

VeriFone Systems, Inc.

2014 Annual Report 2015 Notice & Proxy Statement



February 11, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of VeriFone Systems, Inc. ("Verifone"). We will hold the meeting on Thursday, March 26, 2015 at 9:30 a.m., local time, at The Fairmont San Jose hotel located at 170 South Market Street, San Jose, CA 95113. We hope that you will be able to attend.

Details of the business to be conducted at the Annual Meeting are provided in the attached Notice of 2015 Annual Meeting of Stockholders (the "Notice of Annual Meeting") and Proxy Statement. As a stockholder, you will be asked to vote on a number of important matters. We encourage you to vote on all matters listed in the enclosed Notice of Annual Meeting. The Board of Directors recommends a vote FOR the proposals listed as proposals 1 2, 3 and 4 in the Notice of Annual Meeting.

We are pleased to take advantage of the U.S. Securities and Exchange Commission e-proxy rules that allow companies to electronically deliver proxy materials to their stockholders. We are furnishing proxy materials to our stockholders primarily via the Internet, which provides our stockholders the information they need while lowering printing and mailing costs and reducing the environmental impact of our Annual Meeting. On or about February 11, 2015, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice"). The Notice contains instructions on how to access our 2015 Proxy Statement and 2014 Annual Report (the "Annual Report") over the Internet and vote online or by phone. The Notice also includes instructions on how a stockholder can request, free of charge, a paper copy of our Annual Meeting materials by mail.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. In addition to voting in person, stockholders of record may vote via a toll-free telephone number or over the Internet. Stockholders who received a paper copy of the Proxy Statement and Annual Report by mail may also vote by completing, signing and mailing the enclosed proxy card promptly in the return envelope provided.

On behalf of our Board of Directors, thank you for your continued support of Verifone.

Sincerely,

Alex W. (Pete) Hart

Chairman of the Board of Directors

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YOUR VOTE IS IMPORTANT.
PLEASE PROMPTLY SUBMIT YOUR PROXY BY INTERNET, PHONE OR MAIL.





NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

Notice is hereby given that the 2015 Annual Meeting of Stockholders of VeriFone Systems, Inc. ("Verifone") will be held on March 26, 2015 at 9:30 a.m., local time, at The Fairmont San Jose hotel located at 170 South Market Street, San Jose, CA 95113, to conduct the following items of business:

- 1. To elect nine directors to our Board of Directors for one-year terms;
- 2. To approve the amendment and restatement of the Verifone 2006 Equity Incentive Plan (the "2006 Plan") to increase the number of shares of common stock that may be issued thereunder and to extend the term of the 2006 Plan by an additional ten years, to March 25, 2025;
- 3. To hold an advisory vote on compensation of our named executive officers;
- 4. To ratify the selection of Ernst & Young LLP as Verifone's independent registered public accounting firm for our fiscal year ending October 31, 2015; and
- 5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The foregoing business items are described more fully in the Proxy Statement accompanying this Notice of Annual Meeting.

All holders of record of our common stock as of 5:00 p.m. Eastern Standard Time on January 30, 2015, the record date, are entitled to notice of and to vote at this meeting and any adjournments or postponement thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection during the ten days prior to the Annual Meeting, during ordinary business hours, at Verifone's principal offices located at 2099 Gateway Place, Suite 600, San Jose, CA 95110, as well as at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. To enter the meeting, you will need to provide proof of ownership of Verifone stock as of 5:00 p.m. Eastern Standard Time on January 30, 2015, as well as an acceptable form of personal photo identification. If you hold your shares in your own name, your proof of ownership is your proxy card. If you hold your shares through a broker, trustee or nominee, you must bring either a copy of the voting instruction card provided by your broker or nominee or a recent brokerage statement confirming your ownership as of 5:00 p.m. Eastern Standard Time on January 30, 2015. Any stockholder attending the Annual Meeting may vote in person even if he or she has returned a proxy card.

Whether or not you plan to attend the Annual Meeting, please cast your vote as instructed under "Voting Procedures" in the Proxy Statement as promptly as possible. You may vote over the Internet or by telephone as instructed on the Notice or by mailing in your paper proxy card if you received one. If you did not receive a paper proxy card, you may request a paper proxy card to submit your vote by mail, if you prefer.

By Order of the Board of Directors,

Paul Galant Chief Executive Officer Albert Y. Liu Corporate Secretary

February 11, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MARCH 26, 2015: This Notice of Annual Meeting, the Proxy Statement and the Annual Report are available on the Internet at www.proxyvote.com.



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VERIFONE SYSTEMS, INC.

2099 GATEWAY PLACE, SUITE 600 SAN JOSE, CA 95110

PROXY STATEMENT FOR 2015 ANNUAL MEETING OF STOCKHOLDERS

PROCEDURAL INFORMATION

General

VeriFone Systems, Inc. ("Verifone", the "Company", "we" or "our") is furnishing this Proxy Statement to the holders of its common stock, par value \$0.01 per share, in connection with the solicitation by its Board of Directors of proxies to be voted at its 2015 Annual Meeting of Stockholders on Thursday, March 26, 2015 at 9:30 a.m., local time, and at any adjournments or postponements thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at The Fairmont San Jose hotel located at 170 South Market Street, San Jose, CA 95113.

The Notice of Annual Meeting, Proxy Statement and form of proxy are first being provided to our stockholders on or about February 11, 2015.

All stockholders are cordially invited to attend the Annual Meeting in person. To attend the Annual Meeting, you will need to provide proof of ownership of Verifone stock as of 5:00 p.m. Eastern Standard Time on January 30, 2015, as well as an acceptable form of personal photo identification. If you are a registered stockholder, your proof of ownership is your proxy card. If you are not a stockholder of record but hold shares through a broker, trustee or nominee, you must bring either a copy of the voting instruction card provided by your broker or nominee or a recent brokerage statement confirming your ownership as of 5:00 p.m. Eastern Standard Time on January 30, 2015.

Notice Regarding the Availability of Proxy Materials

We have adopted the "notice and access" rule of the U.S. Securities and Exchange Commission (the "SEC"). As a result, we furnish proxy materials primarily via the Internet instead of mailing a printed copy of the proxy materials. Stockholders will receive a Notice of Internet Availability of Proxy Materials by mail which provides the website and other information on how to access and review the Proxy Statement and proxy materials over the Internet. The Notice will be mailed on or about February 11, 2015.

As of the date of the mailing of the Notice, stockholders will be able to access all of the proxy materials over the Internet as instructed in the Notice. The proxy materials will be available free of charge. The materials on the site are searchable, readable and printable and the site does not have "cookies" or other tracking devices which identify visitors. The Notice will provide instructions on how to vote over the Internet or by phone.

If you received a Notice and would like to receive a printed copy of our proxy materials, free of charge, you should follow the instructions for requesting such materials included in the Notice.

Record Date; Voting Rights

Only stockholders of record as of 5:00 p.m. Eastern Standard Time on January 30, 2015 will be entitled to vote at the Annual Meeting. As of that date, there were 113,603,527 shares of our common stock outstanding, each of which is entitled to one vote for each matter to be voted on at the Annual Meeting, held by 94

stockholders of record. For information regarding security ownership by executive officers and directors and by beneficial owners of more than 5% of Verifone's common stock, see "Security Ownership of Certain Beneficial Owners and Management."

Voting Procedures

If you are a stockholder of record as of the record date, you may vote your shares over the Internet or by telephone by following the instructions set forth on the Notice or the proxy card mailed to you, or by mailing in a completed proxy card. Your shares will be voted at the Annual Meeting in the manner you direct. The Internet voting procedures are designed to authenticate each stockholder's identity and to allow stockholders to vote their shares and confirm that their voting instructions have been properly recorded. If you vote via the Internet, you do not need to return your proxy card. Stockholders voting via the Internet should understand that there may be costs associated with voting in these manners, such as usage charges from Internet service providers that must be borne by the stockholder.

Votes submitted by mail, telephone or via the Internet must be received by 11:59 p.m., Eastern Daylight Time, on March 25, 2015. Submitting your vote by mail, telephone or via the Internet will not affect your right to vote in person should you decide to attend the Annual Meeting.

If your shares are registered in the name of a bank or brokerage firm, you will receive instructions from your bank or brokerage firm that must be followed in order for the record holder to vote the shares per your instructions. Banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the phone, as well as instructions for requesting a hard copy of the proxy materials and proxy card.

Quorum

The holders of a majority of the outstanding shares of common stock as of 5:00 p.m. Eastern Standard Time on January 30, 2015, present in person or represented by proxy and entitled to vote, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and "broker non-votes" are treated as present for quorum purposes.

Broker Non-Votes

Generally, broker non-votes occur when shares held by a broker, bank, or other nominee in "street name" for a beneficial owner are not voted with respect to a particular proposal because the broker, bank, or other nominee (1) has not received voting instructions from the beneficial owner and (2) lacks discretionary voting power to vote those shares with respect to that particular proposal. "Broker non-votes" are treated as present for purposes of determining a quorum but are not counted as withheld votes, votes against the matter in question, or as abstentions, nor are they counted in determining the number of votes present for a particular matter.

Under rules of the New York Stock Exchange ("NYSE"), which apply to us, the election of directors (Proposal 1), the amendments to the 2006 Equity Incentive Plan (Proposal 2) and the advisory vote on compensation of our fiscal year 2014 named executive officers (the "NEOs") (Proposal 3) are matters on which a broker may not vote without your instructions. Therefore, if you do not provide instructions to the record holder of your shares with respect to these proposals, your shares will not be voted on these "non-routine" matters. The ratification of the appointment of our independent registered public accounting firm (Proposal 4) is a routine item under NYSE rules. As a result, brokers who do not receive instructions as to how to vote on that matter generally may vote on that matter in their discretion.

If your shares are held of record by a bank, broker, or other nominee, we urge you to give instructions to your bank, broker, or other nominee as to how you wish your shares to be voted so you may participate in the stockholder voting on these important matters.

Voting Requirements

The number of votes required to approve each of the proposals that are scheduled to be presented at the meeting is as follows:

Proposa	
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- Election of directors.
- Amendment and restatement of the 2006 Equity Incentive Plan.
- Advisory vote on compensation of our NEOs.
- Ratification of appointment of Ernst & Young LLP as Verifone's independent registered public accounting firm.

Required Vote

- A vote of the majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) is required for the election of each director. Abstentions will have no effect on the election of directors.
- The affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote on the matter.

 Abstentions will have the same effect as a vote "Against" the matter.
- The affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote on the matter. Abstentions will have the same effect as a vote "Against" the matter.
- The affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote on the matter. Abstentions will have the same effect as a vote "Against" the matter.

Proxy Solicitation

Verifone will pay the costs of soliciting proxies. In addition to the use of mails, proxies may be solicited by personal or telephone conversation, facsimile, electronic communication, posting on Verifone's website, http://www.verifone.com, and by the directors, officers and employees of Verifone, for which they will not receive additional compensation. Verifone also expects to retain MacKenzie Partners, Inc. to aid in the distribution and solicitation of proxies for an estimated fee of \$15,000, plus its reasonable out-of-pocket expenses. Verifone may reimburse brokerage firms and other owners representing beneficial owners of shares for their reasonable expenses in forwarding solicitation materials to such beneficial owners.

Proxies and ballots will be received and tabulated by the inspector of election for the Annual Meeting. The inspector of election will treat shares of common stock represented by a properly signed and returned proxy as present at the meeting for purposes of determining a quorum, whether or not the proxy is marked as casting a vote or abstaining or withholding on any or all matters.

Revocation of Proxies

The shares represented by valid proxies received and not revoked will be voted at the Annual Meeting. If you execute and return the enclosed proxy card but do not give instructions, your shares will be voted as follows: "FOR" the election of all of our director nominees (Proposal 1), "FOR" the amendments to the 2006 Equity Incentive Plan (Proposal 2), "FOR" the advisory vote on compensation of our NEOs (Proposal 3), "FOR" the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending October 31, 2015 (Proposal 4) and otherwise in accordance with the judgment of the persons voting the proxy on any other matter properly brought before the Annual Meeting and any adjournments or postponements thereof.

A proxy may be revoked at any time before it is voted by (i) delivering a written notice of revocation to our Secretary at c/o VeriFone Systems, Inc., 2099 Gateway Place, Suite 600, San Jose, CA 95110, (ii) subsequently submitting a duly executed proxy bearing a later date than that of the previously submitted proxy (including by submission over the Internet), or (iii) attending the Annual Meeting and voting in person. Attending the Annual Meeting without voting will not revoke your previously submitted proxy.

Stockholder Proposals for the 2016 Annual Meeting

Our stockholders may submit proposals that they believe should be voted upon at our 2016 Annual Meeting of Stockholders.

In the event a stockholder wishes to have a proposal considered for presentation at our 2016 Annual Meeting and included in our proxy statement and form of proxy used in connection with such meeting, the proposal must be forwarded to our Secretary so that it is received no later than October 14, 2015, which is the date 120 calendar days prior to the anniversary of the mailing date of the proxy statement for the 2015 Annual Meeting. Any such proposal must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

Under our bylaws, if a stockholder, rather than including a proposal in the proxy statement as discussed above, seeks to propose business for consideration at the 2016 Annual Meeting, notice must be received by our Secretary at our principal offices, no later than December 27, 2015, which is the date 90 days prior to the first anniversary of the 2015 Annual Meeting. However, in the event that the date of the 2016 Annual Meeting is advanced by more than 30 days, or delayed by more than 60 days from such anniversary date, notice by the stockholder, to be timely, must be so delivered no later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Any such notice must comply with the requirements set out in our bylaws.

The mailing address for our Secretary is our principal offices at 2099 Gateway Place, Suite 600, San Jose, CA 95110.

DIRECTOR INDEPENDENCE AND CORPORATE GOVERNANCE

Director Independence

For a member of our Board to be considered independent under NYSE rules, the Board must determine that the director does not have a material relationship (as described below) with us and/or our consolidated subsidiaries (either directly or as a partner, stockholder, or officer of an organization that has a relationship with any of those entities).

Our Board has undertaken a review of our directors' independence in accordance with standards that the Board and the Corporate Governance and Nominating Committee have established to assist the Board in making independence determinations. Any relationship listed under the heading "Material Relationships" below will, if present, be deemed material for the purposes of determining director independence. If a director has any relationship that is considered material, the director will not be considered independent. Any relationship listed under the heading "Immaterial Relationships" below will, if present, be considered categorically immaterial for the purpose of determining director independence. Multiple "Immaterial Relationships" will not collectively create a material relationship that would cause the director to not be considered independent. In addition, the fact that a particular relationship is not addressed under the heading "Immaterial Relationships" will not automatically cause a director to not be independent. If a particular relationship is not addressed under the standards established by the Board, the Board will review all of the facts and circumstances of the relationship to determine whether or not the relationship, in the Board's judgment, is material.

The Board has determined that Mr. Alspaugh, Ms. Austin, Mr. Hart, Mr. Henske, Ms. Millard, Mr. Raff, Mr. Schwartz and Ms. Thompson are independent under NYSE rules.

Material Relationships

Any of the following shall be considered material relationships that would prevent a director from being determined to be independent:

Auditor Affiliation. The director is a current partner or employee of our internal or external auditor; a member of the director's immediate family (including the director's spouse; parents; children; siblings; mothers-, fathers-, brothers-, sisters-, sons and daughters-in-law; and anyone who shares the director's home, other than household employees) is a current employee of such auditor who participates in the firm's audit, assurance, or tax compliance (but not tax planning) practice or a current partner of such auditor; or the director or an immediate family member of the director was a partner or employee of such a firm and personally worked on our audit within the last five years.

Business Transactions. The director is an employee of another entity that, during any one of the past five years, received payments from us, or made payments to us, for property or services that exceeded the greater of \$1 million or 2% of the other entity's annual consolidated gross revenues, or a member of the director's immediate family has been an executive officer of another entity that, during any one of the past five years, received payments from us, or made payments to us, for property or services that exceeded the greater of \$1 million or 2% of the other entity's annual consolidated gross revenues.

Employment. The director was our employee at any time during the past five years or a member of the director's immediate family was one of our executive officers in the prior five years. However, the employment of a director on an interim basis as Chairman of the Board, Chief Executive Officer or other executive officer of Verifone shall not disqualify a director from being considered independent following that employment.

Interlocking Directorships. During the past five years, the director or an immediate family member of the director was employed as an executive officer by another entity where one of our current executive officers served at the same time on the Compensation Committee.

Other Compensation. A director or an immediate family member of a director received more than \$100,000 per year in direct compensation from us, other than director and committee fees, in the past five years.

Investment Banking or Consulting Services. A director is a partner or officer of an investment bank or consulting firm that performs substantial services to us on a regular basis.

Immaterial Relationships

The following relationships shall be deemed immaterial and will not be considered for purposes of determining director independence:

Affiliate of Stockholder. A relationship arising solely from a director's status as an executive officer, principal, equity owner, or employee of an entity that is one of our stockholders.

Certain Business Transactions. A relationship arising solely from a director's status as an executive officer, employee or equity owner of an entity that has made payments to or received payments from Verifone for property or services shall not be deemed a material relationship or transaction that would cause a director not to be independent so long as the payments made or received during any one of such other entity's last five fiscal years are not in excess of the greater of \$1 million or 2% of such other entity's annual consolidated gross revenues.

Director Fees. The receipt by a director from us of fees for service as a member of the Board and committees of the Board.

Other Relationships. Any relationship or transaction that is not covered by any of the standards listed above in which the amount involved does not exceed \$25,000 in any fiscal year shall not be deemed a material relationship or transaction that would cause a director not to be independent.

Notwithstanding the foregoing, no relationship shall be deemed categorically immaterial as described above to the extent that it is required to be disclosed in SEC filings under Item 404 of the SEC's Regulation S-K.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines that provide the framework within which the Board directs our corporate governance. Our Corporate Governance and Nominating Committee reviews these guidelines annually and recommends changes to the Board for approval as appropriate. Our Corporate Governance Guidelines are available on the Investor Relations section of our website, http://ir.verifone.com, and are available in print to any stockholder who requests it.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, which is available on the Investor Relations section of our website, http://ir.verifone.com, and is available in print to any stockholder who requests it. The Code of Business Conduct and Ethics applies to all of our employees, officers and directors. We will post any amendments to or waivers from a provision of our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the "code of ethics" definition set forth in Item 406(b) of Regulation S-K of the SEC at http://ir.verifone.com.

Director Attendance at Meetings

Although our Board recognizes that conflicts may occasionally prevent a director from attending a Board or stockholder meeting, the Board expects each director to make every reasonable effort to keep such absences to a minimum. During fiscal year 2014, each of our directors attended not less than 75% of the total number of

meetings of the Board and the committees of the Board on which such director served. At the 2014 Annual Meeting of Stockholders, all but one of our directors then in office were in attendance. In fiscal year 2014, the Board held a total of five meetings.

Executive Sessions

Non-employee directors meet in executive session without any management directors or employees present at each regularly scheduled Board meeting. The presiding director at these meetings is the Chairman of the Board. For the first half of fiscal year 2014, our Chairman of the Board was Dr. Leslie G. Denend. Dr. Denend did not stand for re-election at the 2014 Annual Meeting on June 17, 2014, and, following the election of directors at the 2014 Annual Meeting, the Board appointed Mr. Hart as Chairman of the Board.

Communications with Directors

Any interested party may direct communications to individual directors, including the Chairman of the Board, to a board committee, the independent directors as a group or to the Board as a whole, by addressing the communication to the named individual, to the committee, the independent directors as a group or to the Board as a whole c/o Secretary, VeriFone Systems, Inc., 2099 Gateway Place, Suite 600, San Jose, CA 95110. Our Secretary or an Assistant Secretary will review all communications so addressed and will relay to the addressee(s) all communications determined to relate to our business, management or governance.

Committees of our Board of Directors

Our Board has an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee.

Audit Committee

Our Board has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Board has adopted an Audit Committee charter, which is available on the Investor Relations section of our website at http://ir.verifone.com, and is available in print to any stockholder who requests it, and defines the Audit Committee's duties and responsibilities to include:

- Reviewing our internal accounting procedures, systems of internal controls and financial statements;
- Reviewing the work performed by our internal auditors, including the results and scope of their audits;
- Reviewing and approving the services provided by and compensation for our independent registered public accounting firm, including the results and scope of its audits; and
- Reviewing and approving all related party transactions.

The Audit Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Audit Committee. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any pre-approvals made under delegated authority are presented to the Audit Committee at its next scheduled meeting.

In fiscal year 2014, our Audit Committee met eight times, and met in executive session without management present at each such meeting. Our Board and our Corporate Governance and Nominating Committee have determined that each member of the Audit Committee is "independent" within the meaning of the rules of both the NYSE and the SEC.

The report of the Audit Committee is included in this Proxy Statement under "Report of the Audit Committee."

Compensation Committee

Our Board has adopted a Compensation Committee charter, which is available on the Investor Relations section of our website at http://ir.verifone.com, and is available in print to any stockholder who requests it, and defines the Compensation Committee's purposes and responsibilities to include:

- Reviewing and approving corporate goals and objectives relevant to the compensation of our CEO, evaluating our CEO's performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board), determining and approving our CEO's compensation level based on this evaluation;
- Determining and approving non-CEO executive officer compensation, making recommendations to the Board with respect to incentive compensation plans, and equity-based plans, including the VeriFone Bonus Plan and the 2006 Equity Incentive Plan, overseeing the activities of the individuals responsible for administering these plans, and discharging any responsibilities imposed on the Compensation Committee by any of these plans;
- Approving any new equity compensation plan or any material change to an existing plan;
- Overseeing, in consultation with management, regulatory compliance with respect to compensation matters, including overseeing our policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the U.S. Internal Revenue Code ("IRC");
- Reviewing and approving any severance or similar arrangements proposed to be made to the CEO and any of the non-CEO executive officers; and
- Preparing an annual Report of the Compensation Committee for inclusion in our annual proxy statement.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to such standing or *ad hoc* subcommittees as it may determine to be necessary or appropriate for the discharge of its responsibilities, as long as the subcommittee contains at least the minimum number of directors necessary to meet any regulatory requirements.

In fiscal year 2014, our Compensation Committee met four times, and met in executive session without management present at each such meeting.

Our Board and our Corporate Governance and Nominating Committee have determined that each member of the Compensation Committee is "independent" within the meaning of the rules of both the NYSE and the SEC.

The report of the Compensation Committee is included in this Proxy Statement under "Compensation Committee Report."

Corporate Governance and Nominating Committee

Our Board has adopted a Corporate Governance and Nominating Committee charter, which is available on the Investor Relations section of our website at http://ir.verifone.com and is available in print to any stockholder who requests it. Our Corporate Governance and Nominating Committee charter defines the Corporate Governance and Nominating Committee's purposes and responsibilities to include:

- Making recommendations to the Board from time to time as to changes that the Corporate Governance
 and Nominating Committee believes to be desirable to the size of the Board or any committee thereof;
- Identifying individuals believed to be qualified to become Board members, consistent with criteria
 approved by the Board, and selecting, or recommending to the Board, the nominees to stand for
 election as directors at the annual meeting of stockholders or, if applicable, at a special meeting of
 stockholders;

- Developing and recommending to the Board standards to be applied in making determinations as to the absence of material relationships between Verifone and a director;
- Identifying Board members qualified to fill vacancies on any committee of the Board (including the Corporate Governance and Nominating Committee) and recommending that the Board appoint the identified member or members to the respective committee;
- Establishing procedures for the Corporate Governance and Nominating Committee to exercise oversight of the evaluation of the Board and management;
- Developing and recommending to the Board a set of corporate governance principles applicable to Verifone and reviewing those principles at least once a year; and
- Assisting management in the preparation of the disclosure in our annual proxy statement regarding the operations of the Corporate Governance and Nominating Committee.

Our Corporate Governance and Nominating Committee has not established specific minimum education, experience, or skill requirements for potential members, but, in general, expects that qualified candidates will have high-level managerial experience in a complex and global organization, and will be able to represent the interests of the stockholders as a whole and not just certain special interest groups or constituencies. The Corporate Governance and Nominating Committee considers each candidate's judgment, skill, diversity and professional experience with businesses and other organizations of comparable size in the context of the needs of the Board, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. At this stage of our development, relevant experiences include, among other things, large-company CEO experience, senior management experience in the payments industry, senior-level experience at multi-national companies with oversight over international operations and financial and accounting expertise and executive-level experience relevant to our key strategic initiatives, such as expertise in the payments industry, information technology and enterprise system security, mobile payments, e-commerce, commerce enablement and media. In addition, each candidate is expected to contribute positively to the existing chemistry and collaborative culture among Board members and must have the time and ability to make a constructive contribution to the Board. The Corporate Governance and Nominating Committee also values work ethic, leadership, problem-solving skills and diversity in selecting nominees to serve on the Board, and is committed to actively seeking out highly qualified individuals to contribute to the diversity of the pool from which Board nominees are chosen. Although the Corporate Governance and Nominating Committee does not have a formal policy on diversity, the Corporate Governance and Nominating Committee broadly construes diversity to mean a variety of opinions, perspectives, expertise, personal and professional experiences and backgrounds (including gender, race and ethnicity), as well as other differentiating characteristics. Our Board and each of the committees of the Board engage in an annual self-evaluation that includes an evaluation of diversity of the Board, and the Corporate Governance and Nominating Committee discusses the value of diversity during its annual review of Board composition.

The Corporate Governance and Nominating Committee has generally identified nominees based upon suggestions by directors, management, outside consultants, including third-party search firms, and stockholders. Before considering any nominee, the Corporate Governance and Nominating Committee makes a preliminary determination as to the need for additional members of the Board. If a need is identified, members of the Corporate Governance and Nominating Committee discuss and evaluate possible candidates in detail and suggest individuals to explore in more depth. Once a candidate is identified for further consideration, members of the Corporate Governance and Nominating Committee, as well as other members of the Board and management as appropriate, interview the nominee. After completing this evaluation, the Corporate Governance and Nominating Committee makes a recommendation and refers the nominee to the full Board for consideration. The Corporate Governance and Nominating Committee will consider candidates recommended by stockholders in the same manner as other candidates. Stockholders may nominate candidates for director in accordance with the advance notice and other procedures contained in our Bylaws.

The Corporate Governance and Nominating Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Corporate Governance and Nominating Committee.

In fiscal year 2014, our Corporate Governance and Nominating Committee met four times, and met in executive session without management present at each such meeting.

Our Board and our Corporate Governance and Nominating Committee have determined that each member of the Corporate Governance and Nominating Committee is "independent" within the meaning of the rules of both the NYSE and the SEC.

The report of the Corporate Governance and Nominating Committee is included in this Proxy Statement under "Report of the Corporate Governance and Nominating Committee."

Director Stock Ownership Guidelines

In March 2010, the Board adopted stock ownership guidelines for our directors. These guidelines require each non-employee director to own a minimum number of shares of our common stock equal to three times the director's annual cash retainer. Any director who fails to meet or maintain these ownership requirements by the required time frame will be required to retain all shares acquired upon exercise of stock options or vesting of restricted stock or restricted stock unit ("RSU") awards, net of shares withheld for taxes, until such ownership guidelines are attained. Under these guidelines, unvested restricted stock awards and RSU awards and owned stock count toward the ownership level, and directors have a five year period over which to achieve the target ownership level.

OUR BOARD OF DIRECTORS

Board Leadership Structure

Under our current Corporate Governance Guidelines, the Board is free to select its Chairman and our CEO in the manner it considers to be in our best interests at any given point in time. Since 2008 the positions of Chairman of the Board and CEO have been held by separate persons. The Board believes that this structure is appropriate for us because it allows our CEO to focus his time and energy on leading our key business and strategic initiatives while the Board focuses on oversight of management, overall enterprise risk management and corporate governance. The Board and its committees meet throughout the year on a set schedule, usually at least once a quarter, and also hold special meetings from time to time. Agendas and topics for Board and committee meetings are developed through discussions between management and members of the Board and its committees. Information and data that are important to the issues to be considered are distributed in advance of each meeting. Board meetings and background materials focus on key strategic, operational, financial, enterprise risk, governance and compliance matters applicable to us, including the following:

- Reviewing quarterly our business, operations and performance;
- Reviewing progress of strategic initiatives and longer-term strategic and business plans;
- Reviewing key product, market, industry and competitive issues;
- Reviewing and approving material investments or acquisitions, strategic transactions and other significant transactions that are not in the ordinary course of business;
- Overseeing our compliance with legal and regulatory requirements;
- Reviewing our financial results;
- Overseeing overall insurance structure and policies, including director and officer insurance levels;
- Overseeing our enterprise risk management strategy and evaluating our risk exposure and ways to mitigate that risk;
- Reviewing our management succession plan for the CEO and other executive officers;
- Evaluating the performance of the Board and reviewing and determining the qualifications of directors and mix of expertise and other attributes of directors, including the financial expertise of members of the Audit Committee;
- Reviewing and determining the independence of our directors, the appointment of the Chairman of the Board and the selection of Board committee members:
- Selecting and approving director nominees; and
- Reviewing and approving director compensation, executive compensation and overall compensation plans.

