre-tax income, we exclude any credit or expense taken for distribution partner mark-to-market expense, stock-based compensation expense, change in fair value of contingent consideration, amortization of intangible assets and certain other non-cash and cash expenses that we believe are not indicative of our core operating performance.
- (2) Direct margin is defined as product revenue minus directly attributable costs for U.S. business and excludes any mark-to-market of equity instruments held by distribution partners.
- (3) Load value is defined as the total value of funds loaded on the gift cards and prepaid products we distribute.
- (4) Ms. Roche's Segment Direct Margin relates to US Direct Margin.
- (5) Mr. Tate's Segment Direct Margin relates to Core Business Direct Margin.

In addition, the compensation committee approved threshold, target and maximum bonuses for each executive, as set forth below, based on each executive's annual base salary:

Named Executive Officer	Threshold Bonus	Target Bonus	Maximum Bonus
William Y. Tauscher	50%	100%	150%
Talbott Roche	50%	80%	120%
Jerry Ulrich	50%	80%	120%
David C. Tate	50%	80%	120%
David E. Durant	50%	80%	120%

For 2013, Mr. Tauscher's bonus opportunity was increased so that he would earn 100% to 150% of base salary for performance attainment between 100% of the Company's operating plan (Plan) and 120% of Plan (up from 80% to 120% of base salary for the prior fiscal year). This change was intended to bring the CEO's incentive opportunity closer to the median of the peer group. There were no changes to the incentive opportunities of the other executives as the compensation committee determined that opportunities were competitive with market practices.

The actual annual cash bonuses payable under our 2013 Bonus Plan were based on achievement of results for each metric, as detailed in the table below and, for Messrs. Durant and Tate, based on the CEO's or President's (as applicable) qualitative assessment of achievement of the executive's individual goals. The bonuses earned by each executive is set forth in the Summary Compensation Table below in the column titled Non-Equity Incentive Plan Compensation.

	Goals and Performance Attainment by Metric			
	Corporate Pre-Tax Income	US Direct Margin	Core Direct Margin	Core Load Value
Threshold Goal	\$ 79.9M	\$ 182.4M	\$ 174.8M	\$ 6.0B
Target Goal	\$ 94.0M	\$ 214.6M	\$ 205.6M	\$ 7.5B
Maximum Goal	\$ 112.8M	\$ 257.6M	\$ 246.7M	\$ 9.0B
Actual Results	\$ 92.2M	\$ 210.1M	\$ 198.7M	\$ 7.1B
Attainment	98%	98%	97%	94%

For 2014, the compensation committee has approved a substantially similar bonus program.

Equity

The goals of our long-term equity-based awards are to reward and encourage long-term corporate performance based on the value of our common stock and, thereby, to align the interests of our executive officers, including our named executive officers, with those of our stockholders.

The Board previously adopted the Second Amended and Restated 2006 Restricted Stock and Restricted Stock Unit Plan (the 2006 Plan) and the Amended and Restated 2007 Stock Option and Stock Appreciation

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Right Plan (the 2007 Plan). The 2006 Plan provides for the grant of restricted stock and restricted stock units, and the 2007 Plan provides for the grant of stock options and stock appreciation rights. In March 2013, we adopted the 2013 Equity Incentive Award Plan (the 2013 Plan), which became effective upon the completion of our initial public offering. Upon the effectiveness of the 2013 Plan, no further grants have been, or will be, made under the 2006 Plan or the 2007 Plan. In addition, in December 2013, we adopted the 2013 Employee Stock Purchase Plan (the ESPP), in order to provide additional incentives for our employees and to align employee interests with the long term success of the Company.

To reward our named executive officers in a manner that best aligns their interests with the interests of our stockholders, we historically have used stock options as a key equity incentive vehicle. Because our named executive officers are able to benefit from stock options only if the fair market value of our common stock increases relative to the option s exercise price, we believe stock options provide meaningful incentives to our named executive officers to achieve increases in the value of our stock over time and are an effective tool for meeting our compensation goal of increasing long-term stockholder value by tying the value of these incentive awards to our future performance. We believe our long-term equity compensation also encourages the retention of our named executive officers because the vesting of equity awards is largely based on continued employment.