Board's Role in Risk Oversight

The Board executes its risk management responsibility directly and through its committees. As set forth in its charter and annual work plan, our Audit Committee has primary responsibility for overseeing our enterprise risk management process. The Audit Committee receives updates and discusses individual and overall risk areas during its meetings, including financial risk assessments, operations risk management policies, major financial risk exposures, exposures related to compliance with legal and regulatory requirements, and management's actions to monitor and control such exposures. Our Vice President of Internal Audit reviews with the Audit Committee our annual operational risk assessment results and at least once each quarter the results of internal audits, including the adequacy of internal controls over financial reporting. Our Vice President of Internal Audit and Chief Information Officer report regularly to the Audit Committee on information systems controls and

security. Throughout each fiscal year, the Audit Committee invites appropriate members of management to its meetings to provide enterprise-level reports relevant to the Audit Committee's oversight role, including adequacy and effectiveness of management reporting and controls systems used to monitor adherence to policies and approved guidelines, information systems and security over systems and data, treasury, insurance structure and coverage, tax structure and planning, worldwide disaster recovery planning and the overall effectiveness of our operations risk management policies. The Audit Committee is generally scheduled to meet at least twice a quarter, and generally covers one or more areas relevant to its risk oversight role in at least one of these meetings. At least once a quarter the Audit Committee meets with our independent registered public accounting firm separately in executive session. At each meeting, the Audit Committee also reviews with Mr. Liu, who serves as our General Counsel and Chief Compliance Officer, any significant compliance matters, including matters raised through internal audit reviews and our alert line.

Our Compensation Committee oversees risks associated with our compensation policies and practices with respect to executive compensation and executive recruitment and retention, as well as compensation generally. In establishing and reviewing our executive compensation program, our Compensation Committee consults with independent compensation experts and seeks to structure the program so as to not encourage unnecessary or excessive risk taking. Our compensation program utilizes a mix of base salary and short-term and long-term incentive awards designed to align our executive compensation with our success, particularly with respect to financial performance and stockholder value. The Compensation Committee sets the amount of our executives' base salaries at the beginning of each fiscal year. A substantial portion of bonus amounts are tied to overall corporate performance and stockholder value. Compensation provided to the executive officers also includes a substantial portion in the form of long-term equity awards that help align executives' interests with those of our stockholders over a longer term. In general, cash bonus opportunities may be reduced at our discretion based on individual performance. Our Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking because the ultimate value of the awards is tied to our financial performance and because awards are staggered and subject to long-term financial performance and strategic goals, as well as time-based vesting schedules to help ensure that executives have significant value tied to long-term stock price performance.

Our Corporate Governance and Nominating Committee oversees risks related to our overall corporate governance, including development of corporate governance principles applicable to us, evaluation of federal securities laws and regulations with respect to our insider trading policy, development of standards to be applied in making determinations as to the absence of material relationships between us and a director and formal periodic evaluations of the Board and management. Our Corporate Governance and Nominating Committee seeks to align our governance practices with best practices among peer companies and considers recommendations by shareholder advisory organizations with respect to corporate governance.

Reports delivered by all of our committee chairmen on at least a quarterly basis keep the Board abreast of its committees' risk oversight and other activities.

Majority Voting Provision

Our Bylaws and the Corporate Governance Guidelines provide that, in an uncontested election of directors, each director shall be elected by the vote of the majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee), and in a contested election, each director shall be elected by a plurality of the votes cast (meaning that the nine nominees receiving the highest number of votes "for" will be elected even if any such nominee receives less than a majority of the votes cast). A contested election is defined as an election for which our Corporate Secretary determines that the number of director nominees exceeds the number of directors to be elected as of the date that is ten days preceding the date we first mail our notice of meeting for such meeting to stockholders.

Under our Corporate Governance Guidelines, any nominee in an uncontested election who receives a greater number of "against" votes than "for" votes shall promptly tender his or her resignation following certification of the vote. The Corporate Governance and Nominating Committee shall consider the resignation offer and shall

recommend to the Board the action to be taken. In considering whether to recommend accepting or rejecting the tendered resignation, the Corporate Governance and Nominating Committee will consider all factors that it deems relevant including, but not limited to, any reasons stated by stockholders for their "against" or "withheld" votes for election of the director, the length of service and qualifications of the director, our Corporate Governance Guidelines and the director's overall contributions as a member of our Board. The Board will consider these and any other factors it deems relevant, as well as the Corporate Governance and Nominating Committee's recommendation, when deciding whether to accept or reject the tendered resignation. Any director whose resignation is under consideration shall not participate in the Corporate Governance and Nominating Committee deliberation and recommendation regarding whether to accept the resignation. The Board shall take action within 90 days following certification of the vote, unless a longer period of time is necessary in order to comply with any applicable NYSE or SEC rule or regulation, in which event the Board shall take action as promptly as is practicable while satisfying such requirements. We will promptly disclose the decision and the reasons therefor in a Current Report on Form 8-K furnished to the SEC.

Biographical Information Regarding Our Director Nominees

Certain biographical information regarding our director nominees is set forth below. In each individual's biography we have highlighted specific experience, qualifications, and skills that led the Board to conclude that each individual should serve or continue to serve as a director of our Board. In addition to these specific attributes, all of our director nominees have public company leadership experience, significant expertise in one or more areas of importance to our business and strategy, and have high-level managerial experience in relatively complex organizations or are accustomed to dealing with complex problems. We believe all of our director nominees are individuals of high character and integrity, are able to work well with others, and have sufficient time to devote to the affairs of our company.

Robert W. Alspaugh. Mr. Alspaugh, age 67, has served as a director since September 2008. From 2002 to 2006, Mr. Alspaugh served as CEO of KPMG International and from 1998 to 2002, Mr. Alspaugh served as Deputy Chairman and Chief Operating Officer of KPMG's U.S. Practice. He joined KPMG in the Denver office in 1969 and was elected partner in 1978. In addition to providing more than ten years of service on the management committee and four years on the board of directors of KPMG, Mr. Alspaugh served on the board of KPMG International and was responsible for implementing the strategy of the global organization, which included member firms in 150 countries and more than 100,000 employees. Mr. Alspaugh holds a BBA degree (summa cum laude) in accounting from Baylor University. Mr. Alspaugh is currently a member of the boards of directors of Ball Corp., a supplier of metal and plastic packaging for beverages, food and household products, and of aerospace technologies and services to defense and civilian government agencies and Autoliv, Inc., a developer, manufacturer and supplier of safety systems to the automotive industry. Mr. Alspaugh also serves on the boards of directors of DSG Technologies, Inc. and Triton Container International, Ltd., both privately-held companies. Among other skills and qualifications, Mr. Alspaugh brings to our Board substantial global financial management and accounting expertise which is relevant to our business and has led the Board to determine that he is an "audit committee financial expert" as defined by the SEC. Additionally, Mr. Alspaugh's extensive global management and leadership experience is relevant to his oversight role on our Audit Committee given the global nature of our operations and the related complexities. Mr. Alspaugh serves as the Chairman of our Audit Committee, is one of our Audit Committee financial experts and also serves on our Corporate Governance and Nominating Committee. Mr. Alspaugh serves as the chairman of the audit committees of Triton Container, Autoliv and Ball Corp. He also serves on the compliance committee for Autoliv and the finance committee for Ball Corp.

Karen Austin. Ms. Austin, age 53, has served as a director since June 17, 2014. Ms. Austin has served as Senior Vice President and Chief Information Officer of Pacific Gas & Electric Company, a natural gas and electric utilities company headquartered in California, since June 2011. Before joining PG&E, Ms. Austin served as Senior Vice President and President of Consumer Electronics of Sears Holdings Corporations from January 2009 to May 2011 and as its Executive Vice President and Chief Information Officer from March 2005 to

January 2009. Ms. Austin joined Kmart Corporation in 1984 and served, before its merger with Sears, Roebuck and Co. in 2005, as its Senior Vice President and Chief Information Officer from April 2002 to March 2005 and Vice President, Applications from January 2000 to April 2002. Ms. Austin brings to our Board her strong expertise in information technology, change management, engineering, enterprise system security and technical operations, with extensive experience in retail operations and deep knowledge of technology company operating environments. Such experience and qualifications provide unique and valuable insight on the Board's oversight of our business strategy, and, in particular, our transformation initiatives. Ms. Austin serves on our Audit Committee and Corporate Governance and Nominating Committee. Ms. Austin holds a B.S. degree in Computer Science from Trine University.

Paul Galant. Mr. Galant, age 47, has served as our CEO and a director since October 1, 2013. Prior to joining Verifone, Mr. Galant served as the CEO of Citigroup Inc.'s Enterprise Payments business since 2010. In this role, Mr. Galant oversaw the design, marketing and implementation of global business-to-consumer and consumer-to-business digital payments solutions. From 2009, Mr. Galant served as CEO of Citi Cards, heading Citigroup's North American and International Credit Cards business. From 2007 to 2009, Mr. Galant served as CEO of Citi Transaction Services, a division of Citi's Institutional Clients Group. From 2002 to 2007, Mr. Galant was the Global Head of the Cash Management business, one of the largest processors of payments globally. Mr. Galant joined Citigroup, a multinational financial services corporation, in 2000. Prior to joining Citigroup, Mr. Galant held positions at Donaldson, Lufkin & Jenrette, Smith Barney, and Credit Suisse. Mr. Galant holds a Bachelor's degree from Cornell University where he graduated a Phillip Merrill Scholar. Mr. Galant brings to our Board of Directors, among other skills and qualifications, leadership and expertise with respect to global payments solutions, broad knowledge of the payments and financial services industries, and leadership and management of complex, global organizations.

Alex W. (Pete) Hart. Mr. Hart, age 74, has served as a director since July 2006 and the Chairman of the Board since June 17, 2014. Mr. Hart has been an independent consultant to the financial services industry since November 1997. From August 1995 to November 1997, he served as CEO and from March 1994 to August 1995 as Executive Vice Chairman of Advanta Corporation, a diversified financial services company. From 1988 to 1994, he was President and CEO of MasterCard International, the worldwide payment service provider. Mr. Hart holds a bachelor degree in social relations from Harvard University. He is currently a member of the boards of directors of Global Payments, Inc., a payment services company (since February 2001) and Mitek Systems, Inc., a mobile video technology company (since December 2010). Mr. Hart also serves as a director and member of the compensation committee for Solicore, Inc., a private company that develops and manufactures embedded power solutions. From April 2001 until April 2012, Mr. Hart served as Chairman of the Board and a director of SVB Financial Corp. Mr. Hart also previously served on the board of directors and compensation committee of FICO, Inc., a predictive software company. Among other skills and qualifications, Mr. Hart has been an active participant in the payments and financial services industry for more than 40 years including as senior executive, director and consultant, and further, Mr. Hart's payments industry experience ranges from executive roles at banks, issuers, acquirers and card associations, all of which provide unique insight into our business operations and strategy. The wide spectrum of Mr. Hart's business and professional experience within the payments industry strongly complements the attributes of our other directors. Mr. Hart is the Chairman of our Corporate Governance and Nominating Committee. He also serves on the governance committee of Mitek, and is the chairman of the compensation committees of Global Payments and Mitek. Mr. Hart is also a member of the technology committee at Global Payments.

Robert B. Henske. Mr. Henske, age 53, has served as a director since January 2005. Mr. Henske is a Senior Advisor at Hellman & Friedman LLC, where he served as a Managing Director from July 2007 to 2014. From May 2005 until July 2007, he served as Senior Vice President and General Manager of the Consumer Tax Group of Intuit Inc. He was Intuit's CFO from January 2003 to September 2005. Prior to joining Intuit, he served as Senior Vice President and CFO of Synopsys, Inc., a supplier of electronic design automation software, from May 2000 until January 2003. From January 1997 to May 2000, Mr. Henske was a partner at Oak Hill Capital Management, a Robert M. Bass Group private equity investment firm. He holds a B.Sc. degree in Chemical

Engineering from Rice University and an M.B.A. (with distinction) in Finance and Strategic Management from The Wharton School at the University of Pennsylvania. Mr. Henske is chairman of the board of directors of OpenLink Financial. Mr. Henske was previously a member of the boards of directors of Applied Systems, Inc., Ellucian (formerly Datatel, Inc.) (as chairman), Associated Materials LLC, Goodman Global, Inc., Activant Solutions (as chairman), Iris Software Ltd. (as chairman), SSP Holdings (as chairman), Williams Scotsman, Grove Worldwide, Reliant Building Products and American Savings Bank. In addition to other skills and qualifications, Mr. Henske brings to our Board significant finance and accounting experience through his former roles as CFO of large, global companies in the high technology industry. Mr. Henske's leadership and management experiences, including his service as a director and committee member on the boards of a number of companies, provide valuable insight on dynamics and operation of the Board, particularly in its oversight role. Mr. Henske is Chairman of our Compensation Committee, serves on our Audit Committee and is one of our Audit Committee financial experts. Mr. Henske is also on the audit and compensation committees of OpenLink Financial.

Wenda Harris Millard. Ms. Millard, age 60, has served as a director since September 2012. Ms. Millard is President and Chief Operating Officer of MediaLink LLC ("MediaLink"), an advisory firm that provides critical counsel and strategic direction to the media, marketing, advertising, entertainment and technology industries. Ms. Millard joined MediaLink in April 2009. Previously, Ms. Millard served as President of Media for Martha Stewart Living Omnimedia, Inc. from July 2007 to April 2009, and as its Co-CEO from June 2008 to April 2009. From 2001 to 2007, Ms. Millard was Chief Sales Officer of Yahoo! Inc., overseeing the company's advertising and marketing services. Prior to that, Ms. Millard served in a number of executive positions in publishing, advertising and online media, including as President, Ziff Davis Internet, Inc. and Chief Internet Officer, Ziff Davis; EVP and General Manager, Network/Media of DoubleClick Inc.; President of Standard Rate & Data Service; Senior Vice President and Publisher of Family Circle Magazine for The New York Times Company; and as EVP and Publisher of Adweek Magazines. Ms. Millard holds a B.A. from Trinity College and an M.B.A. from the Harvard Business School. She currently also serves on the board of Millennial Media, Inc., a digital and mobile media advertising business, where she has served as a director since May 2009, and is a member of its compensation committee. Ms. Millard previously served on the boards of True North Communications Inc., a global advertising and communications company (formerly listed on the NYSE under the ticker "TNO" and acquired by The Interpublic Group of Companies in 2001) and Martha Stewart Living Omnimedia. In addition, she is a member of the board of the James Beard Foundation and previously has also served as Chairman of the Internet Advertising Bureau. Among other skills and qualifications, Ms. Millard is a seasoned executive with over thirty years in the publishing, advertising and online world. She is one of the early pioneers of internet advertising with demonstrated ability to drive growth and innovation in advertising and online media, including her contributions at DoubleClick, Ziff Davis, Yahoo! and Martha Stewart Living Omnimedia, which the Board believes is a valuable resource as we continue to expand activities of our payment-enabled media businesses and other strategic initiatives in advertising and digital media. Ms. Millard has served on our Compensation Committee since the date of her appointment to our board.

Eitan Raff. Mr. Raff, age 73, has served as a director since October 2007. Mr. Raff currently serves as a financial consultant to Wolfson Clore Mayer Ltd. and as a senior advisor to Morgan Stanley. Mr. Raff also serves on the board of directors of Alon USA Partners GP, LLC, a Delaware limited liability company that is owned by Alon USA Energy, Inc. and general partner of Alon USA Partners, LP, a Delaware limited partnership that owns and operates a crude oil refinery and markets and distributes petroleum products. Mr. Raff is also chairman of the public board of Youth Leading Change, a non-profit association, and previously served as the Accountant General (Treasurer) in the Israeli Ministry of Finance. Mr. Raff holds a B.A. and M.B.A. from the Hebrew University of Jerusalem and, in 2012, received a Doctor Philosophiae Honoris Causa from the Hebrew University of Jerusalem. Mr. Raff currently serves on the boards of directors of Israel Corp. Ltd. and a number of privately-held corporations. Mr. Raff previously served as chairman of the board of directors of Bank Leumi le Israel B.M., Bank Leumi USA and Bank Leumi UK plc from 1995 until 2010. Mr. Raff brings to the Board, among other skills and qualifications, extensive and in-depth experience within the financial services industry, as well as global and cultural aspects of operations and business management relevant to our strategic development.

Additionally, Mr. Raff provides unique perspectives on corporate governance and administration based on his long tenure with Bank Leumi. Mr. Raff is a member of our Corporate Governance and Nominating Committee. He currently serves on the investment and capital structure committee of Israel Corp. and on the audit committee of Alon USA Partners GP, LLC. While serving on the Bank Leumi le Israel B.M. board, Mr. Raff served on a number of committees of the board of directors, including the committees on credit, finance, administration, conflicts of interest and risk management.

Jonathan I. Schwartz. Mr. Schwartz, age 49, has served as a director since June 17, 2014. Mr. Schwartz has served as the CEO and President of Care Zone Inc., an Internet service for family caregivers, since April 2010. From 1996 to February 2010, Mr. Schwartz served in various capacities at Sun Microsystems, Inc. prior to its acquisition by Oracle Corporation, including from April 2006 to February 2010 as CEO and a member of the board of directors. Prior to Sun, Mr. Schwartz was the founder, President and CEO of Lighthouse Design, Ltd., which was ultimately acquired by Sun in 1996, and began his career with McKinsey & Company, Inc. Mr. Schwartz serves on our Audit Committee and Compensation Committee. Mr. Schwartz also serves on the board of directors of Silver Spring Networks, Inc., a provider of smart grid products, and is a member of its compensation committee. Mr. Schwartz brings to our Board proven operational and strategic expertise, with a strong background in technology and solutions. His experience as chief executive officer of a number of high-tech companies, as well as board and committee member of other high-tech public and private companies, provides the Board an important perspective in overseeing our business operations and strategy. Mr. Schwartz holds a B.A. in Mathematics and Economics from Wesleyan University.

Jane J. Thompson. Ms. Thompson, age 63, has served as a director since March 2014. She is the founder and CEO of Jane J. Thompson Financial Services LLC, a management consulting firm advising businesses focused on payments and serving the financial services needs of mass-market consumers (including large corporations, top management consulting firms, private equity firms and start-ups). From May 2002 to June 2011, Ms. Thompson served as President of Walmart Financial Services, a division of Wal-Mart Stores, Inc. that provides money services, products and solutions to Walmart customers. Previously, she led the Sears Credit, Sears Home Services, and Sears Online groups within Sears, Roebuck & Company, and was a partner with McKinsey & Company, Inc. advising consumer companies. Ms. Thompson serves on our Compensation Committee, Ms. Thompson also serves on the Board of Directors of Blackhawk Network Holdings, a prepaid payment network company, and its compensation committee; on the Board of Directors of On Deck Capital, Inc., an online lender to small businesses, and its risk management and audit committees; on the Board of Directors of Navient Corporation, a loan management, servicing and asset management company, and its audit committee; and on the Board of Directors of Fresh Market, Inc., a specialty food retailer, and its compensation committee. From 1995 to 1999, she served on the Board of Directors of ConAgra Foods, Inc., a packaged food company, and its audit committee. Ms. Thompson brings to our Board of Directors extensive management experience leading multi-billion dollar organizations in the financial services, home services, retail and e-commerce industries, with expertise in the evolving relationship between retailers and consumers, as well as experience driving strategy and growth for large corporations. Ms. Thompson received a Master's in Business Administration from Harvard Business School and a Bachelor's of Business Administration in Marketing from the University of Cincinnati.

There are no family relationships among any director nominees or executive officers of Verifone.

Committee Membership

The table below summarizes membership information for each of the Board committees:

Director	Audit Committee	Compensation Committee	Governance and Nominating Committee
Robert W. Alspaugh	√ (Chairman)		✓
Karen Austin(1)	✓	_	✓
Alex W. (Pete) Hart	_	_	✓ (Chairman)
Robert B. Henske	✓	√ (Chairman)	_
Wenda Harris Millard	_	✓	_
Eitan Raff	_	_	✓
Jonathan I. Schwartz(2)	✓	✓	_
Jane J. Thompson	_	✓	_

Cornorate

√= Member

- (1) Ms. Austin joined the Board and was appointed a member of the Audit Committee and the Corporate Governance and Nominating Committee effective June 17, 2014.
- (2) Mr. Schwartz was elected a member of the Board at the 2014 Annual Meeting, and joined the Board and was appointed a member of the Audit Committee and Compensation Committee effective June 17, 2014.

Audit Committee Financial Expert

Our Board has determined that each of Robert W. Alspaugh and Robert B. Henske is qualified as an Audit Committee financial expert within the meaning of SEC regulations. In making this determination, the Board considered the following qualifications: (a) understanding of United States generally accepted accounting principles ("GAAP") and financial statements; (b) ability to assess the general application of GAAP to accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be raised by our financial statements, or experience actively supervising persons engaged in these activities; (d) understanding of internal control over financial reporting; and (e) understanding of Audit Committee functions.

Director Compensation

The Corporate Governance and Nominating Committee regularly reviews director compensation against peer group data and pay practices. In December 2013, the Board and the Corporate Governance and Nominating Committee conducted a periodic review of director compensation, in which the Board and the Corporate Governance and Nominating Committee considered an evaluation of peer group pay practices and market data and trends, as well as recommendations, by our Corporate Governance and Nominating Committee's independent compensation consultant. Following such review, the Board decided to retain non-employee director compensation at the same levels as first set in March 2012. During fiscal year 2014, the compensation policy and levels for our Board remained the same as set in March 2012.

Each non-employee director was entitled to receive an annual cash retainer and a meeting attendance fee for service on the Board and Board committees during fiscal year 2014 as follows:

Annual director retainer	\$	55,000
Chairman of the Board retainer(1)	\$1	00,000
Annual committee chair retainers:		
Audit Committee	\$	20,000
Compensation Committee	\$	10,000
Corporate Governance and Nominating Committee	\$	10,000
Board and committee meeting in-person attendance fee	\$	1,500
Board and committee meeting telephonic attendance fee	\$	1,500

⁽¹⁾ The Chairman of the Board retainer is incremental to the annual director retainer.

From time to time, the Board of Directors may establish non-standing, limited purpose committees. Retainer and meeting fees for these committees are determined on a case by case basis.

In addition, each director is entitled to receive an annual equity award consisting of stock options and RSUs, each with a target value of \$75,000, with such awards granted following the election of directors at each annual meeting. For fiscal year 2014, the Board elected to provide Ms. Thompson with an additional equity grant, consisting of stock options and RSUs, each with a target value of \$18,750, in light of Ms. Thompson accepting her appointment to join our Board three months prior to our 2014 Annual Meeting to fill a vacancy from Mr. McGinn's resignation from our Board. The grant date of director equity awards is the first trading day in the month following our annual meeting and the exercise price of the stock option grants is the closing price of our common stock on the grant date. The number of options is determined based on the Black-Scholes-Merton fair value as of the date of grant and the number of RSUs is determined based on the 60 day average share price as of the date of grant, in each case rounded to the nearest 500 options or units. The annual equity awards vest in full on the first anniversary of the grant date. Stock options have a term of seven years.

The following table sets forth a summary of the compensation earned by our non-employee directors (including non-employee directors who ceased to be a member of the Board during fiscal year 2014) for services in fiscal year 2014:

Name	Cash Fees	Option Awards(1),(2)	Stock Awards(1),(3)	All Other Compensation	Total
Robert W. Alspaugh	\$100,500	\$ 61,287	\$ 73,180	\$—	\$234,967
Karen Austin(4)	\$ 29,472	\$ 61,287	\$ 73,180	\$	\$163,939
Dr. Leslie Denend(5)	\$103,736	\$183,510	\$130,165	\$	\$417,411
Alex W. (Pete) Hart	\$115,722	\$ 61,287	\$ 73,180	\$	\$250,189
Robert B. Henske	\$ 92,000	\$ 61,287	\$ 73,180	\$	\$226,467
Richard A. McGinn(6)	\$ 29,677	\$ —	\$ —	\$	\$ 29,677
Wenda Harris Millard	\$ 65,500	\$ 61,287	\$ 73,180	\$	\$199,967
Eitan Raff	\$ 68,500	\$ 61,287	\$ 73,180	\$	\$202,967
Jonathan I. Schwartz(7)	\$ 32,472	\$ 61,287	\$ 73,180	\$	\$166,939
Jeffrey Stiefler(8)	\$ 45,181	\$183,510	\$130,165	\$	\$358,856
Jane J. Thompson	\$ 43,470	\$ 78,001	\$ 91,475	\$	\$212,946

⁽¹⁾ During fiscal year 2014, each non-employee member of the Board who was a director after the close of our Annual Meeting of Stockholders on June 17, 2014 was granted 2,000 RSUs and 5,500 stock options. The Board elected to provide Ms. Thompson with 500 additional RSUs and 1,500 additional stock options, in light of Ms. Thompson accepting her appointment to join our Board three months prior to our 2014 Annual Meeting in order to fill a vacancy from Mr. McGinn's resignation from our Board. Amounts shown in these columns reflect the aggregate fair value of each award as of the grant date of such award computed in

- accordance with Financial Accounting Standards Board ("FASB") ASC Topic 718 and do not reflect whether the recipient has actually realized a financial benefit from the awards. The fair value of option awards was estimated using the Black-Scholes-Merton option pricing model in accordance with FASB ASC Topic 718. Pursuant to SEC rules, amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For information on the valuation assumptions used for the calculation of these awards, see Note 4, Employee Benefit Plans, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended October 31, 2014.
- (2) As of October 31, 2014, the aggregate outstanding number of options held by each of our non-employee directors is as follows: Mr. Alspaugh, 55,875 shares; Ms. Austin, 5,500 shares; Mr. Hart, 36,563 shares; Mr. Henske, 51,000 shares; Ms. Millard, 14,500 shares; Mr. Raff, 29,000 shares; Mr. Schwartz, 5,500 shares; and Ms. Thompson, 7,000 shares.
- (3) As of October 31, 2014, the aggregate number of RSUs held by each of our non-employee directors is as follows: Mr. Alspaugh, 12,500; Ms. Austin, 2,000; Mr. Hart, 2,000; Mr. Henske, 12,500; Ms. Millard, 2,000; Mr. Raff, 2,000; Mr. Schwartz, 2,000; Mr. Stiefler, 5,000 (consisting of 3,500 RSUs the delivery of which are deferred to June 1, 2017 and 1,500 RSUs the delivery of which are deferred to June 1, 2018); and Ms. Thompson, 2,500.
- (4) Ms. Austin joined the Board and was appointed a member of the Audit Committee and the Corporate Governance and Nominating Committee on June 17, 2014.
- (5) Dr. Denend, who was previously the Chairman of the Board, did not stand for re-election at the 2014 Annual Meeting on June 17, 2014, and therefore ceased to be a member of the Board as of that date. On June 17, 2014, following the 2014 Annual Meeting, the Board approved the acceleration of vesting, from July 1, 2014 to June 17, 2014, of 3,500 RSUs and 9,000 stock options granted to Dr. Denend on July 1, 2013, in connection with Dr. Denend's completion of the one-year term of service as a director through the 2014 Annual Meeting. The Option Awards amount and the Stock Awards amount represent the incremental fair value of such accelerated vesting of the option grant and the RSU grant, respectively.
- (6) Mr. McGinn resigned as a member of the Board and the Corporate Governance and Nominating Committee, effective March 26, 2014.
- (7) Mr. Schwartz was elected a member of the Board at the 2014 Annual Meeting, and joined the Board and was appointed a member of the Audit Committee and Compensation Committee effective June 17, 2014.
- (8) Mr. Stiefler did not stand for re-election at the 2014 Annual Meeting on June 17, 2014, and therefore ceased to be a member of the Board and the Audit Committee and Compensation Committee as of that date. On June 17, 2014, following the 2014 Annual Meeting, the Board approved the acceleration of vesting, from July 1, 2014 to June 17, 2014, of 3,500 RSUs and 9,000 stock options granted to Mr. Stiefler on July 1, 2013, in connection with Mr. Stiefler's completion of the one-year term of service as a director through the 2014 Annual Meeting. The Option Awards amount and the Stock Awards amount represent the incremental fair value of such accelerated vesting of the option grant and the RSU grant, respectively.

OUR EXECUTIVE OFFICERS

Our executive officers are elected annually by the Board and serve at the discretion of the Board. Our current executive officers and their ages as of February 11, 2015 are as follows:

Name	Age	Position
Alok Bhanot	46	EVP, Engineering and Chief Technology Officer
June Yee Felix	58	President, Verifone Europe
Paul Galant	47	CEO
Sunil Kappagoda	50	President, Verifone Asia Pacific and EVP, Corporate Strategy
Albert Liu	42	EVP, Corporate Development & General Counsel
Jennifer Miles	43	President, Verifone Americas
Bulent Ozayaz	41	President, Verifone Southern Europe, Russia, Middle East and Africa
Marc E. Rothman	50	EVP and CFO

Alok Bhanot. Mr. Bhanot has served as our EVP, Engineering and Chief Technology Officer since December 2, 2013. Prior to joining Verifone, from June 2013 to November 2013, Mr. Bhanot served as an advisor of Walmart Labs, a unit of Walmart Global e-Commerce, and, from February 2011 to June 2013, as the founder and CEO of Inkiru, Inc., a provider of business intelligence/analytics technology, before it was acquired by Walmart in June 2013. Prior to that, from July 2010 to January 2011, Mr. Bhanot served as the Chief Technology Officer for Rent The Runway, Inc., a company that sells and rents women's fashion products online, and, from April 2009 to June 2010, EVP for Cooliris, Inc., a software developer of photo viewing applications. From May 2007 to March 2009, Mr. Bhanot served as Vice President, Risk Technology of PayPal and, from January 2006 to March 2009, Vice President, Corporate Architecture of eBay, Inc. Before joining eBay, Inc., from January 2000 to March 2002, Mr. Bhanot served as the Chief Technology Officer of Gradience, Inc., a market data analytics provider. Mr. Bhanot graduated from University of Roorkee (Indian Institute of Technology) with a Bachelor's degree in Mechanical Engineering.

June Yee Felix. Ms. Felix has served as our President, Verifone Europe since May 26, 2014. Prior to joining Verifone, Ms. Felix served as Managing Director of Global Enterprise Payments at Citibank, N.A. from February 2011 to May 2014, leading a global business focused on healthcare payments and digital transformation. From October 2002 to November 2009, Ms. Felix served as Global General Manager of Banking and Financial Markets at International Business Machines Corporation, responsible for the overall business results of IBM's largest industry group, covering banks, broker-dealers, payment processors, merchant acquirers and exchanges globally, and led teams that developed new solutions and partnerships in payments, risk management, banking, customer management and data management/analytics. Ms. Felix was the CEO and Chairman of the Board of CertCo LLC, a security and risk management technology company, from January 2000 to June 2002 and Senior Vice President, E-Commerce and Payments Executive of Chase Manhattan Bank from January 1991 to January 2000. Ms. Felix also served as a consultant for Citibank N.A., Permira LLC, a private equity investment firm, in 2010 and for Booz, Allen & Hamilton from August 1985 to December 1989. Ms. Felix holds a B.S. degree in Chemical Engineering (summa cum laude) and Premedical Studies from the University of Pittsburgh.

Biographical information for Mr. Galant is set forth above.

Sunil A. Kappagoda. Mr. Kappagoda has served as our President of Verifone Asia Pacific, overseeing Verifone's operations in China, India, Greater Asia, Australia, and New Zealand, and as our EVP, Corporate Strategy, leading the ongoing development of Verifone's global business strategy since July 25, 2013. Prior to joining Verifone, from November 1999 to July 2013, Mr. Kappagoda served as a Senior Partner and Managing Director for The Boston Consulting Group, leading its relationships with major U.S. and international financial services organizations. Prior to joining The Boston Consulting Group, from February 1996 to October 1999, Mr. Kappagoda served as a Director of Oliver, Wyman & Company, a financial services consulting firm, and, from September 1990 to January 1996, as a Principal of Booz Allen & Hamilton, Inc.'s financial services

practice. Mr. Kappagoda holds a Bachelor's degree in Engineering from Imperial College in London, a Master's degree in Economics from the London School of Economics and a Master's degree in Business Administration from the University of Pennsylvania's Wharton School. He has served as a member of the advisory board for the Imperial College Business School since 2007.

Albert Liu. Mr. Liu serves as our EVP, Corporate Development and General Counsel. Mr. Liu joined Verifone in October 2008, as Senior Vice President, General Counsel and Corporate Secretary, and was named EVP, Corporate Development in August 2011. In his capacity Mr. Liu also serves as Chief Compliance Officer. Prior to joining Verifone, he was Vice President, Legal and Corporate Development, and Company Secretary for NETGEAR, Inc., a provider of networking solutions, since October 2004. Mr. Liu also previously served as General Counsel, Director of Human Resources and Secretary of Turnstone Systems, Inc., a supplier of digital subscriber line testing equipment and General Counsel and Secretary for Yipes Enterprise Services, a provider of Ethernet connectivity services. Mr. Liu began practicing law with the firm of Sullivan & Cromwell in New York, advising clients on all aspects of corporate and securities law, leading public and private securities offerings, and negotiating and finalizing venture capital investments and contracts. Before entering the legal field, he was a software engineer at Tandem Computers. He holds dual degrees in Computer Science and Political Science from Stanford University, and a J.D (magna cum laude) from the University of California, Hastings College of the Law. He is a member of the State Bar of California.

Jennifer Miles. Ms. Miles has served as our President, Verifone Americas since March 18, 2013. Ms. Miles joined Verifone in February 2001 and has served in various management positions, playing an integral role in driving the growth of Verifone's solutions. Most recently, from August 2011 to March 18, 2013, she served as Verifone's EVP, North America, overseeing Verifone's North America business. Prior to joining Verifone, Ms. Miles spent six years with Wachovia Bank serving in several roles including sales and product management of corporate treasury and cash management solutions to Fortune 500 companies. Ms. Miles graduated from the University of Georgia with a bachelor degree in Business Administration.

Bulent Ozayaz. Mr. Ozayaz has served as our President, Southern Europe, Russia, Middle East and Africa since March 18, 2013, overseeing our business in these regions. Prior to his current position, he served as Vice President and General Manager of Verifone Media Solutions as well as Vice President and General Manager of Wireless Solutions, North America Financial Solutions. Mr. Ozayaz joined Verifone through our acquisition of Lipman Electronic Engineering Ltd. in 2006, where he served as Vice President North America Marketing. Mr. Ozayaz holds a Bachelor's degree in Computer Science and Electronic Engineering and a Master's of Business Administration degree from Hofstra University.

Marc E. Rothman. Mr. Rothman has served as our EVP and CFO since February 4, 2013. Prior to joining Verifone, Mr. Rothman served as the CFO of Motorola Mobility, Inc., where he oversaw global financial strategy, financial analysis and reporting, regulatory financial compliance, restructuring activities, and mergers and acquisitions, including his leadership in Motorola Mobility's spin-off transaction from its former parent company, Motorola, Inc., as well as the sale of the company to Google in May 2012. At Motorola, he also held a number of senior finance leadership positions across the company, including serving as chief financial officer in several of its business segments (Public Safety, Networks and Enterprise, and Mobile Devices). Mr. Rothman joined Motorola, Inc. through the acquisition of General Instrument in 2000, and at that time he was vice president and corporate controller. He began his career at Deloitte & Touche LLP. Mr. Rothman is a Certified Public Accountant (inactive) in the State of California and graduated from Richard Stockton College with a Bachelor's degree in Business.

EXECUTIVE COMPENSATION

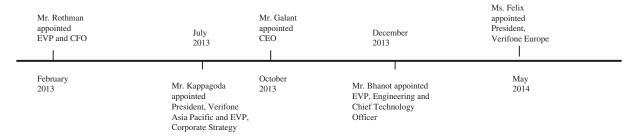
COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis ("CD&A") describes our executive compensation program and discusses the compensation for our fiscal year 2014 named executive officers ("NEOs"). Our fiscal year 2014 NEOs are:

- Paul Galant, our CEO
- Marc Rothman, our EVP and CFO
- Alok Bhanot, our EVP, Engineering and Chief Technology Officer, who joined Verifone in December 2013
- June Yee Felix, our President, Verifone Europe, who joined Verifone in May 2014
- Sunil Kappagoda, our President, Verifone Asia Pacific and EVP, Corporate Strategy

Overview

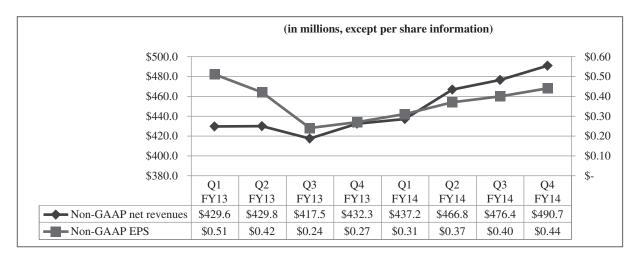
Our Board and Compensation Committee oversee our executive compensation program. In designing our executive compensation, the Board and Compensation Committee seek to align executive compensation with stockholder return and long-term value and to incentivize our executives to deliver superior performance. Over the past 21 months, we have made significant changes to our senior management, including the appointment of Mr. Galant as our CEO in October 2013. Our Board of Directors made these changes to strengthen our financial and operational performance, optimize our technology platform, and reposition us as a market leader in the payments industry, following periods of disappointing financial results. In particular, the changes involved appointing Mr. Bhanot as our EVP, Engineering and Chief Technology Officer and Ms. Felix as our President, Verifone Europe during fiscal year 2014. The following graph reflects the tenure of our NEOs:



In making these executive changes, our Board sought new executive talent with substantial strategic experience in our industry and markets and technical expertise relevant to our systems and solutions, and also with demonstrated leadership and success at organizations and operations of larger scale or greater complexity than ours as we focused on repositioning the Company for long-term growth and success.

Under Mr. Galant's leadership, our NEOs spent considerable time during fiscal year 2014 evaluating our competitive position and product strategy in key markets (personally engaging with our clients and partners to reinvigorate Verifone's competitiveness and industry leadership), conducting detailed reviews of our strategic investment in research and development for key products and markets to strengthen our prospects for strategic growth and long-term profitability, and developing a comprehensive transformation plan to strengthen our financial and operational performance and shape an effective long-term business strategy. At the same time, they also were able to deliver financial results that exceeded our financial goals for the year as contained in our annual operating plan.

Highlighted below are our Non-GAAP net revenues and Non-GAAP earnings per share, or EPS, for fiscal year 2013 compared to fiscal year 2014:



The following are our GAAP net revenues and GAAP EPS for the same performance periods (in millions, except per share information).

	Q1 FY13	Q2 FY13	Q3 FY13		Q1 FY14			Q4 FY14
GAAP net revenues	\$428.7	\$426.3	\$416.0	\$431.2	\$436.1	\$466.4	\$475.9	\$490.5
GAAP EPS	\$ 0.11	\$ (0.54)	\$ (0.02)	\$ (2.26)	\$(0.15)	\$ (0.22)	\$ (0.26)	\$ 0.27

Please see Appendix A for a reconciliation of (1) non-GAAP net revenues to GAAP net revenues; and (2) non-GAAP net income to GAAP net income (loss) and non-GAAP EPS to GAAP EPS for each of the above periods.

We believe that the performance of our executives is a critical part of our executing successfully on our overall transformation and strategic plan. Key measures of our financial and operational performance include Non-GAAP net revenues and Non-GAAP EPS. Accordingly, both financial measures, along with performance goals designed to incentivize long-term consistent achievement against net revenues and EPS goals, were key measures of our executives' performance for fiscal year 2014. Other important measures included free cash flow and optimization of our technology platform, for which critical milestones were achieved or exceeded in fiscal year 2014.

Executive Compensation Actions

Our Compensation Committee retained our NEOs' fiscal year 2014 compensation at the same level as for fiscal year 2013. Accordingly:

- Base salary—Their annual base salaries were maintained at the fiscal year 2013 levels or, for NEOs hired in fiscal year 2014, at the levels negotiated at the time of their joining Verifone; and
- *Equity Awards*—Except in the case of Mr. Kappagoda, they did not receive any equity awards. As provided in his employment offer letter, in March 2014 the Compensation Committee granted Mr. Kappagoda an RSU award with a grant date value of \$1,500,000 which was to vest on the first anniversary of the date of grant.

Short-Term Incentive Compensation. As noted above, our fiscal year 2014 financial performance exceeded our overall financial and operational goals. Under our short-term incentive compensation plan, which provides cash awards to our NEOs based on actual performance as measured against multiple corporate financial measures

as well as individual qualitative performance objectives, the Compensation Committee made a bonus award of approximately \$1.39 million to our CEO (representing 139% of his target cash bonus opportunity) and bonus awards ranging from approximately \$193,000 to approximately \$689,000 to our other NEOs.

In addition, to recognize his exceptional performance in successfully achieving our transformation initiative goals for fiscal year 2014 and delivering outstanding financial results, our Compensation Committee awarded our CEO a one-time special bonus in the amount of \$500,000.

Compensation of New Fiscal Year 2014 NEOs. Messrs. Bhanot and Kappagoda's and Ms. Felix's compensation for fiscal year 2014 was based primarily on terms negotiated as part of their new hire arrangements. In negotiating these arrangements, our Compensation Committee considered several factors specific to each individual, including his or her intended role and responsibilities and criticality to our transformation plan, his or her individual skills, qualifications, and experience, other competitive opportunities then available to him or her, his or her current compensation package, including the value of any compensation forfeited in leaving a position to join Verifone, and competitive market data. Since these arrangements were the result of extensive negotiations with these individuals, they are not reflective of our ongoing executive compensation policies or practices. For a detailed discussion of the terms and conditions of Messrs. Bhanot and Kappagoda's and Ms. Felix' compensation arrangements, see "Employment-Related Agreements with the NEOs" below.

Compensation Program Modifications and Enhancements

In fiscal year 2014, our Compensation Committee adopted several modifications and enhancements to our executive compensation program as first described in the definitive proxy statement for our 2014 Annual Meeting of Stockholders. Throughout fiscal year 2014, our Compensation Committee has continued to make changes to our executive compensation program and related policies in order to better align our program with its goals. We believe that these changes will strengthen our compensation philosophy, motivate our NEOs to grow our long-term profitability, and better align the interests of our NEOs and stockholders.

Executive Compensation Program Feature	Summary of Modification or Enhancement	Effective Date of Modification or Enhancement
Short-term incentive compensation	Seventy-five percent of the short-term (annual) incentive compensation opportunities for our executive officers (including the NEOs) will be based on the achievement of pre-established target levels for multiple corporate financial measures (in fiscal year 2014, non-GAAP net revenues, non-GAAP EPS, and free cash flow) and 25% of their short-term (annual) incentive compensation opportunities will be based on the achievement of individual performance objectives, subject to minimum thresholds for any payment.	Fiscal year 2014
Long-term equity incentive compensation	Our Compensation Committee adopted a policy providing that at least half of the value of long-term equity incentive compensation granted to our executive officers (including the NEOs) will be performance-based.	Fiscal year 2015

Executive Compensation Program Feature	Summary of Modification or Enhancement	Effective Date of Modification or Enhancement
Performance-based equity awards	Performance-based equity awards have a three-year performance period and utilize relative performance measures. The performance-based equity awards granted to our executive officers (including the NEOs) will be earned based on our total stockholder return ("TSR") relative to the TSR of a recognized index, such as the S&P North America Technology Index, measured over a three-year performance period. These awards provide for threshold, target, and maximum performance levels which will result in at-target, below-target, and above-target earn-outs based on the actual performance achievement for the performance period.	Fiscal year 2015
Stock ownership policy	Our Compensation Committee modified our stock ownership policy to increase the required ownership levels for our executive officers. This policy also requires our executive officers (including our NEOs) to retain stock awards, net of shares withheld for taxes, if their required ownership levels have not been timely met. See detailed discussion under "Executive Stock Ownership Guidelines" in this CD&A.	March 2014
Compensation recovery ("clawback") policy	Our Compensation Committee has adopted a policy providing that, in the event of a financial restatement, any incentive-based compensation in the form of cash awards paid to an executive officer (including the NEOs) during the three-year period preceding the restatement that would not have been paid to such executive officer based on the restated financial results must be returned. See detailed discussion under "Adjustment or Recovery of Awards; Clawback Policy" in this CD&A.	March 2014

We also adopted changes to our use of peer group company data for executive compensation. We utilize a formula-based approach, based on objective, quantitative criteria, in selecting peer group companies for executive compensation purposes, which we believe ensures that the peer group used for compensation decisions is better aligned with Verifone's financial performance and market capitalization. Using this peer group information, or competitive survey data where peer group information is not available for a particular position, the Compensation Committee considers median compensation data as an important reference point in determining target executive compensation. When our Compensation Committee initiated its review to adopt structural changes to our executive compensation program, it sought to target executive compensation at the median of compensation based on peer group and competitive survey data. After further evaluation during fiscal year 2014 of our executive compensation program objectives, and in particular our ability to attract, motivate and retain high caliber executives in light of the challenges presented by our recent significant management and organizational changes, the Compensation Committee concluded that peer group median compensation, though

an important element, should not be a specific target for determining target executive compensation. In reaching this conclusion, the Compensation Committee sought to preserve flexibility to address individual executive situations, including compensation packages negotiated with newly hired executives, vesting schedules of existing equity awards and the related retention value, historical performance and performance goals for the upcoming year and the scope of individual executives' responsibilities and other relevant factors. For example, as we have hired additional talent to our executive team, we have recruited executives with demonstrated leadership at companies of larger operations and greater complexity. The Compensation Committee was also especially cognizant of the importance of attracting, motivating and retaining a strong executive team to execute on the transformation plans that we believe are necessary to deliver superior performance and long-term growth, and the extremely competitive labor market in our industry for the level of executive talent we desire. Further, as we continue to work on our transformation, retention, succession planning and stability of the executive team are critical considerations. See additional discussion of peer group company data and methodology under "Determination of Compensation—Competitive Data" in this CD&A.

Certain exceptions to the policies described above (other than executive stock ownership levels and clawbacks) may be made in conjunction with negotiating new hire compensation arrangements for newly hired executive officers.

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on a regular basis to ensure that it is consistent with our short-term and long-term goals given the dynamic nature of our business and the market in which we compete for executive talent. The following policies and practices were in effect during fiscal year 2014:

- Direct Communication with Board of Directors. We provide a direct line of communication for our stockholder with our Board of Directors, as described under "Director Independence and Corporate Governance—Communications with Directors" above.
- *Independent Compensation Committee*. The Compensation Committee is comprised solely of independent directors.
- *Independent Compensation Committee Advisors*. The Compensation Committee engaged its own compensation consultant to assist with its fiscal year 2014 compensation responsibilities. This consultant performed no consulting or other services for Verifone.
- Annual Executive Compensation Review. The Compensation Committee conducts an annual review
 and approval of our compensation strategy, including a review of our compensation peer group used
 for comparative purposes.
- Executive Compensation Policies and Practices. Our compensation philosophy and related corporate
 governance policies and practices are complemented by several specific compensation practices that
 are designed to align our executive compensation with long-term stockholder interests, including the
 following:
 - *Annual Stockholder Advisory Vote on Executive Compensation.* We provide our stockholders with an annual advisory vote on the compensation of our NEOs;
 - No Material Perquisites. We do not provide material perquisites to our NEOs;
 - *No Excise Tax Gross-ups*. We do not provide excise tax gross-up payments in connection with executive severance or change of control payments;
 - "Double-Trigger" Change-of-Control Arrangements. All change-of-control payments and benefits are based on a "double-trigger" arrangement (that is, they require both a change-of-control of the Company plus a qualifying termination of employment before payments and benefits are paid);

- Stock Ownership Guidelines. We maintain stock ownership guidelines for our NEOs, as
 described in "Executive Stock Ownership Guidelines" below;
- Compensation Recovery Policy. We maintain a compensation recovery ("clawback") policy that
 provides for the recoupment of annual incentive compensation from our NEOs in the event of a
 financial restatement, as described in "Adjustment or Recovery of Awards; Clawback Policy" below;
- Hedging and Pledging Prohibited. We prohibit our employees, including our NEOs, and directors from hedging or pledging our securities; and
- *No Stock Option Repricings*. We do not reprice outstanding stock options (where the exercise price is below the then-current market price of our common stock) without stockholder approval.

At our 2014 Annual Meeting of Stockholders, we conducted an advisory vote of our stockholders (commonly known as a "Say-on-Pay" vote) to approve the compensation of our named executive officers. At that meeting, approximately 79.2% of the votes cast on the proposal voted to "approve" the compensation of the named executive officers, an increase compared to 20.7% of the votes cast in favor of our 2013 Say-on-Pay vote.

Following our 2013 Annual Meeting of Stockholders and in connection with our 2014 Annual Meeting of Stockholders, we actively engaged with several of our large institutional stockholders to discuss stockholder concerns in light of the unfavorable 2013 Say-on-Pay vote. Following these discussions, we presented our Compensation Committee with a summary of stockholder concerns and potential areas for modifying and enhancing our executive compensation program to better align our policies and practices with stockholder objectives and to respond to the views that stockholders expressed in the 2013 Say-on-Pay vote. In March 2014, after evaluation of our stockholders' concerns, the Compensation Committee adopted a number of modifications and enhancements to our executive compensation program to address these concerns, to be implemented on a going forward basis, as described above.

We value the opinions of our stockholders and will continue to consider the outcome of future Say-on-Pay votes, as well as feedback received through our engagement activities and at other times during the year to understand their views on our executive compensation philosophy, policies, and practices, when making compensation decisions for our NEOs.

Consistent with the recommendation of our Board of Directors and the preference of our stockholders as reflected in the advisory vote on the frequency of future Say-on-Pay votes conducted at our 2011 Annual Meeting of Stockholders, our Board of Directors has adopted a policy providing for annual Say-on-Pay votes on the compensation of our NEOs. Accordingly, following the Annual Meeting of Stockholders to which this proxy statement relates, the next stockholder advisory vote on the compensation of the named executive officers will take place in 2016.

Compensation Program Objectives

We believe that highly talented, dedicated, and results-oriented management is critical to our growth and long-term success. Our compensation program, which is subject to the oversight of our Board and the Compensation Committee, is designed to:

- Align our management's interests with long-term stockholder value by providing for a significant
 portion of management's compensation in the form of long-term incentive awards, such as stock
 options, RSUs, and other stock-based awards, with a combination of time-based and performancebased vesting schedules, the value of which depends upon the performance of our common stock;
- Tie each NEO's compensation to our success during the most recent fiscal year, measured in large part
 by our financial and operational performance, using targets that are aligned with our business strategy
 and operational plan as approved by our Board, and any variations in stockholder value during that
 period;

- Tie a portion of each NEO's compensation to that executive's individual performance in supporting our
 company-wide goals and strategic initiatives for the fiscal year as outlined by the Board, in order to
 encourage and reflect individual contributions to our overall performance by rewarding individual
 achievement;
- Attract, motivate, and retain management talent of high quality in an intensely competitive market;
- Ensure that each NEO's compensation is at appropriate and competitive levels relative to each other
 and to senior executives at companies that we have identified as peer group companies, or other
 surveyed companies, including certain of our competitors; and
- Generally structure, to the extent deemed practicable and appropriate by our Compensation Committee, the bonuses paid to the NEOs to be tax deductible to us as "qualified performance-based compensation" under Section 162(m) of the IRC.

Implementing Our Objectives

The Compensation Committee determines the compensation for each of the NEOs, subject to individually negotiated contractual arrangements with executives. The Compensation Committee evaluates base salaries and short-term and long-term incentive awards as tools to provide the appropriate incentives to meet our compensation objectives both individually and in the aggregate for the NEOs. Our Compensation Committee is also cognizant of the importance in investing in executive talent to ensure that we achieve our corporate strategies and goals, particularly during times of corporate transformation. We believe the most important indicator of whether our compensation objectives are being met is whether we have structured our compensation elements to incentivize delivery of superior performance, particularly with respect to our financial performance and strategic initiatives, as well as long-term growth and profitability, and overall stockholder return. We also seek to ensure that our compensation program incentivizes our executives to perform in line with our expectations and to continue their careers with us.

The Compensation Committee establishes the performance targets for the NEOs at the beginning of the fiscal year based on our operating plan approved by the Board at that time. The financial forecasts that form our operating plan reflect our company-wide growth targets. The financial performance targets used for purposes of executive compensation are generally set at the higher end of the range of our planned growth based on our operating plan. Our operating plan reflects what our management and Board believe we could achieve if we successfully execute our operational strategies and goals, and incorporation of these targets into our incentive awards is intended to incentivize our executives to achieve these goals. On an individual basis, executives are given a set of performance objectives that are aligned with our operating plan, strategic goals, and transformation initiatives, and are set out in the form of a "scorecard" for each executive.

Elements of Executive Compensation

Each compensation component is structured to recognize individual performance and the components are intended to incentivize both short- and long-term performance. Our compensation program consists of the following short-term and long-term components:

Short-term components

- Base salary;
- Variable annual performance-based cash incentive awards; and
- Benefits and perquisites.

Long-term components

- Grants of equity awards with time-based vesting; and
- Grants of equity awards that vest based on achievement of performance targets over a long-term
 measurement period. As discussed above, in fiscal year 2014, our Compensation Committee adopted a
 policy that provides that at least one-half of the value of an executive's equity awards shall be
 performance-based, subject to individually negotiated contractual arrangements with newly hired
 executives.

The foregoing elements combine to promote the compensation objectives that we have outlined above. The Compensation Committee believes that a mix of both short-term cash incentives and long-term equity incentives are appropriate to implement our overall compensation program. In determining the elements of our executive compensation program, the Compensation Committee considers the following factors:

- Whether the short- and long-term components of the compensation package, in absolute as well as relative terms, assure that appropriate recognition, incentives and retention value are maintained;
- Our share price performance over a multi-year period compared against relevant market indices;
- Our financial performance during the fiscal year as measured against projections of our financial performance approved by the Board at the beginning of the fiscal year, including projections in respect of non-GAAP net revenues, non-GAAP EPS and free cash flow;
- Information prepared by the Compensation Committee's independent executive compensation consultant, Compensia, as described under "Competitive Data" and "Role of Compensation Consultants" below, including information with respect to the executive compensation of companies with revenues, market capitalization, market capitalization as a multiple of revenue and annual revenue growth comparable to ours; and
- Evaluations by our CEO of NEO performance in relation to our corporate objectives. Our CEO does not make recommendations about his own compensation.

Within our executive compensation program, the Compensation Committee considers long-term equity awards as the most effective component of our executive compensation program for attracting and retaining executive talent, and incentivizing long-term performance that aligns with the interests of our stockholders. Accordingly, in setting executive compensation, the Compensation Committee has generally allocated executive compensation more heavily toward long-term equity awards rather than cash compensation. Moreover, in any particular performance period, assuming strong company and/or individual performance, the Compensation Committee may utilize equity awards for retention purposes or to incentivize performance in cases where the nature of an executive's future performance goals merit a higher award commensurate with higher target achievements for the performance period.

Employment-Related Agreements with the NEOs

We may enter into arrangements with one or more of our executives related to specific employment or compensation terms. Our Compensation Committee makes the determination as to the terms of our arrangements with our executives. In general, our Compensation Committee considers whether an agreement is necessary to obtain a measure of assurance as to the executive's continued employment in light of prevailing market competition for the particular position held by the NEO and the importance of the particular position to our operations and strategic plan, or if the Compensation Committee determines that an employment agreement is necessary and appropriate to attract, motivate, and retain executive talent in light of market conditions, the prior experience of the executive, or our practices with respect to other similarly situated employees.

Compensation Terms with Fiscal Year 2014 NEOs

Since each of our current NEOs joined Verifone in 2013 or 2014, our current arrangements with our NEOs relate to terms that we negotiated with each NEO when he or she was hired. The pay levels and awards reflected in the employment arrangements for these executives were a result of extensive negotiations with the executives, taking into account the totality of the circumstances and the competitiveness in our industry for executive talent. While our Compensation Committee references our executive compensation program and policies in negotiating compensation for new executives, our Compensation Committee also places significant weight on each candidate's specific qualifications, other competitive opportunities available to the candidate, the candidate's current compensation package, including value of any compensation forfeited in leaving a position to join Verifone, and the upfront compensation packages of similar leadership positions at our peer group companies, companies that compete with us for executive talent (including companies with organizations and operations of greater complexity or larger scale than ours), and other companies in our industry based on information provided by our Compensation Committee's compensation consultant. For example, our Compensation Committee may agree to a cash or equity bonus award upon an executive's employment start date, or may provide for minimum bonus payouts for specified periods, to replace or "make whole" compensation foregone by an executive in order to accept employment with us. For our 2013 and 2014 executive hires, our Compensation Committee also gave significant consideration to each candidate's intended role and responsibilities, including the criticality of his or her role to our ability to successfully execute on our transformation plan.