From time to time, we have also granted restricted stock to our named executive officers. These awards are intended to enable our named executive officers to establish a meaningful equity stake in the Company that vests over a period of years based on continued service. We believe that these awards enable us to deliver competitive compensation value to named executive officers at levels sufficient to retain top talent within our executive officer ranks while, at the same time, enabling us to better manage the dilution caused by our equity incentive award program.

Prior to 2013, our stock options and restricted stock awards vested in 20% annual installments over a period of five years. In 2013, we changed the vesting schedule to 25% annual installments over a period of four years to better align the vesting provisions with the practices of our peer companies. We believe the vesting schedule of our stock options and restricted stock appropriately encourages long-term employment with the Company while allowing our executives to realize compensation in line with the value they have created for our stockholders.

The compensation committee generally grants annual equity awards at the first quarterly compensation committee meeting of the year, unless otherwise specified by our Board of Directors or the compensation committee. The exercise price of each stock option grant is at least equal to the fair market value of our common stock on the grant date. The compensation committee does not grant equity compensation awards in anticipation of the release of material nonpublic information, nor do we time the release of material nonpublic information based on equity award grant dates.

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The following table sets forth the stock options and restricted stock awards granted to our named executive officers in the 2013 fiscal year. We did not grant any other types of equity awards in 2013. Each equity award will vest in 25% annual installments over four years.

Named Executive Officer	2013 Stock Option Grants	2013 Restricted Stock Grants
William Y. Tauscher	162,500	0
Talbott Roche	65,000	0
Jerry Ulrich	55,000	0
David C. Tate	27,500	15,000
David E. Durant	22,500	0

The compensation committee approved stock option grants to our named executive officers in 2013 in an effort to provide additional retention value to our named executive officers during the transition period from being a majority-owned, non-publicly-held, subsidiary of Safeway Inc. to becoming a public company. In determining individual grant levels in 2013, the compensation committee reviewed market long-term incentive grant values for comparable roles at comparable companies. The compensation committee calculated the net present value of awards assuming a 25% compound annual growth rate to recognize the long-term upside potential associated with stock option grants made prior to initial public offering. The compensation committee also considered subjective individual factors such as performance in recent years, experience, leadership potential and perceived retention risk. The factors were not applied in a formulaic manner and the grant date fair market value of the individual stock option grants was positioned below the 25th percentile relative to market comparators for all of the top executives.

In addition, historically, certain of our named executive officers have also received grants of stock options and/or restricted stock in Safeway common stock. None of our named executive officers received an equity award covering Safeway common stock in 2013.

In 2014, the compensation committee granted a mix of stock options, restricted stock and performance shares to named executive officers.

Other Elements of Compensation**Retirement Plans**

401(k) Plan. Our eligible employees, including our named executive officers, are eligible to participate in the Blackhawk Network 401(k) Plan maintained by the Company, under which our eligible employees may defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. Under the Blackhawk Network 401(k) Plan, the Company may match a portion of our employee's annual contributions, within prescribed limits.

Safeway Retirement Plans. Prior to 2012, pension benefits were also provided to our named executive officers under Safeway's Employee Retirement Plan (the "Safeway ERP"), a tax-qualified defined benefit pension plan, and Safeway's Retirement Restoration Plans (the "Safeway RRP"), which are non-qualified defined benefit pension plans (collectively, the "Safeway Retirement Plans"). The Safeway RRP provides benefits to certain employees, including our named executive officers, that cannot be paid under the Safeway ERP due to Code limitations on the amount of compensation that may be recognized and the amount of benefits that may be paid under the Safeway ERP.

Under the Safeway ERP, the named executive officer becomes vested in his or her accrued benefits after three years of service with the Company or reaching age 55, whichever occurs first. If he or she has three years of service with us, vested benefits under the Safeway ERP are available following termination, regardless of age. Benefits under the Safeway RRP are available to participants who terminate employment at or after age 55, and benefit payments commence within 90 days of the first day of the seventh month after such termination of employment.