Our Compensation Committee does not consider compensation terms that are set based on negotiations at the time of an executive's hire, particularly make-whole compensation, to be its ongoing compensation practice for any executive. Rather, these negotiated terms are intended to be specific only to the new hire compensation for the executive. Ongoing compensation will be determined based on performance and the principles of our executive compensation program. On an ongoing basis, the Compensation Committee would continue to give significant weight to an executive's experience, background and demonstrated leadership, particularly at companies of greater complexity or larger scale of operations than ours, in evaluating whether an executive's total compensation is competitive and sufficient to retain an executive.

Highlighted below are compensation terms that were set in the hiring process of our fiscal year 2014 NEOs, which include terms that were negotiated as part of the hiring process and not considered indicative of our ongoing payment practices.

Employment Agreement with Mr. Galant

Mr. Galant has served as our CEO from October 1, 2013. In connection with his appointment as our CEO, we entered into an employment agreement with him, which set Mr. Galant's base salary and target cash bonus at levels consistent with that of our former CEO. In addition, our employment agreement with Mr. Galant included the following additional negotiated provisions:

One-time cash bonus. Mr. Galant was paid a one-time cash bonus of \$2,250,000 upon commencement of his employment in order to compensate Mr. Galant in part for amounts he forfeited to join Verifone.

Initial Long-Term Incentive Equity Awards. Mr. Galant received the following initial equity grants as part of his employment agreement:

- An initial stock option grant of 500,000 options (grant date value of approximately \$4.7 million) with time-based vesting over four years (with 25% vesting on the first anniversary of the date of grant and the remainder vesting in equal quarterly installments thereafter).
- An initial restricted stock grant of 300,000 shares of Verifone common stock (grant date value of approximately \$6.9 million) with time-based vesting, 50% of which vested on Mr. Galant's start date, and 50% of which vested in October 2014 on the first anniversary of his start date. This award was designed to compensate Mr. Galant in part for amounts and other compensation value he forfeited to join Verifone.

• An initial RSU grant in a target amount of 200,000 shares of Verifone common stock (grant date value of approximately \$6.5 million) (the "Upfront TSR Shares"), with payout opportunity ranging from 0% to 200% of target, based on the level of achievement of our TSR relative to the companies in the S&P North America Technology Index over a 3-year performance period. The terms of this performance-based grant are in accordance with the terms that our Compensation Committee has adopted for awards of long-term performance-based equity awards to our executives.

As described in further detail in our fiscal year 2013 CD&A, in order to structure a competitive compensation package for Mr. Galant, the Compensation Committee considered the value of compensation Mr. Galant would forfeit at his then-current executive position if he were to accept our offer, and, after evaluating the data provided by its independent compensation consultant and considering Mr. Galant's particular situation, determined it appropriate to include one-time make-whole components to compensate for cash and other compensation value that Mr. Galant would forfeit to join Verifone. While such compensation components are not typical of our compensation program or philosophy, the Compensation Committee believed they were appropriate in order to recruit the necessary executive talent for Verifone. In its evaluation of the experience and leadership that Mr. Galant brings to Verifone, including Mr. Galant's demonstrated executive leadership at larger scale organizations, the Compensation Committee determined to set Mr. Galant's target total compensation opportunity, excluding one-time make-whole amounts described below, at approximately the 75th percentile of our peer group companies, with majority value allocated to long-term equity incentive awards.

The amount of additional annual awards is as determined by our Compensation Committee in accordance with our executive compensation program and practices, which includes consideration of the Company's and Mr. Galant's performance, compensation analyses prepared by the Compensation Committee's independent compensation consultant and competitiveness against peer group compensation, without the inclusion of the make-whole amounts which were meant to be one-time rather than recurring.

Relocation expenses. Under the employment agreement with Mr. Galant, we reimbursed Mr. Galant for reasonable relocation and temporary house expenses (not to exceed twelve months), inclusive of gross up for associated income taxes, for his relocation to our corporate headquarters in California.

Severance and Change of Control. Mr. Galant's employment agreement provides for certain severance payments, including payments in the event of a change in control as described under "Potential Payments Upon Termination or Change of Control—Severance Arrangements" in this CD&A.

Offer Letter with Mr. Rothman

Mr. Rothman joined Verifone as EVP and CFO effective February 4, 2013. Apart from setting an initial annual base salary of \$450,000, target annual cash bonus of \$350,000 and equity awards granted in fiscal year 2013, Mr. Rothman's offer letter included the following additional negotiated provisions:

Commuting and Housing Expenses. Under the terms of Mr. Rothman's offer letter, we reimburse Mr. Rothman for air fare for commuting between his primary residence in San Diego and our offices in San Jose on a weekly basis and certain housing costs near our San Jose offices. Such reimbursement does not include gross up for any associated income taxes.

Severance and Change of Control. Mr. Rothman's offer letter provides for certain severance payments as described under "Potential Payments Upon Termination or Change of Control—Severance Arrangements" in this CD&A.

Offer Letter with Mr. Kappagoda

Mr. Kappagoda joined Verifone as President, Verifone Asia Pacific and EVP, Corporate Strategy in July 2013. In setting Mr. Kappagoda's compensation, key considerations in addition to peer group company data points included Mr. Kappagoda's compensation at his then-current executive position, Mr. Kappagoda's

extensive corporate strategy experience with companies of size and complexity comparable to ours and our expectation that Mr. Kappagoda would perform two key functions for us—namely, overseeing our Asia Pacific business as President, Verifone Asia Pacific as well as overseeing our overall corporate strategy as EVP, Corporate Strategy. We were also cognizant that at the time of Mr. Kappagoda's hire, we had not yet identified a permanent CEO and were in the process of launching initiatives to reinvigorate the Company's competitiveness and industry leadership following disappointing financial results.

Apart from setting an initial annual base salary and target annual cash bonus, Mr. Kappagoda's offer letter included the following negotiated provisions:

Annual Bonus Minimum. Mr. Kappagoda's offer letter provides that he shall receive a minimum annual cash bonus at 80% of his target annual bonus of \$410,000 for fiscal years 2013 (on a prorated basis), 2014 and 2015, provided that Mr. Kappagoda continues to be employed by Verifone at the end of each relevant period. The offer letter also provides that Mr. Kappagoda's annual target bonus may not be decreased, including after any increase, without his consent, with respect to his current position.

Long-Term Incentive Equity Awards. Mr. Kappagoda's offer letter provides for time-based equity awards to be granted for each of fiscal years 2013, 2014 and 2015 as follows:

- An initial RSU award (the "Kappagoda Initial Grant"), which was granted in fiscal year 2013, with a grant date value of \$3,000,000, 50% of which vested one year from the grant date, on August 1, 2014, and the remainder of which will vest two years from the grant date, on August 1, 2015.
- An RSU award (the "Kappagoda 2014 Grant") with a grant date value of \$1,500,000 for fiscal year 2014 that will cliff vest one year from the grant date. This award was granted in March 2014.
- An RSU award (the "Kappagoda 2015 Grant") with a grant date value of \$1,500,000 for fiscal year 2015 that will cliff vest one year from the grant date. This award was granted in January 2015.

International Assignment Expenses. Mr. Kappagoda's employment with Verifone is based in Singapore on an expatriate basis, with an initial term of 24 months, and subject to review thereafter for extension. Mr. Kappagoda's expatriate package includes certain allowances for housing, education of school age children and a car lease, as well as reimbursements of general relocation and temporary storage and repatriation expenses. The amounts paid to Mr. Kappagoda under his expatriate package are included in the compensation disclosures in this CD&A.

Severance and Change of Control. Mr. Kappagoda's offer letter provides for certain severance payments as described under "Potential Payments Upon Termination or Change of Control—Severance Arrangements" in this CD&A.

The terms of the compensation negotiated in hiring Mr. Kappagoda included one-time make-whole components that were designed to be competitive with the terms of his then-existing employment as a senior partner and managing director for The Boston Consulting Group, as well as other offers of employment that Mr. Kappagoda was considering at the time of the negotiations. Certain elements of Mr. Kappagoda's compensation included minimum payment amounts to compensate for cash and other compensation value that Mr. Kappagoda would forfeit to join Verifone and to provide for a compensation package that was comparable to the competing offers made to Mr. Kappagoda. Our Compensation Committee believed that these elements were appropriate in order to recruit Mr. Kappagoda as our President, Verifone Asia Pacific and EVP, Corporate Strategy. At the same time, the Compensation Committee allocated compensation elements over multiple years for retention purposes. However, such compensation components are not typical of our compensation program or philosophy and are not components in the Compensation Committee's ongoing executive compensation decisions.

Offer Letter with Mr. Bhanot

Mr. Bhanot joined Verifone as EVP, Engineering and Chief Technology Officer in December 2013. In setting Mr. Bhanot's compensation, key considerations in addition to peer group company data points included

Mr. Bhanot's background and technical experience in the areas that were critical for the role we sought to fill, the importance of the R&D executive role as part of our transformation initiatives. Apart from setting an initial annual base salary and target annual cash bonus, Mr. Bhanot's offer letter included the following additional negotiated provisions:

Initial Annual Bonus. Under the terms of Mr. Bhanot's offer letter, Mr. Bhanot is eligible for an annual target bonus of \$500,000, with payout to be prorated based on Mr. Bhanot's employment start date. As part of his negotiated compensation package, the financial and corporate performance portion of Mr. Bhanot's fiscal year 2014 bonus would be paid at 100% of the target rate, without respect to the actual achievements of our corporate and financial performance metrics, provided he remains employed with Verifone at the time.

Long-Term Incentive Equity Awards. Mr. Bhanot's offer letter provides for time-based equity awards as follows:

- An initial equity award with a grant date value of \$3,000,000 equally split between RSUs and stock option awards, 50% of which vested on December 2, 2013 and the remainder of which vested on December 2, 2014; and
- An additional equity award with a grant date value of \$1,500,000 equally split between RSUs and stock
 option awards, 25% of which will cliff vest on December 2, 2015 and 6.25% of which will vest each
 quarter thereafter.

Mr. Bhanot's initial compensation package at the time of his hire includes terms which were intended as one-time make-whole components and were designed to be competitive with the terms of Mr. Bhanot's compensation as a full-time adviser to @WalmartLabs, the research and development unit of Wal-mart Global e-Commerce that had acquired a predictive analytics company founded by Mr. Bhanot. Our Compensation Committee does not consider such compensation components to be typical of our compensation program or philosophy and are not components in our Compensation Committee's ongoing executive compensation decisions, but rather were appropriate in order to recruit Mr. Bhanot as our EVP, Engineering and Chief Technology Officer.

Offer Letter with Ms. Felix

Ms. Felix joined Verifone as President, Verifone Europe in May 2014. In setting Ms. Felix's compensation, key considerations in addition to peer group company data points included Ms. Felix's compensation at her then-current executive position, Ms. Felix's extensive executive management experience at large multinational companies and track record as an innovative leader. Apart from setting an initial annual base salary and target annual cash bonus, Ms. Felix's offer letter included the following additional negotiated provisions:

Sign-On Bonus. Under the terms of Ms. Felix's offer letter, Ms. Felix received a sign-on bonus of \$150,000 payable within ten days of her employment start date, subject to full return of the bonus to Verifone in the event Ms. Felix resigns without good reason or if Ms. Felix's employment is terminated for cause (in each case as such terms are defined in Verifone's Executive Severance Policy) within one year of her execution of the offer letter.

Long-Term Incentive Equity Awards. Ms. Felix's offer letter provides for time-based equity awards as follows:

- An initial RSU award with a grant date value of \$500,000, 25% of which will cliff vest on the first anniversary of the date of grant (i.e., July 1, 2015) and 6.25% of which will vest each quarter thereafter.
- An initial RSU award with a target grant date value of \$500,000 that cliff vests on the third anniversary of the date of grant and will have a payout ranging from 0% and 200% of target, based on the level of achievement of Verifone's TSR relative to the companies in the S&P North America Technology Index over a three-year performance period. The terms of this performance-based grant are in accordance with the terms that our Compensation Committee has adopted for awards of long-term performance-based equity awards to our executives.

International Assignment Expenses. Ms. Felix's employment with Verifone is based in the U.K. on an expatriate basis, with an initial term of 36 months, and subject to review thereafter for extension. Ms. Felix's expatriate package includes certain allowances for housing, health and welfare benefits and a car lease, as well as reimbursements of general relocation and temporary storage and repatriation expenses. The amounts paid to Ms. Felix under her expatriate package are included in the compensation disclosures in this CD&A.

Severance and Change of Control. Ms. Felix's offer letter provides for certain severance payments as described under "Potential Payments Upon Termination or Change of Control—Severance Arrangements" in this CD&A.

Determination of Compensation

The Compensation Committee reviews our executive compensation program, policies and practices. The Compensation Committee analyzes all existing elements of compensation (including base salary, annual cash incentive awards and long-term equity awards) for each executive and considers, among other things, the retention value of the long-term equity awards and overall competitiveness of the program. In evaluating the competitiveness of our executive compensation program and setting executive compensation levels, the Compensation Committee compares each compensation element separately, and in total, to compensation at the peer group companies or other surveyed companies where peer group information is not available for a particular position. The Compensation Committee evaluates each component of our compensation program to provide the appropriate incentives to meet our compensation objectives both individually and in the aggregate.

In determining the compensation of each NEO, the Compensation Committee considers the following factors:

- The contribution and experience of the NEO and the scope and importance of the NEO's responsibilities;
- Peer group company data, competitive market data and other analyses prepared by the Compensation Committee's executive compensation consultant, as described below;
- Whether the short- and long-term components of the compensation package, in absolute as well as relative terms, assure that appropriate recognition, incentives and retention value are maintained;
- Our share price performance over a multi-year period compared against relevant market indices;
- Our financial performance during the fiscal year as measured against projections of our financial performance approved by the Board at the beginning of the fiscal year;
- The compensation package received by the NEO in prior fiscal years;
- The compensation package of individual NEOs as compared with each other; and
- As to the NEOs other than the CEO, the recommendation of our CEO based on his subjective evaluation of the individual's performance.

Role of Compensation Consultants

The Compensation Committee retains and consults with an executive compensation consultant on overall compensation program strategy and the competitiveness of our executive compensation program, and considers the recommendations of the compensation consultant in making compensation decisions. The Compensation Committee also considers information from its compensation consultant regarding the compensation levels of companies within our industry and other industries that compete for the same talent. We also subscribe to third-party compensation survey and advisory services that allow us and the Compensation Committee to access reports and compensation survey data for comparative purposes. In determining compensation policies and practices for our NEOs, the Compensation Committee also considers the guidelines on executive pay practices periodically published by shareholder advisory firms.

Neither we nor the Compensation Committee has maintained any long-term contractual relationship with any compensation consultant, but in recent years the Compensation Committee has retained Compensia, an executive compensation consulting firm, to provide relevant competitive market data and compensation advisory services in connection with its review and determination of compensation for the NEOs. Neither Compensia nor any of its affiliates provided any services to Verifone other than the services provided to the Compensation Committee. During fiscal year 2014, the Compensation Committee conducted an independence evaluation of Compensia pursuant to SEC rules and the NYSE listing standards, including a consideration of any potential conflict of interests, prior to its engagement of Compensia and concluded that Compensia was independent. Compensia reports directly to the Committee and may be terminated or replaced at any time at the Committee's sole discretion.

Competitive Data

Our Compensation Committee considers market and peer group company data, as well as additional survey data as provided by its compensation consultant in making executive compensation decisions. Peer group companies consist of companies that are likely to compete with us for business and/or for executive talent, and were selected using a formula-based approach. The peer group companies selected for fiscal year 2014 have the following company characteristics:

- Principal business generally in high-technology;
- Comparable in market capitalization (using a guideline of four-tenths to four times our amounts);
- Comparable in revenues (using a guideline of one-half to two times our amounts);
- Comparable in terms of market capitalization as a multiple of revenue (using a guideline of one-half to two-and-a-half times our multiple); and
- Having an annual revenue growth exceeding 5%.

The following companies made up the peer group companies for fiscal year 2014:

Alliance Data Systems Corporation Global Payments Inc. Sapient Corporation
Arris Group, Inc. IAC/InterActiveCorp SunPower Corporation

Ciena Corporation Lam Research Corporation Take-Two Interactive Software, Inc.

CoreLogic, Inc.

DST Systems, Inc.

MAXIMUS, Inc.

Euronet Worldwide, Inc.

LSI Corporation

MAXIMUS, Inc.

Vantiv, Inc.

ViaSat, Inc.

First Solar, Inc. MoneyGram International, Inc.

Where additional market data is needed for the evaluation of compensation for our executives, including when there is insufficient peer company information available, the Compensation Committee's compensation consultant also provides additional competitive market data. This data consists of compensation survey data for companies generally with the company characteristics noted above, and that are likely to compete with us for executive talent. For fiscal year 2014, additional competitive market data was provided from the Radford Global Technology Compensation Survey of companies with annual revenues in the range of \$1.0 billion to \$3.0 billion, and median annual revenue of \$1.7 billion.

The company characteristics used for the selection of peer group companies and competitive market data are intended to enable comparisons to companies with whom we compete for business and/or executive talent. The Compensation Committee generally seeks to maintain a peer group that places us at approximately the average of the range of market capitalization and revenue of our peer group companies.

Compensation Committee Evaluation of Competitive Data

Information reviewed by our Compensation Committee includes analyses of base salary, total cash compensation, long-term incentive value and total direct compensation of our peer group companies and additional competitive market data prepared by its compensation consultant. In preparing for its annual review of executive compensation, the Compensation Committee seeks advice from the compensation consultant with respect to the individual elements of executive compensation, as well as the competitiveness of our executive compensation program compared to peer group companies and competitive market data, and taking into account any changes to the competitive environment for executive talent in our markets. In evaluating executive compensation and our executive compensation program, the Committee takes into account our 1-year and 3-year financial performance based on parameters such as net revenues, operating income trend, net income trend, market capitalization growth and TSR, compared to our peer group companies and competitive market data.

The Compensation Committee's goal in its executive compensation decisions is to award compensation that is reasonable in relation to the objectives of our compensation program when all elements of potential compensation are considered. The Compensation Committee uses the compensation data and market trends described above as an important factor in setting executive compensation. This data is one of a number of factors in the Compensation Committee's decisions regarding compensation and pay practices, and it generally uses such data and trends as a reference point rather than as a strict benchmarking tool in making decisions as to whether the contributions and responsibilities of each NEO are properly reflected in his or her compensation. Where an executive's role with Verifone comprises more than one function or area of responsibility, the Compensation Committee consults with its compensation consultant to evaluate additional data and recommendations in adjusting such executive's compensation to reflect his or her role.

As part of its annual process to set executive compensation, the Compensation Committee considers a number of important factors and data points relevant to each executive, including median compensation levels for each compensation element based on peer group companies and competitive market data. Assessments are made on an executive-by-executive basis, with consideration of the size and complexity of each executive's business unit or function, as well as their individual roles and responsibilities. The Compensation Committee places substantial weight on whether the compensation will incentivize superior performance as well as on the overall competitiveness and retention value of an executive's compensation. The Compensation Committee evaluates the competitiveness within our industry for executive talent of the caliber that we desire and also gives consideration to organizational factors that may impact retention of our executives. As described earlier in this CD&A, some of our recent management transitions include the addition of executives with extensive executive leadership experience and a level of expertise at organizations that are larger in scale and complexity than ours and our peer group companies. The Compensation Committee takes into consideration the value to Verifone of such executive's experience and level of expertise in setting compensation. In addition, for certain periods, an executive's compensation may be based on specific negotiations at the time such executive was hired.

Role of CEO in Determining Executive Compensation for NEOs

Our CEO provides recommendations to the Compensation Committee with respect to the determination of compensation for our NEOs; however, our CEO does not make a recommendation as to his own compensation. While the Compensation Committee uses this information and values our CEO's recommendations, the Compensation Committee ultimately exercises its own judgment in setting each NEO's compensation. Mr. Galant was not present at any Compensation Committee discussions regarding his own compensation.

Fiscal Year 2014 Executive Compensation

For fiscal year 2014, the Compensation Committee determined that no additional award or adjustment to the compensation that had been negotiated with each executive upon his or her hire was necessary. Messrs. Galant and Kappagoda had joined Verifone in the latter part of fiscal year 2013, with Mr. Kappagoda joining in July 2013 and Mr. Galant joining in October 2013. Mr. Bhanot and Ms. Felix each joined Verifone during fiscal year

2014. Additional terms of each NEO's negotiated compensation are described under "*Employment-Related Agreements with the NEOs*" in this CD&A.

With respect to Mr. Rothman, the Compensation Committee reviewed fiscal year 2014 compensation at the beginning of the fiscal year consistent with the principles of our executive compensation program. The Compensation Committee determined that, in light of the incremental compensation awarded to Mr. Rothman as part of the retention awards for key continuing executives in fiscal year 2013, no compensation adjustment or award for fiscal year 2014 was necessary.

Base Salary

The following table sets forth the fiscal year 2014 annual base salaries for the NEOs:

NEOs	Fiscal Year 2014
Paul Galant(1)	\$800,000
Marc E. Rothman(1)	
Alok Bhanot	\$400,000
June Yee Felix	\$400,000
Sunil Kappagoda(1)	\$410,000

⁽¹⁾ Annual base salary level retained at the same level as fiscal year 2013.

Short-Term Incentive Compensation

Our Compensation Committee utilizes short-term performance-based cash compensation to incentivize achievement of certain short-term corporate objectives over a one-year period. The performance targets for the NEOs are established at the beginning of each fiscal year based on our operating plan approved by the Board at that time, and are generally set at the higher end of the range of our planned growth. On an individual basis, each executive is given a set of performance objectives that are aligned with our operating plan, strategic goals, and transformation initiatives, and set out in the form of a "scorecard."

In formulating the performance targets for our short-term incentive compensation program, the Compensation Committee balances the consideration of the likelihood of achieving such performance targets with the effectiveness of such targets in incentivizing the NEOs' performance, consistent with similar considerations when the management prepared our operating plans. The Compensation Committee aims to set company-wide financial performance targets that are expected to be possible, but not easy, to achieve with meaningful effort. On a year-over-year basis, we typically plan for a certain growth rate in each of the financial performance metrics when setting targets, after taking into account growth opportunities, strategic initiatives and market position as well as any countervailing considerations. Therefore, in general, unless there are unusual or unexpected factors affecting our business in general, our key markets or a key business unit or region, or if an NEO fails to adequately execute on planned initiatives, it is probable, though not certain, that targets will be achieved at approximately 100% with meaningful effort. It is important to the Compensation Committee that achievement of performance targets is subject to a certain level of risk, including the risk that there will be no payout as a result of failure to meet the threshold requirement.

For fiscal year 2014, the short-term incentive compensation consisted of an annual bonus, determined based on pre-established quantitative targets (consisting of financial and corporate performance metrics) as well as individualized qualitative objectives (consisting of individual scorecard metrics). Each NEO's short-term incentive compensation payout is based on the actual percentage achievement for each financial and performance metrics component and the individual scorecard metrics component, subject to adjustment as described below.

Fiscal Year 2014 Performance Metrics

Financial and Corporate Performance Metrics

The Compensation Committee views financial and corporate performance as the most important factor in determining an NEO's cash incentive bonuses. In December 2013, the Compensation Committee approved the performance metrics for our short-term incentive compensation. The performance metrics were designed to support our fiscal year 2014 business priorities, specifically centering on net revenues, earnings growth and profitability. The metrics included non-GAAP net revenues, non-GAAP EPS and free cash flow. Seventy-five percent of each NEO's annual short-term incentive bonus target for fiscal year 2014 is based on the achievement of financial and corporate performance metrics.

1. Non-GAAP net revenues

We consider growth in revenues to be an essential component of our long-term success and viability. Non-GAAP net revenues is used by us in addition to revenues recognized in accordance with GAAP to evaluate our company's performance, and is a non-GAAP financial measure. For fiscal year 2014, non-GAAP net revenues reflects adjustments to add back the fair value decrease (step-down) in deferred services revenues at acquisition from acquired entities. We refer to this measure as non-GAAP net revenues in reports of our financial results on Form 8-K. Please see Appendix A for a reconciliation of non-GAAP net revenues to GAAP net revenues for fiscal year 2014. For fiscal year 2014, our achievement of non-GAAP net revenues against target accounted for 34% of the financial and corporate performance metrics.

2. Non-GAAP EPS

We consider growth in non-GAAP EPS to be an indicator of our ability to generate returns on our operations and fund future growth. This is a non-GAAP financial measure that we use to evaluate our performance and compare our current results with those for prior periods, as well as with the results of other companies in our industry. This non-GAAP metric has also been used by investment analysts to evaluate our performance. Non-GAAP EPS is calculated by excluding the following GAAP items from GAAP net income (loss) as reported: amortization of step-down in deferred services revenue at acquisition; amortization of purchased intangible assets; other merger, acquisition, and divestiture related expenses; restructuring charges; stock-based compensation; cost of debt refinancing; certain other charges and income that we believe may limit the comparability of our ongoing operations with prior and future periods, such as litigation settlement and loss contingency expense; certain costs incurred in connection with senior executive management changes, such as separation payments, non-compete arrangement fees, legal fees and recruiter fees; and the income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate. Non-GAAP diluted shares include additional shares for non-GAAP purposes in periods where we have non-GAAP net income and a GAAP net loss. We refer to this measure as non-GAAP net income per diluted share in reports of our financial results on Form 8-K. Please see Appendix A for a reconciliation of non-GAAP net income (loss) to GAAP net income (loss) and non-GAAP EPS to GAAP EPS for fiscal year 2014. For fiscal year 2014, our achievement of non-GAAP EPS against target accounted for 33% of the financial and corporate performance metrics.

3. Free cash flow

Free cash flow is a non-GAAP financial measure that we use to evaluate our operating cash flow, including the impact of our investments in long-term operating assets, such as property, equipment and capitalized software. We determine free cash flow as net cash provided by operating activities less capital expenditures, in each case as determined in accordance with GAAP. Please see Appendix A for a reconciliation of free cash flow to GAAP net cash provided by operating activities for fiscal year 2014. For fiscal year 2014, our achievement of free cash flow against target accounted for 33% of the financial and corporate performance metrics.

A summary of our actual achievement against the above company-wide financial metric targets for the corporate component of the NEOs' performance-based awards for fiscal year 2014 is disclosed below under

"Fiscal Year 2014 Short-Term Incentive Compensation". Corporate achievement of the non-GAAP net revenues and non-GAAP EPS targets must be at 80% or greater for both components in order for there to be a payout on any award.

Individual Metrics

In general, the Compensation Committee recognizes that it is important to reward individual contributions measured based on performance goals set for each NEO that reflect our overall corporate business strategy as well as achievement of individual-specific strategic and financial goals and other particular areas of importance for the functions or business units managed by each NEO. A portion of each NEO's bonus is based on attainment of pre-established individual-specific performance objectives set at the beginning of the year. For fiscal year 2014, individual performance metrics were detailed using a scorecard system, and each NEO's scorecard incorporated performance goals to further our overall transformation and strategic initiatives for the fiscal year. The CEO's scorecard incorporates performance goals measured at a company-wide level and each other NEO's scorecard sets out performance goals tied to his or her business unit or functional group. Twenty-five percent of each NEO's annual short-term incentive bonus target for fiscal year 2014 is based on the achievement of individual scorecard performance metrics. Our CEO reviews and sets the scorecard metrics for each executive who is a direct report to him, including Messrs. Rothman, Bhanot and Kappagoda and Ms. Felix. The CEO's scorecard metrics are set based on the corporate scorecard approved by the Board. Each NEO's scorecard is also reviewed with the Compensation Committee prior to implementation.

After the completion of the fiscal year, the Compensation Committee meets with the CEO to review whether the CEO's pre-established performance goals in his scorecard were met and to provide the CEO with an opportunity to present what he believes are his significant contributions to our Company for the fiscal year. The Compensation Committee also reviews the individual scorecard of each other NEO with the CEO. In determining the overall individual performance of each NEO other than the CEO, the Compensation Committee places substantial weight on the CEO's recommendations and its discussions with the CEO regarding the performance of the other NEOs.

Qualitative Discretionary Adjustment under Short-Term Incentive Plan

Although the Compensation Committee believes that the bulk of the bonus should normally be based on objective measures of financial and stock performance and the individual scorecard metrics described above, it also believes that in certain circumstances subjective performance elements can be important in setting NEOs' bonuses. Under our short-term incentive plan, a portion of an NEO's bonus may be awarded based on an evaluation of a number of qualitative factors with respect to an NEO's individual performance that are not identified on the individual scorecard, including development of his or her team at an executive level, leadership, succession planning, compliance culture and tone from the top, as well as overall staff communications and management. This performance assessment is evaluated subjectively and may result in a discretionary adjustment upward or downward by up to 20% of an NEO's bonus achievement.

Fiscal Year 2014 Short-Term Incentive Compensation

The short-term incentive compensation targets and awards for fiscal year 2014 are summarized in the table below, followed by a discussion of each NEO's achievements underlying the awards.

Performance Metrics—Fiscal Year 2	014(1)	Paul C	Salant	Marc E.	Rothman	Alok Bl	nanot(3)	June Yee	Felix(4)		nil goda(5)
% Achieve Target Actual ment	e- Weight	Target	Award	Target	Award	Target	Award	Target	Award	Target	Award
Financial & Corp. Performance Metrics (in millions, except per share numbers and percentages)(2)	75%										
Non-GAAP net revenues . \$1,800 \$1,871 103.99	% 34% S	\$ 255,000	\$ 264,945	\$114.750	\$119 225	\$127 500	\$132.473	\$ 42 500	\$ 44 158	\$104 550	\$108 627
Non-GAAP EPS \$ 1.40 \$ 1.51 107.99 Free cash			\$ 267,053							. ,	. ,
flow \$ 75.0 \$114.1 152.14 Individual Scorecard Metrics			\$ 376,448 \$ 250,000								
Subtotal	ts		\$1,158,446 \$ 231,689		\$532,550 \$ —	\$500,000	\$579,223 \$110,052	\$166,667	\$193,075 \$ —	\$410,000	\$400,137 \$ —
Total			\$1,390,135		\$532,550		\$689,275		\$193,075		\$400,137

- (1) Refer to disclosures under "Fiscal Year 2014 Performance Metrics—Financial and Corporate Performance Metrics" in this CD&A for further description of how we determined these financial performance measures.
- (2) For fiscal year 2014, the short-term incentive compensation payouts based on our financial and corporate performance metrics were achieved at above 100% of target and were paid at the actual percentage of achievement. See Appendix A to this Proxy Statement for a reconciliation of non-GAAP financial performance measures to GAAP financial performance measures for fiscal year 2014.
- (3) Mr. Bhanot's offer letter provides that the financial and corporate performance portion of Mr. Bhanot's bonus for fiscal year 2014 would be paid at 100% of the target. As described in this section, we exceeded our financial and corporate performance targets for fiscal year 2014. Moreover, Mr. Bhanot's actual personal achievement for fiscal year 2014 met or exceeded his goals.
- (4) Ms. Felix's annual target bonus for fiscal year 2014 was prorated for the time she was employed by Verifone during the period.
- (5) Mr. Kappagoda's offer letter provides that Mr. Kappagoda's bonus for fiscal year 2014 would be paid at 80% of the target.

Short-Term Incentive Plan Achievements

Because both non-GAAP net revenues and non-GAAP EPS were achieved at the minimum required threshold of 80%, each NEO received a payout based on achievement of their individual scorecard goals.

Mr. Galant

As discussed above, Mr. Galant's scorecard metrics are set at a company-wide level. For fiscal year 2014, the Compensation Committee determined that Mr. Galant exceeded his individual metrics and the Committee's performance expectations on an overall basis. Mr. Galant's scorecard achievements included successfully rebuilding and growing key client relationships, and developing and leading key elements of our corporate strategy, including with respect to our product platform, services and solutions, and strategic markets and clients. Mr. Galant's scorecard achievement also reflects his management of our executive team's achievement of our corporate strategy and goals, including our transformation initiatives.

The Compensation Committee determined that Mr. Galant exceeded expectations based on the Committee's subjective evaluation of Mr. Galant's individual performance objectives under our short-term incentive plan, including development of his team at an executive level, leadership, succession planning, compliance culture and tone from the top, as well as overall staff communications and management. Since joining as our CEO in October 2013, Mr. Galant has successfully built and developed a strong executive management organization, including executive development opportunities for his team and a scorecard process to effectively manage executive achievement against corporate goals, and led the executive team in a number of product and client management initiatives. Mr. Galant also successfully led our transformation toward a one Verifone culture with a focus on clients, operational excellence and effective staff communications and processes, including enhancing our operational and governance infrastructure. After considering these additional subjective criteria, the Compensation Committee exercised its discretion to adjust Mr. Galant's short-term incentive compensation payout, which was earned at the full target amount, upwards by 20%.

Mr. Rothman

Mr. Rothman's individual scorecard achievements included successfully developing plans for operational efficiencies and enhanced financial management and leading our cost optimization transformation initiatives, including achieving planned savings and efficiencies. Mr. Rothman also successfully managed key enhancements to our organization infrastructure through changes in our finance, IT and administrative organizations, processes and systems. Mr. Rothman exceeded expectations with respect to some of these scorecard items and, as a result, earned a short-term incentive compensation payout at the 110th percentile.

Mr. Bhanot

Mr. Bhanot's scorecard achievements included his successful management of key elements of our R&D transformation initiatives, including reducing the planned number of platform solutions, designing our next-generation platform and product portfolio roadmap, consolidating a specified number of R&D sites and reducing the planned number of product SKUs during fiscal year 2014. Mr. Bhanot also completed key staffing upgrades and hires in functions critical to our strategy and achieved his organizational targets in improving certification processes and cost efficiencies. For fiscal year 2014, Mr. Bhanot achieved each of his individual scorecard metrics.

The Compensation Committee further determined that Mr. Bhanot exceeded expectations based on the Committee's subjective evaluation of Mr. Bhanot's individual performance, including development of his team at an executive level, leadership and overall staff communications and management. In particular, the Compensation Committee determined that Mr. Bhanot made exceptional contributions in reorganizing our R&D, supply chain and operations infrastructure and organization, our largest and most complex organization, and developing his team to achieve organizational goals. Mr. Bhanot implemented systems and processes that generated efficiencies, and successfully led our R&D organization through a time of significant change, overcoming complex challenges to complete key elements of our transformation initiatives within our planned timelines. After considering these additional subjective criteria, the Compensation Committee exercised its discretion to adjust Mr. Bhanot's short-term incentive compensation payout, which was earned at 100% of the target amount, upwards by 19%, and elected to not adjust for a one-month proration based on Mr. Bhanot's employment commencement date of December 2, 2013.

Ms. Felix

Ms. Felix joined Verifone in May 2014. For fiscal year 2014, Ms. Felix successfully achieved her individual scorecard goals, which included meeting her business unit's regional net revenues and gross margin targets, enhancing client relationships with key clients for her region and effectively managing client requests, developing management talent and staffing within her organization, and enhancing the Company's goal of a single distinctive culture within her organization, as well as managing consistent performance while effecting organizational changes.

Mr. Kappagoda

Mr. Kappagoda successfully achieved certain of his individual scorecard metrics. Mr. Kappagoda's achievements included successfully exceeding regional net revenues and gross margin targets, as well as the completion of a number of key staffing upgrades and development of key client relationships. Mr. Kappagoda also contributed to the development of our overall corporate strategy to improve our financial and operational results. After evaluating Mr. Kappagoda's overall individual performance, including consideration of his actual achievement versus his individual scorecard metrics, and based on the Compensation Committee's subjective evaluation of Mr. Kappagoda's performance in areas such as development of his team at an executive level, leadership and overall staff communications and management, the Compensation Committee set Mr. Kappagoda's short-term incentive compensation at \$400,137.

One-Time Special Award for Mr. Galant

In addition to the terms of our short-term incentive plan, our Compensation Committee may exercise discretion to award a bonus to an NEO outside the terms of the incentive plan, based on the Compensation Committee's subjective evaluation of the NEO's individual performance. The Compensation Committee may exercise this discretion to award special additional bonuses for exceptional performance or for the achievement of specific accomplishments that the Compensation Committee has determined are of significant importance to us. The Compensation Committee makes such awards infrequently and only where the Committee has determined based on its evaluation that an executive has achieved extraordinary performance for a particular year and that an award is appropriate in light of the overall incentive compensation payments to the executive for the period.

After evaluating Mr. Galant's leadership and our overall fiscal year 2014 financial and operational performance since Mr. Galant's appointment as our CEO, the Compensation Committee determined to exercise its discretion to award him a one-time special bonus award in the amount of \$500,000 in recognition of his exemplary performance as our CEO as well as his efforts to drive our transformation and strategic initiatives. In particular, the Compensation Committee recognized Mr. Galant's leadership in developing our transformation plan following substantial engagement with key stakeholders, including our customers, partners and employee base, and a detailed internal evaluation of our operations and efficiencies. In making this decision, the Compensation Committee also noted that Mr. Galant's leadership in driving improved financial and operational execution delivered financial and operational performance that exceeded our targets and our Compensation Committee's expectations and that contributed directly to stockholder value and our profitability.

Long-Term Incentive Compensation

The Compensation Committee determines, on an annual basis, whether to provide long-term incentive compensation in the form of equity to each NEO, subject to any contractual commitments to our NEOs under an employment agreement or offer letter. The Compensation Committee believes that equity awards encourage a strong ownership stake in Verifone and align the interests of the NEOs with those of our stockholders. Long-term incentive equity awards are intended to serve as incentives for the NEOs to remain with us, continue performance at levels consistent with our corporate objectives and to tie a substantial amount of their overall compensation to our long-term stock performance and profitability. As a result, our executive compensation program generally has been weighted more toward long-term incentive equity awards rather than cash compensation.

Use of Performance-Based Equity Awards. The Compensation Committee believes that a significant portion of the equity awards should be set as performance-based and performance-based equity awards have generally comprised at least 50% of each NEO's total equity awards based on grant date fair value. Effective March 2014, our Board and the Compensation Committee adopted a formal policy to target at least half of long-term incentive compensation awards to executive officers to be subject to performance-based vesting requirements with the

remainder to be subject to time-based vesting requirements. This policy generally became effective upon adoption in March 2014 for future NEO equity awards, and is subject to any contractual obligations negotiated with an executive at the time of hire.

Vesting of Long-Term Equity Awards. Equity awards that are granted with time-based vesting generally vest as to 25% of the grant one year after the grant date and as to the remainder in equal quarterly installments over the following three years.

Performance-based equity awards granted with performance-based criteria vest upon achievement of one or more pre-set targets on the specified target date, and are forfeited if the targets or the threshold requirements are not met as specified. In March 2014, we adopted a number of long-term changes and structural modifications to our executive compensation program to better align executive compensation with stockholder value. These changes included generally targeting half of long-term equity awards as performance-based, with the measurement target for such long-term equity award based on our TSR relative to a recognized index, such as the S&P North America Technology Index, measured over a three-year performance period. Such awards cliff vest at the end of the three-year period with payout scaled at actual percentile achievement on a stack-ranked basis, subject to a minimum achievement threshold at the 25th percentile below which there would be no payout, and a maximum payout of 200%. By setting the performance metric on a relative basis, the Compensation Committee was cognizant of the possibility of a payout in the face of declining performance, but balanced such concern with the need to provide competitive compensation. In addition, the Compensation Committee believes that a benchmark against an industry performance index is appropriate to counteract factors, such as overall economic conditions, that are outside of the executive's control.

Types of Equity Awards. Grants of equity awards may be in the form of stock options or RSUs. The Compensation Committee views stock options as a way to link the compensation of the NEOs directly to value creation for our stockholders, because the amount that an NEO realizes from stock options depends solely on the increase in value of our common stock from the grant date of the option. The Compensation Committee views RSUs as a method to economically place each recipient of an RSU in the same position as a stockholder because the amount that a recipient ultimately receives from an RSU depends on the actual value of shares of common stock when the shares underlying the RSUs are delivered upon vesting.

For RSU awards, upon vesting, shares of our common stock are deliverable on a one-for-one basis. Awards in the form of stock options offer the NEOs the right to purchase the stated number of shares of our common stock at an exercise price per share determined on the date of grant. Stock option awards have value only to the extent the price of our shares on the date of exercise exceeds the applicable exercise price. The exercise price is the fair market value of our common stock based on the stock closing price, as traded on the NYSE, on the grant date. Stock option awards have a term of seven years from the date of grant.

Accounting Considerations. All equity awards are accounted for in accordance with FASB ASC Topic 718, Share-Based Payment. The Compensation Committee considered the stock-based compensation charges that would be recorded for accounting purposes for the grants of stock options and RSUs granted to the NEOs as part of its evaluation of our equity-based incentive compensation. However, the Compensation Committee did not use such consideration as a primary factor in designing our long-term equity incentive compensation in light of the fact that these items do not directly relate to the achievement of our compensation objectives.

Equity Grant Practice. Equity awards, including annual awards and awards for new hires, are generally approved by the Compensation Committee only during one of its scheduled quarterly meetings. Our executives generally receive equity grants on an annual basis, which are generally approved by the Compensation Committee at its meeting in the first quarter of a fiscal year. In general, the Compensation Committee places significant weight on a value-based approach for equity awards and, as noted above, allocates executive compensation more heavily toward long-term equity incentive awards rather than cash compensation.

Fiscal Year 2014 Equity Incentive Awards

As discussed above, our Compensation Committee determined that no adjustment was necessary to NEO compensation for fiscal year 2014. No grants of equity incentive awards were made to our NEOs for fiscal year 2014 other than as agreed to in connection with their employment with us.

Mr. Bhanot and Ms. Felix each joined Verifone during fiscal year 2014 and their fiscal year 2014 compensation reflects the equity awards that had been negotiated with each executive as part of his or her hiring process. In addition, the employment arrangement negotiated with Mr. Kappagoda at the time of his hire included an additional equity award for each of fiscal years 2014 and 2015. These equity awards are summarized under "Employment-Related Agreements with the NEOs" above and "Grants of Plan-Based Awards for Fiscal Year 2014".

As discussed under "Overview" of this CD&A, while the Compensation Committee follows our executive compensation policies in determining compensation packages for executive hires, the compensation for each executive hire is negotiated on an individual basis based on our Compensation Committee's evaluation of a candidate's specific circumstances and credentials as well as the executive role sought to be filled, and may not be reflective of our ongoing executive compensation practices.

Perquisites and Benefits

We provide limited perquisites and benefits to our NEOs as disclosed in this section and in the Summary Compensation Table in this CD&A where we believe it is appropriate to assist an individual in the performance of his or her duties and for recruitment and retention purposes. With the exception of these items, we do not provide perquisites or personal benefits to the NEOs other than standard retirement, health and welfare benefits available to all employees.

We provide Mr. Galant with certain relocation benefits, including housing expenses, house hunting expenses and commuting expenses along with the related tax gross-up. Such benefits, with the exception of temporary storage of household goods, are limited to expenses through the end of fiscal year 2014. We provide Mr. Rothman with certain benefits consisting of housing near our corporate offices and reimbursement of commuting expenses between Mr. Rothman's residence in San Diego and our corporate offices, in each case without tax gross-up. We provide Mr. Kappagoda and Ms. Felix with certain expatriate and relocation benefits in connection with their international assignments. Such benefits include, among others, housing and utilities allowances, car allowances, tax preparation and tax filing services, and repatriation benefits, without tax gross-up. These expatriate and relocation benefits are further described in this CD&A under "Compensation Terms with Fiscal Year 2014 NEOs".

Executive Stock Ownership Guidelines

In March 2010, the Board adopted stock ownership guidelines that apply to our CEO and each executive officer who is a direct report to our CEO. The guidelines require our CEO to own a minimum number of shares of our common stock valued at three times his annual base salary, and for each executive who is a direct report to the CEO to own a minimum number of shares of our common stock valued at such executive's annual base salary.

In March 2014, as part of the long-term changes and structural modifications to more closely align our executive compensation program to stockholder interests, our Board adopted amendments to increase the stock ownership guidelines that apply to our CEO, CFO and other members of our management committee (whether or not they are a direct report to our CEO). These amendments require our CEO to own a minimum number of shares of our common stock valued at five times his annual base salary, our CFO to own a minimum number of shares of our common stock valued at four times his annual base salary and the other members of our management committee to own a minimum number of shares of our common stock valued at three times his or her annual base salary.

Under these amended guidelines, unvested restricted stock awards and RSU awards and owned stock count toward the ownership level. Executives appointed prior to the original effectiveness of the guidelines have until March 17, 2015, the fifth year anniversary of the original effective date of the policy to achieve the relevant stock ownership levels. An executive who is appointed after the adoption of the guidelines has five years from his or her first appointment to comply with the guidelines. Executive officers who subsequently get promoted to a higher level must achieve their previous target shares within the initial five-year period, but will have until five years from the date of their promotion to achieve the incremental ownership requirement. Any executive officer who fails to meet or maintain these ownership requirements by the required time frame will be required to retain all shares acquired upon exercise of stock options or vesting of restricted stock or RSUs, net of shares withheld for taxes, until such ownership guidelines are attained. Ownership and progress toward guidelines is reviewed quarterly by the Compensation Committee.

Adjustment or Recovery of Awards; Clawback Policy

In March 2014, following an evaluation of market practices related to compensation recovery and consideration of our overall executive compensation program, our Compensation Committee adopted a clawback policy whereby in the event of a financial restatement, any incentive-based compensation in the form of cash awards paid to an executive officer (which includes all NEOs) in the three-year period preceding the restatement that would not have been paid to such executive based on the restated financial results shall be returned to Verifone. Such return may be in the form of: (1) cash payment to Verifone; (2) agreement to withhold salary over a 12 month period; (3) reduction of future incentive-based compensation payouts; and/or (4) cancellation of unvested equity awards, as may be agreed between Verifone and such executive. Further, all forms of incentive-based compensation (cash and equity) paid or awarded to an executive officer (which includes all NEOs) in the three fiscal years preceding any fraud or gross misconduct shall be returned to Verifone in the event such executive officer is deemed by our Board (in its sole discretion) to have committed such fraud or gross misconduct, with the terms of such return to be set by the Board in its sole discretion. Although waivers of the clawback policy may be made at the Board's sole discretion, the Board anticipates waiver would occur only on a rare and exceptional basis.

The Compensation Committee intends to continue to evaluate the clawback of awards or payments for our NEOs and expects to fully comply with the mandatory recoupment provisions of the Dodd-Frank Act at such time as they are implemented by SEC rule making.

Policy Prohibiting Derivatives Transactions and Pledging or Hedging

In accordance with our insider trading policy, we do not permit any employee, including the executive officers, to enter into any derivative transaction on our stock (including short-sales, market options, or other transactions on derivatives of our securities).

Tax Considerations

Section 162(m) of the IRC places a limit on the tax deduction for compensation in excess of \$1 million paid to certain "covered employees" of a publicly held corporation. "Covered employees" generally refers to the corporation's chief executive officer and its next three most highly compensated executive officers (other than the corporation's chief financial officer) in the year that the compensation is paid. This limitation applies only to compensation that is not considered "performance-based compensation" under the Section 162(m) rules. The Compensation Committee believes that it is in our best interests and the best interests of our stockholders to preserve the deductibility of compensation by structuring compensation elements for covered employees in compliance with Section 162(m) where practicable. The VeriFone Bonus Plan may provide for performance based awards within the meaning of Section 162(m) and the Compensation Committee generally intends to grant awards under the Bonus Plan that are performance-based within the meaning of Section 162(m). However, the Compensation Committee retains the flexibility to provide, and has in the past provided (including during fiscal year 2014), for awards that are not deductible under Section 162(m).

Post-Employment Compensation Arrangements

Severance Arrangements

We have entered into and expect that we will continue to enter into severance arrangements with our executive officers, including the NEOs, to provide severance should we terminate their employment in certain circumstances. Consistent with market practice, such severance arrangements, which our Compensation Committee believes helps us to retain talent and maintain leadership stability, are designed to provide specified benefits in the event of a "qualifying termination" (generally defined to mean a termination by us other than for cause or a termination by the executive officer for good reason). Our severance arrangements with executive officers are typically individually negotiated, in some circumstances at the time of his or her hire.

In determining the terms and scope of these arrangements, our Compensation Committee considers (i) similar arrangements in place at our peer companies as described above under "Determination of Compensation—Role of Compensation Consultants" and "—Competitive Data;" (ii) market practices and trends as advised to the Committee by its independent compensation consultant; (iii) the extent that such arrangements would contribute to our compensation program objectives, including the retention value of such arrangements in light of the competitiveness for executive talent in our industry; and (iv) the overall terms of any employment arrangements with each NEO. In the case of newly recruited executives, the Committee also considers the terms of the candidate's then-current compensation package.

Executive Severance Policy

In September 2013, the Compensation Committee approved and we adopted the Executive Severance Policy, which applies to certain executive officers, including Messrs. Rothman, Bhanot and Kappagoda and Ms. Felix. The Compensation Committee believes that it is beneficial to implement a consistent set of severance terms for our executives in order to provide specificity and certainty, both for our executives and us, as it will not only promote executive retention and provide leadership stability, but also enable us to develop our business plans with more clarity as to executive retention costs.

Equity Award Agreements

Our long-term incentive equity awards made in fiscal years 2013 and 2014 to certain NEOs provide for acceleration of vesting in the event of an involuntary or constructive termination. The Compensation Committee believes that these benefits are consistent with general competitive practices and that they help maximize executive retention, which is one of our objectives in making the awards.

Change of Control Severance

The Compensation Committee believes that it is in our best interests to provide certain severance benefits to our executive officers in a "change-of-control" situation, in order to retain talent and maintain a stable management team leading up to, and during, a change of control.

Under our change of control provisions, severance payments and accelerated vesting require a "double-trigger," meaning that such benefits are only provided if a qualifying termination occurs within the applicable change of control period (defined to start three months before the change of control event and ending 12 months after the change of control event, except in limited instances for certain executive officers where the change of control period was set to end 18 months after the change of control event). In each case a change of control event is defined as the occurrence of any of the following: (i) any person becoming the beneficial owner of 50% (except in limited instances where the threshold was set to 40%) or more of the total voting power of the Company's then outstanding securities, (ii) upon the consummation of a merger, consolidation or similar transaction involving the Company (subject to certain customary exceptions), (iii) certain changes to the

composition of our board of directors as specified in the 2006 Plan, (iv) our stockholders' approval of a plan of liquidation or dissolution of the Company, or (v) the sale of all or substantially all of the Company's assets to a non-affiliate.

We do not provide tax gross-ups for potential excise or other taxes on any benefits that are paid in connection with a change of control event.

The material terms of the severance arrangements with the NEOs, the Executive Severance Policy and the change of control severance terms, as well as any benefits that may be provided to the NEOs under their respective equity award agreements in connection with a termination of their employment or a change of control are described below in "Potential Payments Upon Termination or Change of Control."

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth information regarding compensation of our NEOs for fiscal years 2014, 2013 and 2012.

Summary Compensation Table

Change in

	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)(3)	Option Awards (\$)(2)(3)	Non-Equity Incentive Plan Compensation (\$)	Pension Value and Nonqualified Deferred Comp Earnings (\$)	All Other Compensation (\$)	Total (\$)
Paul Galant	2014	800,000	500,000(4)	_	_	1,390,135(4)	_	409,450(4)	3,099,585
CEO	2013	66,667	2,250,000	13,352,000	4,713,350	_	_	46,866(4)	20,428,883
	2012	_	_	_	_	_	_	_	_
Marc E. Rothman	2014	450,000	_	_	_	532,550(5)	_	81,226(5)	1,063,776
EVP and CFO	2013	336,057	_	5,235,291	_	263,591(5)	_	45,498(5)	5,880,437
	2012	_	_	_	_	_	_	_	_
Alok Bhanot(8)	2014	366,667	_	2,413,202	2,708,384	689,275(6)	_	14,637(6)	6,192,165
EVP, Engineering and	2013		_			_	_	_	_
Chief Technology Officer	2012	_	_	_	_	_	_	_	_
June Yee Felix(8)	2014	174,359	150,000(7)	1,249,056	_	193,075(7)	_	91,669(7)	1,858,159
President, Verifone	2013		_			_	_	_	_
Europe	2012	_	_	_	_	_	_	_	_
Sunil Kappagoda(8)(9)	2014	410,000	_	1,547,854	_	400,137(10) —	351,114(10)	2,709,105
President, Verifone Asia Pacific	2013	_	_	_	_	_	_	_	_
and EVP, Corporate Strategy	2012	_	_	_	_	_	_	_	_

- (1) Amounts shown reflect the total fair value of the stock awards at the date of grant, also referred to as grant date fair value, as computed in accordance with FASB ASC Topic 718. These amounts reflect the accounting expense recorded for the award and do not reflect the actual value that may be recognized by an NEO or whether the NEO has actually realized a financial benefit from the awards (such as by vesting in an RSU award). The grant date fair value for time-based RSUs is estimated using the closing price of our common stock on the date of grant. The grant date fair value of performance-based RSUs is estimated based on a Monte-Carlo simulation of each award as of the date of grant. For information on the valuation and valuation assumptions of these awards, see Note 4, Employee Benefit Plans, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended October 31, 2014.
- (2) Amounts shown reflect the aggregate grant date fair value of stock option grants as computed in accordance with FASB ASC Topic 718. These amounts reflect the accounting expense recorded for the award and do not reflect the actual value that may be recognized by an NEO or whether the NEO has actually realized a financial benefit from the awards (such as by exercising stock options). The fair value is estimated using the Black-Scholes-Merton option pricing model as of the date of grant in accordance with FASB ASC Topic 718. Pursuant to SEC rules, amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For information on the valuation assumptions used for the calculation of these awards, see Note 4, Employee Benefit Plans, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended October 31, 2014.
- (3) For information on the equity award grants to the NEOs for fiscal year 2014, see "Fiscal Year 2014 Equity Incentive Awards" and "Grants of Plan-Based Awards for Fiscal Year 2014" of this CD&A.
- (4) Fiscal year 2014 Non-Equity Incentive Plan Compensation amount represents a performance-based bonus awarded to Mr. Galant and fiscal year 2014 Bonus amount consists of an additional one-time special cash bonus awarded to Mr. Galant in recognition of his extraordinary performance for fiscal year 2014. See "Grants of Plan-Based Awards for Fiscal Year 2014" and "Fiscal Year 2014 Short-Term Incentive Compensation" in this CD&A for further discussion of the pre-established targets, actual achievements against targets and the amounts earned. Fiscal year 2014 All Other Compensation amount includes \$156,509 in relocation and housing reimbursements and \$3,397 in commuting airfare, plus \$87,539 in income tax associated with these expenses, as well as \$134,908 in relocation expenses paid by our relocation agent in connection with Mr. Galant's relocation, \$9,333 of company 401(k) plan matching contributions, and \$1,344 of life insurance premiums. We have made available to Mr. Galant a pre-paid, non-transferable and non-cancellable flight options/usage card, which we acquired prior to Mr. Galant's joining Verifone, for the use of a private aircraft in connection with business travel during Mr. Galant's term as our CEO. In fiscal year 2014, Mr. Galant utilized the flight card on one occasion for both business and personal purposes, resulting in \$2,104 additional taxable income, calculated in accordance with IRS regulations, plus tax gross-up of \$1,082, both of which have been included under All Other Compensation for fiscal year 2014. Fiscal year 2013 All Other Compensation amount includes \$30,879 in relocation reimbursements and \$15,872 in gross-up of income taxes associated with these reimbursements, as well as \$115 of life insurance premiums.