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In addition, under the Safeway RRP, each of Mr. Ulrich and Ms. Roche is entitled to payment of a special death benefit if he or she dies while employed as an executive officer or after retiring as an executive officer, regardless of age. If any of such executive officers dies while employed as an executive officer, then the executive officer's beneficiary will receive a Safeway RRP death benefit in a single lump sum payment equal to four times the executive's base salary at the time of death, up to a maximum of \$4 million, less any amount otherwise payable by Company-provided life insurance. The life insurance beneficiaries of any such executive officer who retires after age 55 will be entitled to one of the following benefits at the time of the former executive officer's death: (1) for death before age 70, the benefit is 100% of the former executive officer's final average compensation at the time of retirement, with a maximum benefit of \$1 million; or (2) for death after age 70, the benefit is 25% of the amount determined in (1) above.

Effective as of January 1, 2012, our named executive officers no longer participate in the Safeway Retirement Plans and each of their accounts in the Safeway Retirement Plans was frozen as of that date. We do not currently intend to establish a defined benefit pension plan.

Employee Benefits and Perquisites

All of our full-time employees, including our named executive officers, are eligible to participate in our health and welfare plans, including: medical, dental and vision benefits; medical and dependent care flexible spending accounts; short-term and long-term disability insurance; and life insurance. We pay for life insurance for each corporate employee (including executive officers) in an amount equal to two times annual salary, up to a maximum of \$1 million. The employee is responsible for the income tax for any amount exceeding \$50,000 in coverage.

Historically, we have not provided any perquisites to our executives that are not available to other employees, nor have we made gross-up payments to cover our named executive officers' personal income taxes that may pertain to any of the compensation or benefits we offer. However, in 2013, Mr. Tate was entitled to certain perquisites, such as an automobile allowance and a housing allowance. Beginning in 2014 we have eliminated both allowances to Mr. Tate. In the future, we may provide different and/or additional perquisites to our named executive officers to ensure that we provide a balanced and comprehensive compensation structure. We believe that it is important to maintain flexibility to adapt our compensation structure to properly attract, motivate and retain the top executive talent for which we compete.

Severance and Change in Control Benefits

Historically, we have not entered into severance or change in control arrangements with our named executive officers providing for cash payments in the event of the executive's termination, whether such termination is voluntary, for cause or otherwise. However, Mr. Ulrich is eligible to receive continuation of his base salary for one year upon a termination of employment other than for cause.

Tax and Accounting Considerations

Internal Revenue Code Section 162(m)

Generally, Section 162(m) of the Code (Section 162(m)), disallows a tax deduction for any publicly-held corporation for individual compensation exceeding \$1.0 million in any taxable year to its chief executive officer and each of its three other most highly compensated executive officers, other than its chief financial officer, unless compensation qualifies as performance-based compensation within the meaning of the Code. Prior to completion of our initial public offering in April 2013, the Board and Chief Executive Officer did not take into consideration the deductibility limit

imposed by Section 162(m) for purposes of setting compensation. The compensation committee may seek to qualify the variable compensation paid to our named executive officers for an exemption from the deductibility limitations of Section 162(m). As such, in approving the amount and form of compensation for our named executive officers in the future, the compensation committee will consider all elements of the cost to the Company of

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providing such compensation, including the potential impact of Section 162(m). However, our compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Internal Revenue Code Section 409A

Section 409A of the Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A of the Internal Revenue Code.

Internal Revenue Code Section 280G

Section 280G of the Code (Section 280G), disallows a tax deduction with respect to excess parachute payments to certain executives of companies which undergo a change in control. In addition, Section 4999 of the Code (Section 4999), imposes a 20% excise tax on the individual with respect to the excess parachute payment. Parachute payments are compensation linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans including stock options and other equity based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G based on the executive's prior compensation. In approving the compensation arrangements for our named executive officers following our Offering completed in April 2013, the Board will consider all elements of the cost to the Company of providing such compensation, including the potential impact of Section 280G. However, the Board may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G and the imposition of excise taxes under Section 4999 when it believes that such arrangements are appropriate to attract and retain executive talent.

Accounting for Stock-Based Compensation

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718, or ASC Topic 718, for our stock based compensation awards. ASC Topic 718 requires companies to calculate the grant date fair value of their stock based awards using a variety of assumptions. ASC Topic 718 also requires companies to recognize the compensation cost of their stock based awards in their income statements over the period that an employee is required to render service in exchange for the award. Grants of stock options, restricted stock awards and other equity based awards under our equity incentive award plans will be accounted for under ASC Topic 718. The Board and/or compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity incentive award plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

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Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for our fiscal years ended December 29, 2012 and December 28, 2013.