- (5) Fiscal year 2014 Non-Equity Incentive Plan Compensation amount represents a performance-based bonus awarded to Mr. Rothman. See "Grants of Plan-Based Awards for Fiscal Year 2014" and "Fiscal Year 2014 Short-Term Incentive Compensation" in this CD&A for further discussion of the pre-established targets, actual achievements against targets and the amounts earned. Fiscal year 2013 Non-Equity Incentive Plan Compensation amount represents performance-based cash bonus of \$207,341 for the corporate component earned at 122.8% and \$56,250 for the business-unit component earned at 100%. Fiscal year 2014 All Other Compensation amount includes \$51,805 in housing and commute reimbursements, \$14,844 of company 401(k) plan matching contribution and \$1,344 of life insurance premiums. Fiscal year 2013 All Other Compensation amount includes \$37,803 in housing and commute reimbursements, \$6,750 of company 401(k) plan matching contribution and \$945 of life insurance premiums.
- (6) Pursuant to the terms of his offer letter, the financial and corporate performance portion of Mr. Bhanot's fiscal year 2014 cash bonus would be paid out at the full target rate, without respect to our actual achievement of financial and corporate performance metrics. As described above, we exceeded our financial and corporate performance targets for fiscal year 2014 and Mr. Bhanot's personal achievement exceeded the individual performance metrics that were set for him at the beginning of the fiscal year. Mr. Bhanot's payout on this award was ultimately determined based on the actual achievements against these metrics, and exceeded the minimum bonus amount. The Compensation Committee also determined to pay Mr. Bhanot's bonus based on the full annual target without the one month proration adjustment based on his December 2, 2013 employment commencement date. See "Grants of Plan-Based Awards for Fiscal Year 2014" and "Fiscal Year 2014 Short-Term Incentive Compensation" in this CD&A for further discussion of the preestablished targets, actual achievements against targets and the amounts earned. All Other Compensation amount includes \$13,333 of company 401(k) plan matching contribution and \$1,232 of life insurance premiums.
- (7) Bonus amount consisted of a \$150,000 cash sign-on bonus we negotiated with Ms. Felix at the time of her hire. Non-Equity Incentive Plan Compensation amount represents a performance-based bonus awarded to Ms. Felix for fiscal year 2014. See "Grants of Plan-Based Awards for Fiscal Year 2014" and "Fiscal Year 2014 Short-Term Incentive Compensation" in this CD&A for further discussion of the pre-established targets, actual achievements against targets and the amounts earned. All Other Compensation amount includes \$82,953 in housing allowance relating to Ms. Felix's international assignment, \$4,000 of company 401(k) plan matching contribution and \$560 of life insurance premiums.
- (8) Messrs. Bhanot and Kappagoda and Ms. Felix each became an NEO in fiscal year 2014.
- (9) Mr. Kappagoda's salary, bonus and equity compensation, as well as the 401(k)-equivalent payment described in Footnote 10 were set in U.S. Dollars and paid in Singapore Dollars at the foreign exchange rate of 1.2446 Singapore Dollar per one U.S. Dollar, the average of the average monthly exchange rate from November 2012 to July 2013, as agreed to by the Company and Mr. Kappagoda at the beginning of his international assignment. Mr. Kappagoda's benefits, other than the medical insurance premiums for him and his family that were set and paid in U.S. Dollars, were set and paid in Singapore Dollars. Such amounts have been converted from Singapore Dollars to U.S. Dollars at the exchange rate of 1.2446 Singapore Dollars per one U.S. Dollar.
- (10) Pursuant to the terms of his offer letter, Mr. Kappagoda's fiscal year 2014 cash bonus would be paid out at 80% of the target amount. As described above, we exceeded our financial and corporate performance targets for fiscal year 2014. Further, the individual component of Mr. Kappagoda's cash bonus was determined based on performance metrics that were set for Mr. Kappagoda at the beginning of the fiscal year. Mr. Kappagoda's payout on this award was ultimately determined based on the actual achievement against these metrics, and exceeded the minimum bonus amount. Accordingly, we have included this award under Non-Equity Incentive Plan Compensation. See "Grants of Plan-Based Awards for Fiscal Year 2014" and "Fiscal Year 2014 Short-Term Incentive Compensation" in this CD&A for further discussion of the pre-established targets, actual achievements against targets and the amounts earned. Amounts in All Other Compensation includes \$192,833 in housing allowance, \$24,104 in transportation allowance, \$35,195 in school fees and related expenses for Mr. Kappagoda's school age child(ren), \$19,474 for home leave airfare for Mr. Kappagoda and his family members, \$17,204 paid as compensation for the maximum company 401(k) plan matching contribution Mr. Kappagoda would have been entitled to but for his international assignment, plus \$10,999 in income tax gross-up, and \$51,305 in medical insurance premiums.

Grants of Plan-Based Awards for Fiscal Year 2014

The following table sets forth information with respect to grants of plan-based awards in fiscal year 2014 to our NEOs, including cash awards and equity awards. The equity incentive awards granted to the NEOs in fiscal year 2014 were granted under our 2006 Plan. Each option award has a term of seven years.

			Estimated Possible Payouts Under Non- Equity Incentive Plan Awards(1)		Estimated Possible Payout Under Equity Incentive Plan Awards			of	All Other Option Awards: Number of Securities	or Base	Grant Date Fair Value of Stock and	
Name	Grant Date	Board Approval Date	Thres- hold (\$)	Target (\$)	Maximum (\$)	Thres- hold (#)		Maximum (#)	Stock or	Underlying Options (#)		Option
Paul Galant CEO	. –	_	_	1,000,000(8)	_	_	_	_	_	_	_	_
Marc E. Rothman EVP and CFO	. –	_	_	450,000(8)	_	_	_	_	_	_	_	_
Alok Bhanot	. —	_	343,750(8)	458,333(8)	_			_			_	_
EVP, Engineering	12/2/2013(3)				_	_		_	63,900		_	1,609,641
and Chief	12/2/2013(4)	11/14/2013	_	_	_	_	_	_	31,900	_	_	803,561
Technology Officer	12/2/2013(3)	11/14/2013	_	_		_	_	_	_	176,500	25.20	1,805,930
	12/2/2013(4)	11/14/2013	_	_	_	_	_	_	_	88,200	25.20	902,454
June Yee Felix	. —	_	_	166,667(8)	_	_		_	_	_	_	_
President,	7/1/2014(5)	6/17/2014	_	_	_	7,200	14,400	28,800	_	_	_	722,160
Verifone Europe	7/1/2014(6)	6/17/2014	_	_	_	_	_	_	14,400	_	_	526,896
Sunil Kappagoda	. —	_	328,000(8)	410,000(8)	_	_		_			_	
President, Verifone Asia Pacific and EVP, Corporate Strategy	3/3/2014(7)				_	_	_	_	52,900	_	_	1,547,854

- (1) Amounts shown in these columns represent the range of possible cash payouts for each NEO under our short-term incentive awards. The threshold, or minimum, amount for Messrs. Galant and Rothman and Ms. Felix is zero for fiscal year 2014 awards because minimum thresholds are required to be met for any payout. For Messrs. Bhanot and Kappagoda, the threshold amount is the minimum amount provided in their respective offer letters. Amount shown as estimated target payout is based upon achievement of performance targets at 100% for the respective performance periods. Amount shown as estimated maximum possible payout reflects maximum achievement for those targets which have a fixed maximum percentage payout and 100% achievement for those targets whose payout above 100% depends on the actual percentage outcome of a particular performance metric without a set maximum possible payout.
- (2) Reflects the grant date fair value of each target equity award computed in accordance with FASB ASC Topic 718 and described in footnotes 1 and 2 to our Summary Compensation Table. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended October 31, 2014. These amounts do not correspond to the actual value that will be realized by the NEOs.
- (3) Shares subject to award vested as to 1/2 of the shares on December 2, 2013 and as to the remaining 1/2 of the shares on December 2, 2014.
- $(4) \qquad \text{Shares subject to award vest as to 1/4 of the shares on December 2, 2015 and 1/16 of shares each quarter thereafter.}$
- (5) Shares subject to award will cliff vest three years from the grant date (on July 1, 2017), if we achieve a certain level of TSR relative to the S&P North America Technology Index over a three-year performance period. For purposes of the grant, TSR will be calculated on a stack-ranked basis using 60-trading day average closing prices immediately preceding the beginning and end of the performance period. Payout will be at target (i.e., 14,400 shares of common stock) for TSR at the 50th percentile, scaling for performance above and below the 50th percentile (e.g., 60th percentile ranking results in payout at 120% of target or 17,280 shares of common stock). The threshold for any payout under the grant is the 25th percentile (i.e., no shares of common stock will be awarded for performance below the 25th percentile) and the maximum payout is 200% of target (i.e., 28,800 shares) at the 100th percentile.
- (6) Shares subject to award vest as to 1/4 of the shares on July 1, 2015 and 1/16 of shares each quarter thereafter.
- (7) Shares subject to award vest as to 100% on March 3, 2015.
- (8) The performance period for these awards is our fiscal year ended October 31, 2014. In December 2014, we paid the earned amounts of these awards as follows: \$1,390,135 to Mr. Galant, \$532,550 to Mr. Rothman, \$689,275 to Mr. Bhanot, \$193,075 to Ms. Felix and \$400,137 to Mr. Kappagoda.

Outstanding Equity Awards at Fiscal 2014 Year-End

The following table provides information about unexercised options, stock that has not vested and other equity incentive plan awards that have not vested for each of the NEOs as of October 31, 2014.

		Option Awards					Stock Awards				
Name	Option/ Award Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)		Option Expiration Date	Number of Shares or Units of Stock That Have not Vested (#)	Market Value of Shares or Units of Stock That Have not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have not Vested (\$) (1)	
Paul Galant	. 10/1/2013(2) 10/1/2013(3)		375,000		23.00	10/1/2020			200,000	7,452,000	
Marc E. Rothman EVP and CFO	. 4/1/2013(4) 7/1/2013(5) 8/1/2013(6)						25,063 68,132 70,500	933,847 2,538,598 2,626,830			
Alok Bhanot	. 12/2/2013(7) 12/2/2013(8) 12/2/2013(7) 12/2/2013(8)	,	88,250 88,200		25.20 25.20	12/2/2020 12/2/2020	31,950 31,900	1,190,457 1,188,594			
June Yee Felix President, Verifone Europe	7/1/2014(9) 7/1/2014(10						14,400	536,544	14,400	536,544	
Sunil Kappagoda	8/1/2013(11 3/3/2014(12	/					84,650 52,900	3,154,059 1,971,054			

⁽¹⁾ Market value of units of stock that have not vested is computed by multiplying (i) \$37.26, the closing market price of our stock on October 31, 2014, by (ii) the number of units of stock.

- (4) Shares subject to award vested as to 1/4 of the shares on April 1, 2014 and 1/16 of the shares each quarter thereafter.
- (5) Shares subject to award vested as to 1/4 of the shares on July 1, 2014 and 1/16 of the shares each quarter thereafter.
- (6) Shares subject to award cliff vest on August 1, 2015.
- (7) Shares subject to award vested as to 1/2 of the shares on December 2, 2013 and as to the remaining 1/2 of the shares on December 2, 2014.
- (8) Shares subject to award vest as to 1/4 of the shares on December 2, 2015 and 1/16 of shares each quarter thereafter.
- (9) Shares subject to award will cliff vest three years from the grant date (on July 1, 2017), if we achieve a certain level of TSR relative to the S&P North America Technology Index over a three-year performance period. For purposes of the grant, TSR will be calculated on a stack-ranked basis using a 60-trading day average closing prices immediately preceding the beginning and end of the performance period. Payout will be at target (i.e., 14,400 shares of common stock) for TSR at the 50th percentile, scaling for performance above and below the 50th percentile (e.g., 60th percentile ranking results in payout at 120% of target or 17,280 shares of common stock). The threshold for any payout under the grant is the 25th percentile (i.e., no shares of common stock will be awarded for performance below the 25th percentile) and the maximum payout is 200% of target (i.e., 28,800 shares) at the 100th percentile.
- (10) Shares subject to award vest as to 1/4 of the shares on July 1, 2015 and 1/16 of shares each quarter thereafter.
- (11) Shares subject to award vested as to 1/2 of the shares on August 1, 2014 and as to the remaining 1/2 of the shares on August 1, 2015.
- (12) Shares subject to award cliff vest on March 3, 2015.

⁽²⁾ Shares subject to award vested as to 1/4 of the shares on October 1, 2014 and 1/16 of the shares each quarter thereafter.

⁽³⁾ Shares subject to award will cliff vest three years from the grant date (on October 1, 2016), if we achieve a certain level of TSR relative to the S&P North America Technology Index over a three year performance period. For purposes of the grant, TSR will be calculated on a stack-ranked basis using a 60-trading day average closing prices immediately preceding the beginning and end of the performance period. Payout shall be at target (i.e., 200,000 shares of common stock) for TSR at the 50th percentile, scaling for performance above and below the 50th percentile (e.g., 60th percentile ranking results in payout at 120% of target or 240,000 shares of common stock). The threshold for any payout under the grant is the 25th percentile (i.e., no shares of common stock will be awarded for performance below the 25th percentile) and the maximum payout is 200% of target (i.e., 400,000 shares) at the 100th percentile.

Fiscal Year 2014 Option Exercises and Stock Vested

The following table presents information concerning the aggregate number of shares for which options were exercised during fiscal year 2014 for each of the NEOs. In addition, the table presents information on shares that were acquired upon vesting of stock awards during fiscal year 2014 for each of the NEOs on an aggregated basis.

Option Awards		Stock	Awards
Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)(2)
	\$ —	150,000	\$4,989,000
_	\$	116,505	\$3,958,513
_	\$	31,950	\$ 804,821
_	\$	_	\$ —
_	\$ —	84,650	\$2,796,836
	Number of Shares Acquired on	Number of Shares Acquired on Exercise (\$)(1)	Number of Shares Acquired on Exercise (\$)(1)

- (1) The value realized on the exercise is calculated as the difference between the fair market value of the shares on the date of exercise and the applicable exercise price for those options.
- (2) The value realized on the shares acquired is the fair market value of the shares on the date of vesting, which is the closing price on such date of our stock as traded on the NYSE.

Potential Payments Upon Termination or Change of Control

This section describes the benefits that may become payable to the NEOs in connection with a termination of their employment with Verifone and/or a change of control of Verifone under arrangements in effect as of October 31, 2014.

Severance Arrangements

Mr. Galant became our CEO effective October 1, 2013. Mr. Rothman became our EVP and CFO effective February 4, 2013, and Mr. Kappagoda became our President, Verifone Asia Pacific and EVP, Corporate Strategy in July 2013. In connection with their appointments, we entered into certain severance terms with them in their respective employment agreement or offer letter, as applicable. In addition, as Mr. Kappagoda's and Ms. Felix's employment with Verifone is based internationally, their offer letters include certain severance benefits with respect to their international assignment packages if their international assignment is terminated under certain circumstances.

Mr. Galant

Our employment agreement with Mr. Galant provides severance and change of control severance benefits to Mr. Galant. The conditions that would constitute a change of control event are generally consistent with those described under "*Post-Employment Compensation Arrangements*" above.

In the event that we terminate Mr. Galant's employment without Cause (as defined in Mr. Galant's employment agreement), Mr. Galant will be entitled to the following: (i) any unpaid accrued salary or earned but unpaid annual bonus ("Accrued Compensation") and a lump sum cash severance payment equal to the sum of his annual base salary then in effect and his actual annual bonus for the preceding fiscal year; (ii) for twenty-four

months following his date of termination of employment, we will promptly reimburse him for COBRA premiums and will permit him to continue to participate in our life insurance plan on the same basis as he participated in it as of immediately prior to his termination of employment, subject to certain exceptions (collectively, "Benefit Continuation"); and (iii) twelve months accelerated vesting of any outstanding equity awards, provided that any portion of any unvested Upfront TSR Shares that would have time-based vested, if such time-based vesting was monthly rather than 3-year cliff vesting, on or before the first anniversary of such termination of employment based on achievement of the TSR hurdle, shall so vest and shall be paid as soon as practicable following determination of the achievement of the TSR hurdle.

If we terminate Mr. Galant's employment without Cause (as defined in Mr. Galant's employment agreement) or if he terminates his employment for Good Reason (as defined in Mr. Galant's employment agreement) within three months prior to (in the event that his employment is terminated at the request of a third party acquiror) or within twelve months after a change in control (the "Change of Control Protection Period"), (i) we will pay Mr. Galant the Accrued Compensation and a lump sum cash severance payment equal to 2 times the sum of his annual base salary then in effect and his target annual bonus, (ii) Mr. Galant will be entitled to receive Benefit Continuation and (iii) Mr. Galant will receive accelerated vesting in full of all outstanding equity awards.

Our obligations to provide the severance benefits described above (other than payment of Accrued Compensation) are subject to Mr. Galant executing a release in favor of us and compliance with certain non-competition, non-solicitation and non-disparagement covenants.

If we terminate Mr. Galant's employment for Cause, he terminates his employment without Good Reason, or his employment terminates due to death or Disability (as defined in Mr. Galant's employment agreement), we will promptly pay or provide (i) his Accrued Compensation, except that any earned but unpaid annual bonus shall be forfeited in the event of termination for Cause, (ii) any benefits that are required, or to which he is entitled, under any of our employee benefit plans or contracts or arrangements with us, and (iii) any other payments or benefits required to be paid to him in accordance with applicable law. In addition, in the event his employment terminates due to death or Disability, we will pay him or his estate, as applicable, (i) a pro-rata annual bonus at target for the fiscal year during which his death or Disability occurs, which shall be paid within sixty days following the date of termination of his employment and (ii) provide him with the same vesting benefits as in the case of a termination without Cause not in the Change of Control Protection Period.

Mr. Rothman

Our offer letter with Mr. Rothman includes certain severance terms. If we terminate Mr. Rothman's employment without Cause (as defined in Mr. Rothman's offer letter) or if Mr. Rothman terminates his employment for Good Reason (as defined in Mr. Rothman's offer letter), then we will pay Mr. Rothman, within ten days following the date of termination, a sum equal to the total of: (i) his base salary through the date of termination and any bonuses that have become payable and have not been paid or deferred, (ii) any accrued vacation pay and compensation previously deferred, other than pursuant to a tax-qualified plan; (iii) any amounts due under any plan or program in accordance with their terms; and (iv) a lump-sum cash payment equal to his annual base salary during the six-month period immediately prior to the date of termination. In connection with a qualifying termination, we must also provide Mr. Rothman with continuing medical, insurance and related benefits for six months following the date of such termination.

Mr. Rothman's offer letter was executed prior to the adoption of the Executive Severance Policy. Accordingly, although Mr. Rothman is eligible to participate in the Executive Severance Policy, to the extent his offer letter provides for more favorable severance terms, his severance benefits are calculated based on the terms of his offer letter.

Mr. Kappagoda

Our offer letter with Mr. Kappagoda provides that, if we terminate Mr. Kappagoda's employment without Cause (as defined in Mr. Kappagoda's offer letter) or if Mr. Kappagoda terminates his employment for Good Reason (as defined in Mr. Kappagoda's offer letter), the Kappagoda Initial Grant, the Kappagoda 2014 Grant and the Kappagoda 2015 Grant (which, if not yet granted as of the termination date, will be granted on a fully vested basis) will fully vest and become deliverable. In addition, if such a termination occurs before November 1, 2015, Mr. Kappagoda will be paid any unpaid salary and target bonus that Mr. Kappagoda would have been entitled to under his offer letter through October 31, 2015. Such payment will be made within 30 days of such termination.

In addition, if we terminate Mr. Kappagoda's employment without Cause (as defined in Mr. Kappagoda's offer letter) during the international assignment or if Mr. Kappagoda terminates his employment for Good Reason (as defined in Mr. Kappagoda's offer letter) during the international assignment, we will provide Mr. Kappagoda with certain repatriation benefits set forth in the offer letter, including return airfare for Mr. Kappagoda and his family, a repatriation allowance and shipment and temporary storage of household goods, provided that Mr. Kappagoda's return occurs no later than 60 days after the later of his termination date or the end of the then current school year. Such repatriation benefits are in addition to any severance benefits Mr. Kappagoda is entitled to receive.

Mr. Kappagoda's offer letter was executed prior to the adoption of the Executive Severance Policy. Accordingly, although Mr. Kappagoda is eligible to participate in the Executive Severance Policy, to the extent his offer letter provides for more favorable severance terms, his severance benefits are calculated based on the terms of his offer letter.

Ms. Felix

Pursuant to the terms of her offer letter, if we terminate Ms. Felix's employment without Cause (as defined in the Executive Severance Policy) during the international assignment or if Ms. Felix resigns for Good Reason (as defined in the Executive Severance Policy) during the international assignment, we will cover for Ms. Felix the cost of return airfare for Ms. Felix and her family to her home location, provided that such return occurs no later than 60 days from her termination date. We will also cover return shipment of her household goods with certain limitations, and assume any reasonable housing lease obligations in the U.K. Such repatriation benefits are in addition to any severance benefits Ms. Felix is entitled to receive under the Executive Severance Policy.

Executive Severance Policy

On September 19, 2013, we adopted an Executive Severance Policy which is applicable to certain of our executive officers including Messrs. Rothman, Bhanot and Kappagoda and Ms. Felix and has a term of three years (subject to extension of up to one year if there is a change of control (as defined in the policy) during the last twelve months of the term). The Executive Severance Policy provides that, in case of a termination by the Company without Cause (as defined in the policy), an executive covered under the policy will receive a lump sum cash payment equal to his or her base salary; 12 months' medical, dental, vision and life insurance continuation/COBRA coverage, subject to adjustment if alternate employment is obtained; and accelerated vesting of any unvested portion of the equity awards to the extent provided in the applicable equity award agreements. In the event of a termination by Verifone without Cause or for Good Reason (as defined in the policy) in connection with a change in control, such executives will also get full acceleration of vesting of any unvested portion of the equity awards.

Under the Executive Severance Policy, all benefits are subject to the executive executing a final, non-revocable general release in a form acceptable to Verifone, non-compete and non-solicit provisions covering a period of one year following the date of termination and non-disparagement provisions.

As discussed above, although Messrs. Rothman and Kappagoda are eligible to participate in the Executive Severance Policy, to the extent their offer letters provide for more favorable severance terms, their severance benefits will be calculated based on the terms of their respective offer letters.

Equity Award Agreements

Our equity awards made in fiscal years 2012, 2013 and 2014 to the NEOs provide for acceleration of vesting in the event of an involuntary or constructive termination three months prior to or eighteen months following a change of control. Mr. Bhanot's equity award agreements provide for 12 months' acceleration of vesting in the event he is terminated by Verifone without Cause (as defined in the relevant grant agreements) or if Mr. Bhanot resigns for Good Reason (as defined in the relevant grant agreements). Mr. Galant's and Ms. Felix's equity award agreements relating to their performance-based TSR grants also provide that, in the event such executive is terminated by Verifone without Cause (as defined in the relevant grant agreement), any unvested portion of such awards that would have time-based vested, if such time-based vesting was monthly rather than 3-year cliff vesting, on or before the first anniversary of such termination of employment, based on our TSR achievement, shall so vest and shall be paid as soon as practicable following determination of our TSR achievement.

The tables below outline the potential payments and benefits payable to each NEO in the event of involuntary termination, before and after a change of control, as if such event had occurred as of October 31, 2014.

Involuntary Termination without Cause or Constructive Involuntary Termination for Good Reason

Name	Cash Severance	Continuation of Benefits	Intrinsic Value of Unvested Stock Awards(1)	Intrinsic Value of Unvested Options(2)
Paul Galant(3)	\$800,000	\$45,757	\$2,587,500	\$1,782,500
Marc E. Rothman(4)	\$450,000	\$22,878	\$ —	\$ —
Alok Bhanot(5)	\$400,000	\$ 3,325	\$1,190,457	\$1,064,295
June Yee Felix(6)	\$652,008	\$14,677	\$ 29,808	\$ —
Sunil Kappagoda(7)	\$881,059	\$29,341	\$6,663,951	\$ —

Involuntary Termination without Cause or Constructive Involuntary Termination for Good Reason Following a Change of Control

Name	Cash Severance	Continuation of Benefits	Intrinsic Value of Unvested Stock Awards(1)	Intrinsic Value of Unvested Options(2)
Paul Galant(3)	\$3,600,000	\$45,757	\$3,726,000	\$5,347,500
Marc E. Rothman(4)	\$ 450,000	\$22,878	\$6,099,276	\$ —
Alok Bhanot(5)	\$ 400,000	\$ 3,325	\$2,379,051	\$2,127,987
June Yee Felix(6)	\$ 652,008	\$14,677	\$ 804,816	\$ —
Sunil Kappagoda(7)	\$ 881,059	\$29,341	\$6,663,951	\$ —

⁽¹⁾ The intrinsic value is calculated by taking the product of (a) \$37.26, which was the closing market price of our common stock on October 31, 2014, the last trading day of fiscal year 2014, and (b) the number of stock awards subject to acceleration. See "Grants of Plan-Based Award for Fiscal Year 2014" and "Outstanding Equity Awards at Fiscal Year 2014 Year-End" for information on the awards and the unvested portion of such awards.

⁽²⁾ Based on the closing market price of our common stock on October 31, 2014 of \$37.26, and the respective exercise prices of unvested options subject to acceleration. No intrinsic value is attributed to unvested options subject to acceleration which have exercise prices above the closing market price of our common stock on October 31, 2014.

- (3) The amounts contained in the tables above for Mr. Galant are based on the terms of Mr. Galant's employment agreement. Mr. Galant is not eligible for severance benefits under the Executive Severance Policy. In the event of an involuntary or constructive termination, Mr. Galant is entitled to cash severance equal to his annual base salary plus the actual annual bonus for the fiscal year preceding the termination date. In the event of an involuntary or constructive termination with a change of control (as defined in Mr. Galant's employment agreement), Mr. Galant is entitled to cash severance equal to two times his annual base salary and his target annual bonus. Mr. Galant did not receive any actual annual bonus for fiscal year 2013 because he joined the Company in the last month of the fiscal year. Accordingly, cash severance amounts, assuming a termination date of October 31, 2014, do not include estimated cash severance based on any actual annual bonus for fiscal year 2013. In the event of an involuntary or constructive termination, Mr. Galant is entitled to 12 months' acceleration of his unvested equity awards, with the acceleration of vesting on his Upfront TSR Shares computed as if the award vested on a monthly time vest basis. In the event of an involuntary or constructive termination with a change of control, Mr. Galant is entitled to full acceleration of his unvested equity awards. Any release of shares accelerated under the Upfront TSR Shares is subject to the actual achievement of the performance target for such award at the end of the three-year performance period. The Intrinsic Value of Unvested Stock Awards disclosed for Mr. Galant assumes achievement of the Upfront TSR Shares at the threshold amount. For achievement of the Upfront TSR Shares at the target amount, Intrinsic Value of Unvested Stock Awards for Mr. Galant would total \$5,175,000 in the event of an involuntary or constructive termination and \$7,452,000 in the event of an involuntary or constructive termination with a change of control. For achievement of the Upfront TSR Shares at the maximum amount, the Intrinsic Value of Unvested Stock Awards for Mr. Galant would total \$10,350,000 in the event of an involuntary or constructive termination and \$14,904,000 in the event of an involuntary or constructive termination with a change of control. See additional disclosures under "Severance Arrangements."
- (4) Under the Executive Severance Policy, Mr. Rothman is entitled to cash severance equal to his annual base salary for the fiscal year preceding the termination date in the event of an involuntary or constructive termination or an involuntary or constructive termination with a change of control. The Executive Severance Policy provides for full acceleration of all unvested equity awards, with performance-based awards vesting (without proration) based on performance criteria measured through the date of termination, to Mr. Rothman in the event of an involuntary or constructive termination with a change of control. See additional disclosures under "Executive Severance Policy."
- (5) Under the Executive Severance Policy, Mr. Bhanot is entitled to cash severance equal to his annual base salary for the fiscal year preceding the termination date in the event of an involuntary or constructive termination or an involuntary or constructive termination with a change of control. The Executive Severance Policy provides for full acceleration of all unvested equity awards to Mr. Bhanot in the event of an involuntary or constructive termination with a change of control. See additional disclosures under "Executive Severance Policy." Pursuant to Mr. Bhanot's grant agreements, in the event of an involuntary or constructive termination, Mr. Bhanot is entitled to 12 months' acceleration of his unvested equity awards.
- (6) Under the Executive Severance Policy, Ms. Felix is entitled to cash severance equal to her annual base salary for the fiscal year preceding the termination date in the event of an involuntary or constructive termination or an involuntary or constructive termination with a change of control. Pursuant to Ms. Felix's offer letter, if Ms. Felix is terminated by Verifone without Cause (as defined in the Executive Severance Policy) or resigns with Good Reason (as defined in the Executive Severance Policy), in addition to the severance benefits provided by the Executive Severance Policy, Verifone will cover cost of return airfare for Ms. Felix and her family and shipment of household goods and assume any reasonable housing lease obligations in the U.K. The value of such expenses is estimated to be \$252,008. Pursuant to the grant agreement of Ms. Felix's TSR Shares, in the event Ms. Felix's employment is terminated by Verifone without Cause (as defined in the relevant grant agreement), Ms. Felix is entitled to accelerated vesting of the portion of unvested TSR Shares that would have time-based vested, if such time-based vesting was monthly rather than 3-year cliff vesting, on or prior to the date of such termination. In the event of an involuntary or constructive termination with a change of control, Ms. Felix is entitled to full acceleration of her unvested

equity awards. Any release of accelerated TSR Shares is subject to the actual achievement of the performance target for such award at the end of the three-year performance period. The Intrinsic Value of Unvested Stock Awards disclosed for Ms. Felix assumes achievement of the TSR Shares at the threshold amount. For achievement of the TSR Shares at the target amount, Intrinsic Value of Unvested Stock Awards for Ms. Felix would total \$59,616 in the event of an involuntary or constructive termination and \$1,073,088 in the event of an involuntary or constructive termination with a change of control. For achievement of the TSR Shares at the maximum amount, the Intrinsic Value of Unvested Stock Awards for Ms. Felix would total \$119,232 in the event of an involuntary or constructive termination and \$1,609,632 in the event of an involuntary or constructive termination with a change of control.

(7) As described above, although Mr. Kappagoda is eligible to participate in the Executive Severance Policy, to the extent his offer letter (which was executed before the adoption of the Executive Severance Policy) provides for more favorable severance terms, his severance benefits are calculated based on the terms of his offer letter. Pursuant to Mr. Kappagoda's offer letter, if Mr. Kappagoda resigns for Good Reason (as defined in his offer letter) or is terminated by Verifone without Cause (as defined in his offer letter) before November 1, 2015, Mr. Kappagoda is entitled to cash severance equal to his unpaid salary and target bonus amounts between \$328,000 and \$492,000 for fiscal years 2014 and 2015. The cash severance value disclosed for Mr. Kappagoda assumes that (a) his salary for fiscal year 2015 is \$410,000, the same as that of fiscal year 2014, and (b) his target bonus for fiscal year 2015 is \$410,000, the same as that of fiscal year 2014. If the target bonus for fiscal year 2015 is set at the maximum, the cash severance value would total \$902,000. If the target bonus for fiscal year 2015 is set at the minimum, the cash severance value would total \$738,000. Further, if Mr. Kappagoda is terminated by Verifone without Cause (as defined in his offer letter) or resigns with Good Reason (as defined in his offer letter), in addition to the severance benefits he may be entitled to, Verifone will cover cost of return airfare for Mr. Kappagoda and his family and shipment and temporary storage of household goods and provide Mr. Kappagoda with a repatriation allowance to cover miscellaneous moving expenses. The value of such expenses is estimated to be \$61,059, based on the actual expenses incurred by Mr. Kappagoda at the beginning of his international assignment. Pursuant to Mr. Kappagoda's offer letter, if Mr. Kappagoda resigns for Good Reason (as defined in his offer letter) or is terminated by Verifone without Cause (as defined in his offer letter), the equity grants awarded to Mr. Kappagoda pursuant to his offer letter, including the grants he received in March 2014 and January 2015, will fully vest and become deliverable. See "Employment-Related Agreements with the NEOs" in this CD&A for more information on Mr. Kappagoda's equity incentive grants included in his compensation package at the time of his hire, and "Severance Arrangements" in this CD&A for more information on severance arrangements Mr. Kappagoda has with the Company.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of Verifone (the "Compensation Committee") consists exclusively of independent directors.

The general purpose of the Compensation Committee is to (1) review and approve corporate goals and objectives relating to the compensation of Verifone's CEO, evaluate the CEO's performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve the CEO's compensation level based on this evaluation and (2) review and approve non-CEO executive officer compensation, incentive compensation plans, and equity-based plans, among other things. Verifone's Board of Directors and its Corporate Governance and Nominating Committee have determined that each member of the Compensation Committee is "independent" within the meaning of the rules of both the NYSE and the SEC.

During fiscal year 2014, the Compensation Committee performed all of its duties and responsibilities under the Compensation Committee's charter. Additionally, as part of its responsibilities, the Compensation Committee reviewed the section of this Proxy Statement entitled "Compensation Discussion and Analysis" (CD&A), as prepared by management of Verifone, and discussed the CD&A with management of Verifone. Based on its review and discussions, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this Proxy Statement.

COMPENSATION COMMITTEE Robert B. Henske, Chairman Wenda Harris Millard Jonathan I. Schwartz Jane J. Thompson

REPORT OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The primary purposes of the Corporate Governance and Nominating Committee are to (i) identify individuals qualified to become members of the Board of Directors, (ii) develop and recommend to the Board standards to be applied in making determinations as to the absence of material relationships between Verifone and a director, (iii) develop and recommend to the Board a set of corporate governance principles and (iv) assist management in the preparation of disclosure in this Proxy Statement regarding the operations of the Corporate Governance and Nominating Committee.

The Board has determined, upon the recommendation of the Corporate Governance and Nominating Committee, that Mr. Alspaugh, Ms. Austin, Mr. Hart, Mr. Henske, Ms. Millard, Mr. Raff, Mr. Schwartz and Ms. Thompson were "independent" within the meaning of the rules of the NYSE and the SEC. The Corporate Governance and Nominating Committee currently consists of Mr. Alspaugh, Ms. Austin, Mr. Hart, as chairman, and Mr. Raff. The Board has determined that each member of the Committee is "independent" within the meaning of the rules of the NYSE and the SEC.

On an ongoing basis during fiscal year 2014, the Corporate Governance and Nominating Committee evaluated potential candidates for positions on the Board and its committees, in each case in accordance with the criteria set forth in Verifone's Corporate Governance Guidelines. The Corporate Governance and Nominating Committee approved and recommended to the Board of Directors the nine director nominees currently standing for election at the Annual Meeting.

Over the course of fiscal year 2014, the Corporate Governance and Nominating Committee reviewed with management both the long-term and emergency succession plans for the Chief Executive Officer and other key employees.

As part of its duties, in September 2014, the Corporate Governance and Nominating Committee reviewed the Committee's charter and Verifone's Corporate Governance Guidelines to determine whether any changes to the charter or the guidelines were deemed necessary or desirable by the Committee. After completing this review, the Committee recommended to the Board that no amendments to these documents were needed to be made at that time.

The Committee also conducted an evaluation of its own performance that included an evaluation of its performance compared with the requirements of the charter of the Committee. During fiscal year 2014, the Corporate Governance and Nominating Committee performed all of its duties and responsibilities under the Corporate Governance and Nominating Committee Charter.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Alex W. (Pete) Hart, Chairman Robert W. Alspaugh Karen Austin Eitan Raff

REPORT OF THE AUDIT COMMITTEE

The purpose of the Audit Committee of Verifone is to assist the Board of Directors in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community, and others relating to:
(i) the integrity of Verifone's financial statements; (ii) Verifone's compliance with legal and regulatory requirements; (iii) Verifone's independent registered public accounting firm's qualifications and independence; (iv) the performance of Verifone's internal audit function and independent registered public accounting firm; (v) the retention of Verifone's independent registered public accounting firm; and (vi) the preparation of this report.

The Board of Directors has determined, upon the recommendation of the Corporate Governance and Nominating Committee, that each member of the Audit Committee is "independent" within the meaning of the rules of the NYSE and the SEC. The Audit Committee currently consists of Mr. Alspaugh, as chairman, Ms. Austin, Mr. Henske and Mr. Schwartz. The Board of Directors has designated each of Mr. Henske and Mr. Alspaugh as an "Audit Committee financial expert" within the meaning of applicable SEC rules.

As set forth in the Audit Committee charter, management is responsible for the preparation, presentation, and integrity of Verifone's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by Verifone and for implementing and maintaining internal control over financial reporting. The independent registered public accounting firm is responsible for auditing Verifone's financial statements and for reviewing Verifone's unaudited interim financial statements.

In fulfilling their responsibilities, it is recognized that members of the Audit Committee are not full-time employees of Verifone and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Audit Committee necessarily rely on the information provided to them by management and the independent registered public accounting firm. Accordingly, the Audit Committee's considerations and discussions referred to below do not assure that the audit of Verifone's financial statements has been carried out in accordance with generally accepted accounting principles or that Verifone's auditors are in fact "independent."

In the performance of its oversight function, the Audit Committee has considered and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. In addition, the Audit Committee has discussed with the independent registered public accounting firm the auditors' independence from Verifone and its management, including the matters in the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board, a copy of which the Audit Committee has received. All non-audit services performed by the registered public accounting firm must be specifically pre-approved by the Audit Committee or a member thereof.

In reliance on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee charter, the Audit Committee recommended to the Board the inclusion of the audited financial statements in Verifone's Annual Report on Form 10-K for the fiscal year ended October 31, 2014, as filed with the Securities and Exchange Commission.

AUDIT COMMITTEE

Robert W. Alspaugh, Chairman Karen Austin Robert B. Henske Jonathan I. Schwartz

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2014 regarding securities issued under our equity compensation plans that were in effect during fiscal year 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders(1)	7,598,933	\$26.58(2)	4,371,311(3)
security holders			
Total	7,598,933	<u>\$26.58(2)</u>	<u>4,371,311</u> (3)

- (1) This reflects equity awards issued under the 2006 Plan. This information also includes securities issuable pursuant to the Hypercom 2000 Broad-Based Stock Incentive Plan, Hypercom Non-Employee Director Plan, and Hypercom Long-Term Incentive Plan as a result of our acquisition of Hypercom Corporation on August 4, 2011. As of October 31, 2014, the 2006 plan is the only plan under which we make grants of equity awards.
- (2) The weighted-average exercise price does not include the effect of 3,124,056 RSUs outstanding as of October 31, 2014, as such awards do not include an exercise price.
- (3) Represents shares remaining available for future issuance under our 2006 Plan as of October 31, 2014.

2006 Plan

Our 2006 Plan is the only plan under which we currently make grants of equity awards. Our 2006 Plan permits grants of stock options, stock appreciation rights, restricted stock, RSUs, performance shares and share units, dividend equivalent rights and other stock awards. Grants may be made to our directors, officers, and employees and other individuals performing services for us. The plan authorizes the issuance of an aggregate of 31,772,075 shares of our common stock. For purposes of determining the number of shares issuable under the 2006 Plan, any shares granted as stock options or stock appreciation rights shall be counted as one share for each share so granted; any RSUs granted prior to June 29, 2011 shall be counted as 1.75 shares for every RSU granted; and any RSUs granted on and after June 29, 2011 shall be counted as 2.00 shares for every RSU granted. As of October 31, 2014, there were a total of 4,474,877 options outstanding at a weighted-average exercise price of \$26.58 per share. As of October 31, 2014, there were 3,124,056 RSUs outstanding, all of which were unvested and subject to forfeiture as of October 31, 2014. For further information on our equity compensation plan, see "Note 4. Employee Benefit Plans" of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on December 17, 2014.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information concerning the beneficial ownership of the shares of our common stock as of January 15, 2015 (the "Measurement Date"), by:

- each person we know to be the beneficial owner of 5% or more of our outstanding shares of common stock;
- each of the NEOs;
- · each current director; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. Percentage of beneficial ownership is based on 113,600,148 shares of common stock outstanding as of January 15, 2015. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of the Measurement Date, and shares of RSUs which are scheduled to be released within 60 days of the Measurement Date are considered outstanding and beneficially owned by the person holding the options or RSUs for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless indicated below, the address of each individual listed below is c/o VeriFone Systems, Inc., 2099 Gateway Place, Suite 600, San Jose, California 95110.

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	Shares Ber Own	
Name and Address of Beneficial Owner	Number	Percent of Class
FMR LLC(1)	12,284,510	10.8%
Jackson Square Partners, LLC(2)	6,898,441	6.1%
BlackRock, Inc.(3)	6,570,256	5.8%
The Vanguard Group Inc.(4)	6,098,744	5.4%
Manning & Napier Advisors, LLC(5)	5,846,715	5.2%
Macquarie Group Limited(6)	5,808,068	5.1%
Paul Galant(7)	313,834	*
Marc E. Rothman	71,174	*
Alok Bhanot(8)	214,300	*
June Yee Felix	_	*
Sunil Kappagoda(9)	52,900	*
Robert W. Alspaugh(10)	45,375	*
Karen Austin	_	*
Alex W. (Pete) Hart(11)	64,376	*
Robert B. Henske(12)	45,500	*
Wenda Harris Millard(13)	12,500	*
Eitan Raff(14)	30,500	*
Jonathan I. Schwartz	_	*
Jane J. Thompson	_	*
All current directors and executive officers as a group (16 persons)**	1,172,575	1.0%

^{*} Less than 1%.

^{**} Total includes shares beneficially owned by our current executive officers, including Messrs. Liu and Ozayaz and Ms. Miles but excludes shares beneficially owned by Mr. Nelson, who ceased to be our executive officer effective December 31, 2014.

- The address of FMR LLC ("FMR") is 245 Summer Street, Boston, Massachusetts 02210. FMR, along with certain of its subsidiaries and affiliates, and other companies, has the sole power to vote or direct the vote of 727,510 shares and the sole power to dispose or direct the disposition of 12,284,510 shares of common stock. Edward C. Johnson 3d is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR. Neither FMR nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Co carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. This information is based solely upon a Schedule 13G filed by FMR on July 10, 2014 for beneficial ownership as of June 30, 2014.
- (2) The address of Jackson Square Partners, LLC ("Jackson Square") is 101 California Street, Suite 3750, San Francisco, CA 94111. Jackson Square has the sole power to vote 3,689,290 shares of common stock, shared power to vote or to direct the vote of 3,209,151 shares of common stock and sole power to dispose or to direct the disposition of 6,898,441 shares of common stock. This information is based solely upon a Schedule 13G/A filed by Jackson Square on October 10, 2014 for beneficial ownership as of September 30, 2014.
- (3) The address of BlackRock, Inc. ("BlackRock") is 40 East 52nd Street, New York, NY 10022. BlackRock, along with certain of its subsidiaries, has the sole power to vote and dispose of 6,570,256 shares of common stock. This information is based solely upon a Schedule 13G/A filed by BlackRock on January 31, 2014 for beneficial ownership as of December 31, 2013.
- (4) The address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group, Inc. ("Vanguard") has the sole power to dispose or direct the disposition of 6,037,751 shares of common stock. Vanguard has shared power to dispose or direct the disposition and sole power to vote or direct the vote of 60,993 shares of common stock beneficially owned by Vanguard Fiduciary Trust Company, as a result of serving as investment manager of collective trust accounts, and sole power to vote or direct the vote of 7,000 shares of common stock beneficially owned by Vanguard Investments Australia, Ltd., as a result of serving as an investment manager of Australian investment offerings. This information is based solely upon a Schedule 13G/A filed by Vanguard on February 12, 2014 for beneficial ownership as of December 31, 2013.
- (5) The address of Manning & Napier Advisors, LLC("Manning & Napier") is 290 Woodcliff Drive, Fairport, NY 14450. Manning & Napier has the sole power to vote 4,938,365 shares of common stock and sole power to dispose of 5,846,715 shares of common stock. This information is based solely upon a Schedule 13G/A filed by Manning & Napier on January 16, 2015 for beneficial ownership as of December 31, 2014.
- (6) The address of Macquarie Group Limited is No. 1 Martin Place Sydney, New South Wales, Australia. Macquarie Group Limited is deemed to beneficially own 5,808,068 shares of common stock due to its ownership of Macquarie Bank Limited, Macquarie Investment Management Limited, Delaware Management Holdings Inc. and Delaware Management Business Trust. Macquarie Investment Management Limited has the sole power to vote and dispose of 6,800 shares of common stock. Delaware Management Business Trust has the sole power to vote and dispose of 5,801,268 shares of common stock. The address of Macquarie Bank Limited and Macquarie Investment Management Ltd. is also No. 1 Martin

- Place Sydney, New South Wales, Australia. The address of Delaware Management Holdings Inc. and Delaware Management Business Trust is 2005 Market Street, Philadelphia, PA 19103. This information is based solely upon a Schedule 13G/A filed by Macquarie Group Limited on June 10, 2014 for beneficial ownership as of May 30, 2014.
- (7) Beneficial ownership information includes 157,584 shares held by Mr. Galant directly. In addition, shares listed as beneficially owned by Mr. Galant include 156,250 shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date.
- (8) Beneficial ownership information includes 37,800 shares held by Mr. Bhanot directly. In addition, shares listed as beneficially owned by Mr. Bhanot include 176,500 shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date.
- (9) All shares listed as beneficially owned by Mr. Kappagoda represent shares of RSUs that are subject to be released or will be released within 60 days after the Measurement Date.
- (10) Beneficial ownership information includes 5,000 shares held by Mr. Alspaugh directly. In addition, 40,375 shares listed as beneficially owned by Mr. Alspaugh represent shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date. Beneficial ownership information excludes 10,500 RSUs that are vested but for which the delivery date has been deferred.
- (11) Beneficial ownership information includes 33,313 shares held by Mr. Hart directly. In addition, 31,063 shares listed as beneficially owned by Mr. Hart represent shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date.
- (12) All shares listed as beneficially owned by Mr. Henske represent shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date. Beneficial ownership information excludes 10,500 RSUs that are vested but for which the delivery date has been deferred.
- (13) Beneficial ownership information includes 3,500 shares held by Ms. Millard directly. In addition, 9,000 shares listed as beneficially owned by Ms. Millard represent shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date.
- (14) Beneficial ownership information includes 7,000 shares held by Mr. Raff directly. In addition, 23,500 shares listed as beneficially owned by Mr. Raff represent shares issuable upon the exercise of options that are exercisable or will become exercisable within 60 days after the Measurement Date.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We may occasionally enter into transactions with entities in which an executive officer, director, 5% or more beneficial owner of our common stock, or an immediate family member of these persons has a direct or indirect material interest. Our policy is that the Audit Committee reviews and approves each individual related party transaction exceeding \$120,000 after a determination that these transactions were on terms that were reasonable and fair to us. For the fiscal year ended October 31, 2014 and through the date of this Proxy Statement we had no such transactions. The Audit Committee also reviews and monitors on-going relationships with related parties to ensure they continue to be on terms that are reasonable and fair to us.

Indemnification and Employment Agreements

As permitted by the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation that authorize and require us to indemnify our executive officers and directors to the full extent permitted under Delaware law, subject to limited exceptions. We have also entered, and intend to continue to enter, into separate indemnification agreements with our directors and executive

officers which may be broader than the specific indemnification provisions contained in Delaware law. Also, as described above in "*Employment-Related Agreements with the NEOs*" in the CD&A in this Proxy Statement, we have existing employment-related agreements with our NEOs.

Equity Grants

We have granted stock options, restricted stock and RSUs to purchase shares of our common stock to our executive officers and directors. See "Compensation Discussion and Analysis," "Executive Compensation" and "Director Compensation" in this Proxy Statement.

PROPOSAL 1: ELECTION OF DIRECTORS

The business and affairs of Verifone are managed under the direction of our Board of Directors (our "Board"). Our Board has responsibility for establishing broad corporate policies and for the overall performance of Verifone, rather than for day-to-day business operations. Our Board currently consists of nine members, with Mr. Alex W. (Pete) Hart serving as our non-executive chairman since June 17, 2014. Each director serves for a one-year term until the following annual meeting of stockholders, until his or her successor has been elected and qualified or until his or her earlier resignation or removal.

The Board has nominated the following individuals to be elected to serve for a one year term until the next annual meeting of stockholders: Robert W. Alspaugh, Karen Austin, Paul Galant, Alex W. (Pete) Hart, Robert B. Henske, Wenda Harris Millard, Eitan Raff, Jonathan I. Schwartz and Jane J. Thompson. All nominees have consented to stand for election at the 2015 Annual Meeting and to serve, if elected, as directors. Each director elected will hold office until his or her successor has been elected and qualified or until the director's earlier resignation or removal. The proxy holders named on the proxy card intend to vote for the election of these nine nominees.

The Board has selected these nominees on the recommendation of the Corporate Governance and Nominating Committee. As discussed under "Director Independence and Corporate Governance—Corporate Governance and Nominating Committee" above, our Corporate Governance and Nominating Committee considers a number of important factors in director candidates, including large-company CEO experience, senior management experience in the payments industry, and executive level experience relevant to our key strategic initiatives. We value work ethic, leadership, problem-solving skills and diversity in selecting nominees to serve on our Board. If at the time of the meeting one or more of the nominees have become unable to serve, shares represented by proxies will be voted for the remaining nominees and for any substitute nominee or nominees designated by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee knows of no reason why any of the nominees will be unable to serve.

Vote Required

Each nominee receiving the vote of the majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) will be elected. Our Corporate Governance and Nominating Committee and Board will review any resignation tendered as a result of a nominee not receiving a vote of the majority of the votes cast for election. See "Our Board of Directors—Majority Voting Provision" above.

Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" the election of each of Robert W. Alspaugh, Karen Austin, Paul Galant, Alex W. (Pete) Hart, Robert B. Henske, Wenda Harris Millard, Eitan Raff, Jonathan I. Schwartz and Jane J. Thompson to the Board of Directors.

PROPOSAL 2: AMENDMENT AND RESTATEMENT OF THE 2006 EQUITY INCENTIVE PLAN

We are asking our stockholders to approve an amendment and restatement of the Verifone 2006 Equity Incentive Plan (the "2006 Plan") to (a) increase the number of shares of common stock that we may issue under the 2006 Plan by 8,750,000 shares and (b) extend the term of the 2006 Plan by an additional ten years, to March 25, 2025.

The 2006 Plan is an important part of Verifone's employee compensation program. Under the terms of the 2006 Plan, all of our employees worldwide, consisting of approximately 5,200 employees as of January 15, 2015, including our executive officers, non-employee directors, and certain consultants are eligible to receive grants of equity incentive awards. Our Board believes the equity incentive awards offered under the 2006 Plan enable us to align our employees' interests with that of our stockholders through share ownership, incentivize superior performance, and retain and attract high caliber employees in a competitive environment, all of which is critical to our overall business strategy and long-term success. We expect that the amended and restated plan, if approved, would enable us to continue to make the equity incentive awards anticipated to be needed related to retaining, attracting, hiring and incentivizing high caliber employees (across all key functions), as well as providing some reasonable flexibility for acquisitions, over the next two years.

The 2006 Plan is the only equity incentive plan under which we may provide equity-based incentive awards. Our Board is asking our stockholders to approve an increase to the number of shares that are available for issuance under the 2006 Plan by 8,750,000 so that the number of shares that are available for issuance under the 2006 Plan following the amendment and restatement would be increased from 2,778,190 shares as of January 15, 2015, to 11,528,190 shares.

The 2006 Plan is currently scheduled to expire on December 19, 2015. If the amendment and restatement of the 2006 Plan is approved by our stockholders, the expiration date of the 2006 Plan will be extended to March 25, 2025, which is the date immediately preceding the tenth anniversary of the 2015 Annual Meeting.

Our Board approved the request to increase the number of shares under the 2006 Plan and the request to extend the term of the 2006 Plan because it believes the continued availability of the 2006 Plan beyond the current scheduled expiration on December 19, 2015 is essential to our overall business strategy for the long-term success of Verifone. Our Board considered a number of relevant factors, including the current shares available for issuance under the 2006 Plan, our business strategy, including our transformation initiatives, and the key elements for execution on such strategy, the competitiveness of relevant labor markets for critical personnel, our employee base, our stock price and employee turnover.

While the Board believes the 2006 Plan and the requested share increase are necessary for us to retain and attract the talent we believe is critical for us to execute on our business strategy, including our transformation initiatives, it is also cognizant of the importance to balance that need with our stockholders' concern of the potential dilutive effect of equity incentive awards. The Board expects that awards under the 2006 Plan will primarily be for the following purposes: (i) to incentivize, recognize or reward contributions, achievement or performance that it deems important to our long-term success and growth, which includes incentivizing performance that we believe promotes the interests of our stockholders; (ii) to retain and incentivize key employees taking into consideration the need to remain competitive in the labor markets where we operate and (iii) to hire new talent important to our business strategy, including our transformation initiatives, and long-term performance.

Shares granted as stock options or stock appreciation rights are counted as one share issued under the 2006 Plan for each share so granted and shares granted as awards other than stock options or stock appreciation rights are counted as two shares issued under the 2006 Plan for each share so granted. The exercise price of the shares subject to stock options cannot be less than the fair market value of our common stock at the grant date and may not be repriced without stockholder approval.

As of January 15, 2015, we had the following outstanding equity awards, consisting of outstanding stock options and shares of RSUs under all of our equity plans:

Stock options outstanding(1)	4,256,873
RSUs outstanding(2)	3,841,068
Total equity awards outstanding(2)	8,097,941

- (1) As of January 15, 2015, the weighted exercise price of the outstanding options was \$26.91, and the weighted average remaining contractual term of the outstanding stock options was 3.83 years.
- (2) The RSUs outstanding and total equity awards outstanding reflect outstanding performance-based awards based on the maximum number of shares that may be delivered pursuant to the award.

As of January 15, 2015, assuming that all performance-based RSU awards would ultimately be paid out at the maximum achievement levels, there were 2,778,190 shares available for issuance under the 2006 Plan. The closing price of our common stock as traded on the NYSE was \$34.17 on January 15, 2015.

A summary of the 2006 Plan is set forth below. This summary does not purport to be a complete description of all of the provisions of the 2006 Plan and is qualified in its entirety by reference to the full text of the 2006 Plan itself, which is attached as Appendix B to this Proxy Statement.

General and Administration

The 2006 Plan is administered by a committee (the "Committee"), which consists of at least two members of our Board, and which is currently our Compensation Committee. Our Board, in its discretion, may also administer the 2006 Plan and, in such a case, would have all of the rights, powers and authority of the Committee.

Among other things, the Committee selects the persons to whom awards will be made under the 2006 Plan, the time when awards will be granted, the terms of the awards and the number of shares of Verifone common stock subject to the awards. Specific future awards under the 2006 Plan are not determinable at this time. Actions of the Committee shall be taken by the vote of a majority of its members.

The Committee has the authority to construe, interpret and implement the 2006 Plan, and prescribe, amend and rescind rules and regulations relating to the 2006 Plan, including rules governing its own operations. The determination of the Committee on all matters relating to the 2006 Plan or any award is final, binding and conclusive. The Committee will have no liability to any person (including, without limitation, any Plan Participant) for any action taken, or omitted to be taken, in good faith with respect to the 2006 Plan or any award under the 2006 Plan.

Share Reserve

Currently, a total of 31,772,075 shares of common stock are authorized to be issued under the 2006 Plan and 2,778,190 shares remain available for issuance under the 2006 Plan as of January 15, 2015. If the amendment to increase the number of shares of common stock that we may issue under the 2006 Plan as described in this Proposal 2 is approved by our stockholders, the total number of shares of common stock that we may issue under the 2006 Plan will be 40,522,075. Any shares granted as stock options or stock appreciation rights are counted as one share issued under the 2006 Plan for each share so granted and any shares granted as awards other than stock options or stock appreciation rights are counted as two shares issued under the 2006 Plan for each share so granted. The 2006 Plan is the only equity incentive plan under which we may provide equity-based incentive awards.

Eligibility

Awards may be made to any director, officer, employee or consultant of Verifone and its subsidiaries and affiliates, including any prospective employees or consultants, as selected by the Committee in its sole discretion.

Because the granting of awards under the 2006 Plan is entirely within the discretion of the Committee, it is not possible to designate the employees or consultants to whom future awards will be granted under the 2006 Plan or the number of shares of Verifone common stock that will be subject to future awards that are granted under the 2006 Plan.

Stock Issuable Under the 2006 Plan

Subject to adjustment as provided below, the maximum number of shares with respect to which options or stock appreciation rights may be granted during a calendar year to any award holder may not exceed 3,000,000. Under the 2006 Plan, shares of Verifone common stock subject to any award that expires, terminates or otherwise lapses and shares of Verifone common stock surrendered or withheld from an award (other than stock options or stock appreciation rights) to satisfy a grantee's income tax withholding obligations will again become available for issuance under the 2006 Plan. Shares issued under the 2006 Plan may be authorized but unissued Verifone common stock or authorized and issued Verifone common stock held in Verifone's treasury or acquired by Verifone for purposes of the 2006 Plan. The following shares of Verifone common stock may not again be made available for issuance under the 2006 Plan: (i) shares of common stock not issued or delivered as a result of the net settlement of an outstanding stock appreciation right or stock option, (ii) shares of common stock used to pay the exercise price related to an outstanding award, (iii) shares of common stock repurchased on the open market with the proceeds of the option exercise price or (iv) shares of Verifone common stock surrendered or withheld from stock options or stock appreciation rights to satisfy a grantee's income tax withholding obligations.

The number of shares of Verifone common stock covered by each outstanding award, the number of shares available for awards and the price per share of Verifone common stock covered by each outstanding award may be proportionately adjusted, as determined in the sole discretion of the Committee, for any increase or decrease in the number of issued shares of Verifone common stock resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of Verifone common stock, or any other increase or decrease in the number of issued shares of Verifone common stock effected without receipt of consideration by Verifone or to reflect any distributions to holders of common stock other than regular cash dividends paid pursuant to an announced dividend policy. After any such adjustment, the number of shares subject to each outstanding award shall be rounded to the nearest whole number.

Unless otherwise provided in an award agreement or determined by the Committee, a successor to Verifone as a result of a business combination may assume, or replace with equivalent awards, all outstanding awards.

Types of Awards

The 2006 Plan provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and share units, dividend equivalent rights and other stock awards.

Stock Options. A stock option is the right to acquire shares of Verifone common stock at a fixed exercise price for a fixed period of time. Under the 2006 Plan, the Committee may grant nonqualified stock options and/or incentive stock options (which entitle employees or consultants, but not Verifone, to more favorable tax treatment). The number of shares of Verifone common stock covered by each option is determined by the Committee.

The exercise price of the shares of Verifone common stock subject to each option is set by the Committee but cannot be less than 100% of the fair market value (on the grant date) of the shares of common stock covered by the option. Notwithstanding the foregoing, the exercise price of an incentive stock option must be at least

110% of the fair market value (on the grant date) of the shares of Verifone common stock covered by the option if (on the grant date) the Plan Participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of Verifone. The aggregate fair market value of shares of Verifone common stock (determined on the grant date) covered by incentive stock options which first become exercisable by any Plan Participant during any calendar year also may not exceed \$100,000. No stock option may be exercisable more than seven years after the date of grant.

The Committee establishes the vesting schedule of each option at the time of grant. Stock options will become exercisable during such times and subject to such terms and conditions as determined by the Committee, in its sole discretion. If a Plan Participant has been discharged for cause, then all stock options not previously exercised will terminate. However, if the termination of employment is by reason other than a discharge for cause, the Plan Participant may exercise any vested stock options for 90 days (365 days in the case of death or disability and 180 days in the case of retirement) after the termination of employment.

Stock Appreciation Rights. The Committee may grant stock appreciation rights which entitle the award holder to receive an appreciation distribution in cash or shares of Verifone common stock equal to the excess, if any, of the fair market value of the shares of Verifone common stock on the date of exercise of the stock appreciation right over the exercise price per stock appreciation right (or accompanying award). Stock appreciation rights will become exercisable during such times and subject to such terms and conditions as determined by the Committee, in its sole discretion. The exercise price of a stock appreciation right may not be less than 100% of the fair market value (on the date of grant) of a share of Verifone common stock. No stock appreciation right (whether or not granted in connection with a stock option) may be exercisable more than seven years after the date of grant.

Restricted Shares. The Committee may grant restricted shares of Verifone common stock in amounts, and subject to such terms and conditions, as the Committee may determine, in its sole discretion. The grantee will have the rights of a stockholder with respect to the restricted stock, subject to any restrictions and conditions as the Committee may include in the award agreement. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the 2006 Plan and the applicable award agreement.

Restricted Stock Units. The Committee may grant RSUs in amounts, and subject to such terms and conditions, as the Committee may determine. The Committee has the discretion to determine to whom RSU awards are to be made, the times at which such awards are to be made, the size of such awards and all other conditions of such awards, including the restrictions of such awards. Recipients of RSUs have only the rights of a general unsecured creditor of Verifone and do not have rights as a stockholder of Verifone until the Verifone common stock underlying the restricted stock units is delivered.

Dividend Equivalent Rights. The Committee may, in its discretion, include in the award agreement (other than with respect to stock options or stock appreciation rights) a dividend equivalent right entitling the grantee to receive amounts equal to the dividends that would be paid, during the time such award is outstanding, on the shares of Verifone common stock covered by such award as if such shares were then outstanding. The grantee of a dividend equivalent right will have only the rights of a general unsecured creditor of Verifone until payment of such amount is made, as specified in the applicable award agreement.

Performance Shares and Share Units. Performance shares and share units are awards that will result in a payment to a Plan Participant only if performance goals and/or other vesting criteria (including, for example, continued employment) established by the Committee are achieved or the awards otherwise vest according to their terms. The applicable performance goals will be determined by the Committee, in its sole discretion, and may be applied on a company-wide, business unit or individual basis, as deemed appropriate in light of the Plan Participant's specific responsibilities. The Committee shall determine in its sole discretion whether performance shares granted in the form of share units shall be paid in cash, Verifone common stock, or in a combination of cash and Verifone common stock.

Other Stock-Based Awards. The Committee may grant other types of stock-based awards, in amounts and subject to the terms and conditions of the 2006 Plan, as the Committee may determine. These awards may involve the transfer of actual shares of Verifone common stock, or the payment in cash or otherwise of amounts based on the value of shares of Verifone common stock, and may include awards designed to comply with, or take advantage of certain benefits of, the local laws of U.S. and non-U.S. jurisdictions.

Prohibition on Repricing

Except in connection with a corporate transaction involving Verifone (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding stock options or stock appreciation rights or cancel outstanding stock options or stock appreciation rights in exchange for cash or other awards, in each case with an exercise price that is less than the exercise price of the original stock options or stock appreciation rights without stockholder approval.

Nonassignability

Except to the extent otherwise provided in the award agreement or approved by the Committee, no award or right granted to any person under the 2006 Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of or hedged, in any manner, other than by will or by the laws of descent and distribution. During the life of the grantee, awards may be exercised only by the grantee or the grantee's legal representative.

Duration and Amendment

Our Board may from time to time suspend, discontinue, revise or amend the 2006 Plan in any respect, except that no such amendment shall materially impair any rights or materially increase any obligations of the grantee under any award theretofore made under the 2006 Plan without the consent of the grantee.

If the amendment and restatement of the 2006 Plan described in this Proposal 2 is approved by our stockholders, unless terminated earlier by our Board, the 2006 Plan shall terminate the day before the tenth anniversary of the 2015 Annual Meeting, which is March 25, 2025. All awards made under the 2006 Plan prior to its termination shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the 2006 Plan and the applicable award agreements.

Federal Income Tax Considerations

The following is a summary of the United States Federal income tax consequences of participating in the 2006 Plan. This discussion does not address all aspects of the United States Federal income tax consequences of participating in the 2006 Plan that may be relevant to a participant and does not discuss any state or local tax consequences of participating in the 2006 Plan.

Nonstatutory Stock Options. A participant will not be subject to tax upon the grant of an option which is not intended to be (or does not qualify as) an incentive stock option (a "nonstatutory stock option"). Upon exercise of a nonstatutory stock option, an amount equal to the excess of the fair market value of the shares acquired on the date of exercise over the exercise price paid is taxable to the participant as ordinary income, and such amount is generally deductible by Verifone or one of its subsidiaries. This amount of income will be subject to income tax withholding and employment taxes.

Stock Appreciation Rights. A participant will not be subject to tax upon the grant of a stock appreciation right. Upon exercise of a stock appreciation right, an amount equal to the cash and/or the fair market value

(measured on the date of exercise) of the shares received will be taxable to the participant as ordinary income, and such amount generally will be deductible by Verifone or one of its subsidiaries. This amount of income will be subject to income tax withholding and employment taxes.

Restricted Shares/Performance Shares. A participant will not be subject to tax upon receipt of an award of shares that is subject to performance-based or time-based vesting conditions (the "restrictions") under the 2006 Plan, unless the participant makes the election referred to below. Upon lapse of the restrictions, the participant will recognize ordinary income equal to the fair market value of the shares on the date of lapse, and such income will be subject to income tax withholding and employment taxes.

If permitted by the applicable award agreement and the 2006 Plan, a participant may elect, within thirty days after the date of the grant of the restricted shares, to recognize immediately (as ordinary income) the fair market value of the shares awarded, determined on the date of grant (without regard to the restrictions). Such income will be subject to income tax withholding and employment taxes at such time. This election is made pursuant to Section 83(b) of the IRC and the regulations thereunder. If a participant makes this election, the holding period will begin the day after the date of grant, dividends paid on the shares will be subject to the normal rules regarding distributions on stock, and no additional income will be recognized by the participant upon the lapse of the restrictions. However, if the participant forfeits the restricted shares before the restrictions lapse, no deduction or capital loss will be available to the participant (even though the participant previously recognized income with respect to such forfeited shares).

In the taxable year in which the participant recognizes ordinary income on account of shares awarded to a participant, Verifone or one of its subsidiaries generally will be entitled to a deduction equal to the amount of income recognized by the participant.

Restricted Stock Units/Performance Share Units. A participant will not be subject to tax upon the grant of a restricted stock unit that is subject to performance-based or time-based vesting conditions. Upon vesting of the restricted stock unit, the fair market value of the shares covered by the award on the vesting date will be subject to employment taxes. Upon distribution of the shares underlying the restricted stock units, the participant will recognize as ordinary income an amount equal to the fair market value (measured on the distribution date) of the shares received, and such amount will generally be deductible by Verifone or one of its subsidiaries. This amount of income will generally be subject to income tax withholding on the date of distribution.

Participation in the 2006 Plan

The grant of awards under the 2006 Plan to executive officers, including our NEOs, is subject to the discretion of our Board. The number of awards granted during fiscal year 2014 under the 2006 Plan was as follows:

Name of Current Executive Officers	Number of Stock Option Awards	Number of Restricted Stock Unit Awards
Paul Galant	_	_
Marc E. Rothman	_	_
Alok Bhanot	264,700	95,800
June Yee Felix	_	28,800
Sunil Kappagoda	_	52,900
Current Executive Group	264,700	177,500
Current Non-Executive Director Group	45,500	16,500
Non-Executive Officer Employee Group	69,800	1,220,700

Vote Required

Approval of Proposal 2 requires the affirmative vote of a majority of the shares present or represented by proxy and voting at the Annual Meeting.

Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" approval of the amendment and restatement of the 2006 Plan.

PROPOSAL 3: ADVISORY VOTE ON COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Executive compensation is an important matter for us and our stockholders. We place significant value on stockholder feedback. In this Proposal 3, we provide our stockholders with the opportunity to cast a non-binding, advisory vote on the compensation of the NEOs as disclosed in the CD&A of this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" proposal, is not intended to address any specific item of compensation, but rather the overall compensation of the NEOs and the philosophy, policies, and practices described in this Proxy Statement. The annual Say-on-Pay vote is advisory, and therefore not binding. However, our Board and our Compensation Committee strongly value the opinions of our stockholders and have made substantial modifications to our executive compensation program specifically to address concerns raised by stockholders in the past, continue to keep open communications with our stockholders and monitor practice guidelines provided by stockholder advisory firms, and will take into account the outcome of this vote in considering future compensation arrangements.

Our executive compensation program is based on a pay-for-performance philosophy. We design our executive compensation program to compensate the NEOs for performance that furthers our business strategy and initiatives, competitive performance, sound corporate governance principles and stockholder value and return. As described in the CD&A of this Proxy Statement, in response to our stockholders' vote on our 2012 Say-on-Pay proposal, we have made a number of significant long-term changes to our executive compensation program, adopting broad modifications in practice and policies to address the concerns raised by our stockholders. In evaluating the best way for the Company to address stockholder concerns about our executive compensation program and to ensure stockholder value, our Compensation Committee carefully considered each concern expressed by stockholders from our conversations and exchanges with representative stockholders, the recommendations by shareholder advisory firms and the Committee's independent compensation consultant, the Company's long-term growth strategy and the potential impact of the modifications, including our ability to attract, motivate and retain executive talent.

We seek to align NEO incentive compensation targets to achievement of short-term and long-term performance objectives that are directly aligned with the interests of our stockholders. During fiscal year 2014, our executives focused substantial time and energy on our transformation initiatives to invest in our long-term profitability and operational excellence. As described in our CD&A, our NEOs exceeded all of our financial performance targets and generally delivered strong performance against targets in fiscal year 2014. We believe that the performance of our executives is a critical part of our successful execution of these transformation initiatives and, for fiscal year 2014, the individual performance objectives of our NEOs, including our CEO, were specifically aligned to achievement against these transformation initiatives in order to drive improvement in financial performance and operational excellence. We believe that our overall executive compensation program and policies effectively incentivize our executives to meet or exceed our performance targets.

We seek your vote in support of our executive compensation program, particularly in light of the significant long-term modifications that we have adopted to strengthen our pay-for-performance alignment, as described in our CD&A in this Proxy Statement and highlighted below:

- No equity-based or other awards to continuing NEOs for fiscal year 2014. No awards, equity-based or otherwise, or adjustment to compensation were made to continuing NEOs for fiscal year 2014.
- Substantial portion of short-term incentive awards linked to company financial targets.

 Substantial portion of short-term incentive awards linked to achievement of company financial targets, with minimum achievement at 80% of target for any payout and one annual payout opportunity.
- Fifty percent of equity incentive awards set as performance-based awards. At least half of the value of long-term incentive awards set as performance-based with the remainder being time-based over a vesting period of at least four years. This is consistent with our practice in recent years and was adopted by our Board and Compensation Committee as a formal policy for future awards.

- Performance-based equity awards measured using TSR with 3-year performance period.
 Performance-based equity award target to be based on our TSR, relative to a recognized index and measured over a three-year performance period with payout scaled based on actual percentile achievement on a stack-ranked basis. This provides opportunity for above-median achievement for performance above target, downward adjusted payout for below median achievement and a required minimum level of achievement for any payout to be made.
- Executive stock ownership levels increased to adopt current best practice guidelines. Adopted a revised executive stock ownership policy to increase ownership requirements, including equity ownership of 5x base salary for our CEO and 4x base salary for our CFO.
- Company compensation recovery, or clawback, policy adopted. Effective March 2014, all executive officers are subject to clawback of incentive-based compensation in the form of cash awards in the event of a financial restatement and clawback of all forms of incentive-based compensation (cash and equity) in the event of a finding of fraud or gross misconduct.
- Additional procedures related to peer group company data adopted. Adopted a formula-based
 approach, based on objective, quantitative criteria, in selecting peer group companies for executive
 compensation purposes, which we believe ensures that the peer group used for compensation decisions
 is better aligned with our financial performance and market capitalization.

We believe that the changes and policies described above effectively supplement ongoing executive compensation-related practices that we follow to ensure promotion of stockholder interests and strong corporate governance. These practices include our policy that prohibits any hedging of, or hedging against losses of, Verifone securities; provisions in our 2006 Plan that prohibit any repricing of stock options without stockholder approval; and the requirement of a double-trigger in our change of control severance provisions for the NEOs. In addition, we do not provide material perquisites or any excise tax gross-ups to the NEOs. Our Compensation Committee retains an independent compensation consultant that advises on the Committee on a regular basis, and our stockholders have direct lines of communications to our Board and Compensation Committee. We also value stockholder input on our executive compensation program, and seek an annual vote from our stockholders.

Our executive compensation program and the significant modifications made are described more fully in our CD&A of this Proxy Statement, and we invite you to read those important changes in connection with your vote on this Proposal 3.

Pursuant to Section 14A of the Exchange Act, we are asking our stockholders to indicate their support for the compensation of the NEOs as described in the CD&A included in this Proxy Statement.

Accordingly, we ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the NEOs, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure included in such Proxy Statement."

Vote Required

Approval of Proposal 3 requires the affirmative vote of a majority of the shares present or represented by proxy and voting at the Annual Meeting.

Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" the advisory vote on compensation of the NEOs.

PROPOSAL 4: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has selected and appointed Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of Verifone and its subsidiaries for the fiscal year ending October 31, 2015. Ernst & Young LLP audited the financial statements for us for the fiscal year ended October 31, 2014. A member of that firm will be present at the annual meeting, will have an opportunity to make a statement, if so desired, and will be available to respond to appropriate questions.

Although stockholder ratification of the appointment of our independent registered public accounting firm is not required by our bylaws or otherwise, we are submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate governance practice. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of Verifone and its stockholders. If our stockholders do not ratify the Audit Committee's selection, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its selection of our independent registered public accounting firm.

Fees for Services Provided by Independent Registered Public Accounting Firm

Audit Fees.

The following table sets forth fees incurred by us and our subsidiaries for services provided by Ernst & Young LLP, our independent registered public accounting firm, for the fiscal years ended October 31, 2014 and 2013 (in thousands):

	2014	2013
Audit fees	\$5,446	\$5,587
Audit-related fees	_	_
Tax fees	282	250
All other fees	7	2
Total fees	\$5,735	\$5,839

Audit-Related Fees. This category consists of assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees under this category primarily include employee benefit plan audits, due diligence related to acquisitions and consultations concerning financial accounting and reporting standards that are not part of the performance of the audit or review of our financial statements.

Tax Fees. This category consists of professional services rendered by Ernst & Young LLP, primarily in connection with our tax compliance activities, including the preparation of tax returns in certain overseas jurisdictions, consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

All Other Fees. This category consists of fees for products and services other than the services reported above.

For fiscal years 2014 and 2013 all fees incurred by us and our subsidiaries for services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

Audit Committee Pre-Approval Policies and Procedures

As required by Section 10A(i)(1) of the Exchange Act, our Audit Committee has adopted a pre-approval policy requiring that the Audit Committee pre-approve all audit and permissible non-audit services to be performed by Ernst & Young LLP. Any proposed service that has received pre-approval but which will exceed

pre-approved cost limits will require additional pre-approval by the Audit Committee. In addition, pursuant to Section 10A(i)(3) of the Exchange Act, the Audit Committee has established procedures by which the Audit Committee may from time to time delegate pre-approval authority to the Chairman of the Audit Committee. If the Chairman exercises this authority, he must report any pre-approval decisions to the full Audit Committee at its next meeting.

Vote Required

Approval of Proposal 4 requires the affirmative vote of a majority of the shares present or represented by proxy and voting at the Annual Meeting.

Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of Verifone and its subsidiaries for the fiscal year ending October 31, 2015. Unless a contrary choice is specified, proxies solicited by the Board of Directors will be voted "FOR" ratification of the appointment.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Verifone's executive officers, directors and persons who own more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. The officers, directors and 10% stockholders are required by SEC regulations to furnish Verifone with copies of all Section 16(a) forms they file. SEC regulations require us to identify in our Annual Report on Form 10-K anyone who failed to file, on a timely basis, reports that were due during the most recent fiscal year or, in certain cases, prior years. Based on our review of reports we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that, during our fiscal year ended October 31, 2014, all Section 16(a) filing requirements were satisfied on a timely basis.

Compensation Committee Interlocks and Insider Participation

For fiscal year 2014, the Compensation Committee consisted of Robert B. Henske (Chairman), Jeffrey Stiefler and Wenda Harris Millard through March 26, 2014. Jane J. Thompson and Jonathan I. Schwartz were appointed to the Compensation Committee on March 26, 2014 and June 17, 2014, respectively. Mr. Stiefler did not stand for re-election at the 2014 Annual Meeting and, accordingly, ceased to be a member of the Compensation Committee effective June 17, 2014. Therefore, following our June 17, 2014 Annual Meeting, our Compensation Committee consists of Robert B. Henske (Chairman), Wenda Harris Millard, Jane J. Thompson and Jonathan I. Schwartz. None of the members of the Compensation Committee is or was one of our officers or employees during the last fiscal year or was formerly one of our officers, and none of our executive officers serves as a member of a board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or Compensation Committee.

Incorporation by Reference

To the extent that this Proxy Statement is incorporated by reference into any other filing by Verifone under the Securities Act of 1933 or the Exchange Act, the sections of this Proxy Statement entitled "Compensation Committee Report," "Report of the Corporate Governance and Nominating Committee" and "Report of the Audit Committee" (to the extent permitted by the rules of the SEC) will not be deemed incorporated and are not considered "soliciting" material.

Householding

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement or Notice of Internet Availability of Proxy Materials addressed to those stockholders. This practice, known as "householding," is designed to reduce the volume of duplicate information and reduce printing and postage costs.

If you and others who share your mailing address own our common stock in street name, meaning through bank or brokerage accounts, you may have received a notice that your household will receive only one annual report and proxy statement or Notice of Internet Availability of Proxy Materials from each company whose stock is held in such accounts. Unless you responded that you did not want to participate in householding, you were deemed to have consented to it and a single copy of our proxy statement and annual report or Notice of Internet Availability of Proxy Materials has been sent to your address.

We will promptly deliver separate copies of our proxy statement and annual report or Notice of Internet Availability of Proxy Materials at the request of any stockholder who is in a household that participates in the householding of our proxy materials. You may send your request by mail to our Investor Relations department at VeriFone Systems, Inc., 2099 Gateway Place, Suite 600, San Jose, CA 95110 or by telephone at (408) 232-7800. If you currently receive multiple copies of Verifone's proxy materials and would like to participate in householding, please contact our Investor Relations department at the address or phone number described above.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on March 26, 2015

You may obtain, free of charge, a copy of our Annual Report, this Proxy Statement, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, our director and officer stock ownership guidelines, and the charters for our Audit, Compensation and Corporate Governance and Nominating Committees, by writing to: VeriFone Systems, Inc., 2099 Gateway Place, Suite 600, San Jose, California 95110, Attn: Investor Relations. Our Annual Report, this Proxy Statement, and the other documents mentioned in this paragraph are available on our website at http://ir.verifone.com. For directions to the Annual Meeting, please contact our Investor Relations department at (408) 232-7800.

Other Matters

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

Paul Galant

Chief Executive Officer

San Jose, California Dated: February 11, 2015



RECONCILIATION OF NON-GAAP FINANCIAL PERFORMANCE MEASURES TO GAAP FINANCIAL PERFORMANCE MEASURES

Fiscal Quarters in Fiscal Years 2013 and 2014

A reconciliation of non-GAAP net revenues to GAAP net revenues for each of the quarters in fiscal years 2013 and 2014 (in millions):

	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Non-GAAP net revenues	\$429.6	\$429.8	\$417.5	\$432.3	\$437.2	\$466.8	\$476.4	\$490.7
Amortization of step-down in deferred revenues at acquisition	(1.4)	(1.0)	(1.5)	(1.1)	(1.1)	(0.4)	(0.5)	(0.2)
Other merger, acquisition and divestiture related revenue, net	0.5	_	_	_	_	_	_	_
Other charges and income		(2.5)						
GAAP net revenues	\$428.7	\$426.3	\$416.0	\$431.2	\$436.1	\$466.4	\$475.9	\$490.5

A reconciliation of non-GAAP income (loss) to GAAP income (loss), as well as non-GAAP EPS to GAAP EPS, for each of the quarters in fiscal years 2013 and 2014 (in millions, except per share numbers):

	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Non-GAAP net income(1)	\$ 56.3	\$ 46.8	\$ 26.4	\$ 30.3	\$ 34.8	\$ 41.6	\$ 45.3	\$ 50.1
revenues at acquisition Amortization of purchased intangible	(1.4)	(1.0)	(1.5)	(1.1)	(1.1)	(0.4)	(0.5)	(0.2)
assets	(35.8)	(34.2)	(35.0)	(35.9)	(36.1)	(35.7)	(34.6)	(33.8)
Other merger, acquisition and divestiture related revenue and								
expenses, net	(1.1)	(7.1)	(1.7)	(4.2)	(5.7)	(2.5)	(1.9)	3.5
Restructure charges	(0.3)	_	_	_	_	(5.7)	(10.9)	(1.5)
Stock based compensation	(12.4)	(10.1)	(9.6)	(16.9)	(15.7)	(11.9)	(13.2)	(13.0)
Costs of debt refinancing	_	_	_	_	_	_	(9.3)	(1.9)
Other charges and income	(0.2)	(81.9)	2.3	(4.9)	(5.2)	(17.0)	(5.9)	17.8
Income tax effect of non-GAAP exclusions and adjustment to cash								
basis tax rate	6.7	29.1	17.2	(215.0)	12.8	7.7	2.0	10.1
GAAP net income(loss)(1)	\$ 11.8	\$(58.4)	\$ (1.9)	\$(247.7)	\$(16.2)	\$(23.9)	\$(29.0)	\$ 31.1
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Non-GAAP EPS(2)					\$ 0.31 \$(0.15)	\$ 0.37 \$(0.22)	\$ 0.40 \$(0.26)	\$0.44 \$0.27

⁽¹⁾ Referred to as "Non-GAAP net income (loss) attributable to VeriFone Systems, Inc. stockholders" and "GAAP net income (loss) attributable to VeriFone Systems, Inc. stockholders," respectively, in reports of our financial results on Form 8-K.

⁽²⁾ For the second quarter of fiscal year 2013 through the third quarter of fiscal year 2014, we had net income on a non-GAAP basis and a net loss on a GAAP basis. Therefore, the weighted average number of shares used in computing non-GAAP EPS for each of those quarters includes shares that are anti-dilutive and excluded from the computation of GAAP EPS.

Fiscal Year 2014

A reconciliation of non-GAAP net revenues to GAAP net revenues for fiscal year 2014 (in millions):

	Fiscal Year 2014
Non-GAAP net revenues	
Amortization of step-down in deferred services net revenues at acquisition	(2.1)
GAAP net revenues	\$1,868.9

A reconciliation of non-GAAP income (loss) to GAAP income (loss), as well as non-GAAP EPS to GAAP EPS, for fiscal year 2014 (in millions, except per share numbers):

	Fiscal Year 2014
Non-GAAP income(1)	\$ 171.8
Amortization of step-down in deferred services net revenues at acquisition	(2.1)
Amortization of purchased intangible assets	(140.3)
Other merger, acquisition and divestiture related expenses	(6.6)
Stock based compensation	(53.9)
Restructure charges	(18.1)
Cost of debt financing	(11.2)
Other charges and income	(10.3)
Income tax effect of non-GAAP exclusions and adjustment to cash basis tax rate	32.6
GAAP net income(loss)(1)	\$ (38.1)
	Fiscal Year 2014(2)
Non-GAAP EPS	\$ 1.51
GAAP EPS	\$(0.34)

- (1) Referred to as "Non-GAAP net income (loss) attributable to VeriFone Systems, Inc. stockholders" and "GAAP net income (loss) attributable to VeriFone Systems, Inc. stockholders," respectively, in reports of our financial results on Form 8-K.
- (2) For fiscal year 2014, we had net income on a non-GAAP basis and a net loss on a GAAP basis. Therefore, the weighted average number of shares used in computing non-GAAP EPS includes shares that are anti-dilutive and excluded from the computation of GAAP EPS.

A reconciliation of free cash flow to GAAP net cash provided by operating activities for fiscal year 2014 (in millions):

	Fiscal Year 2014
Free cash flow	\$114.1
GAAP capital expenditures	85.0
GAAP net cash provided by operating activities	\$199.1

VERIFONE SYSTEMS, INC. (FORMERLY, VERIFONE HOLDINGS, INC.) AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN

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ARTICLE I

GENERAL

1.1 Purpose

The purpose of the VeriFone Systems, Inc. (formerly, VeriFone Holdings, Inc.) 2006 Equity Incentive Plan (the "Plan") is to provide an incentive for officers, other employees, prospective employees and directors of, and consultants to, VeriFone Systems, Inc. (the "Company") and its subsidiaries and affiliates to acquire a proprietary interest in the success of the Company, to enhance the long-term performance of the Company and to remain in the service of the Company and its subsidiaries and affiliates.

1.2 Definitions of Certain Terms

- (a) "Award" means an award under the Plan as described in Section 1.5 and Article II.
- (b) "Award Agreement" means a written agreement entered into between the Company and a Grantee in connection with an Award, that shall contain such provisions, including without limitation vesting requirements, consistent with the provisions of the Plan, as may be approved by the Committee.
 - (c) "Board" means the Board of Directors of the Company.
- (d) "<u>Cause</u>" shall have the meaning specified in a holder's employment agreement or Award Agreement or if not specified therein shall mean the occurrence of one or more of the following events as determined by the Committee in its discretion:
- (i) Conviction of a felony or any crime or offense lesser than a felony involving dishonesty, disloyalty or fraud with respect to the Company or any Related Entity or any of their respective properties or assets; or
- (ii) Gross negligence or willful misconduct that has caused demonstrable and serious injury to the Company or a Related Entity, monetary or otherwise; or
- (iii) Willful refusal to perform or substantial disregard of duties properly assigned, as determined by the Company or a Related Entity, as the case may be; or
- (iv) Breach of duty of loyalty to the Company or a Related Entity or any act of fraud or dishonesty with respect to the Company or a Related Entity.
 - (e) "Code" means the Internal Revenue Code of 1986, as amended.
- (f) "Committee" means the Compensation Committee of the Board and shall consist of not less than two directors. However, if a member of the Compensation Committee is not an "outside director" within the meaning of Section 162(m) of the Code or is not a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, the Compensation Committee may from time to time delegate some or all of its functions under the Plan to a committee or subcommittee composed of members that meet the relevant requirements. The term "Committee" includes any such committee or subcommittee, to the extent of the Compensation Committee's delegation.
 - (g) "Common Stock" means the common stock of the Company.
- (h) "Competition" is deemed to occur if a person whose employment with the Company or a Related Entity has terminated obtains a position as a full-time or part-time employee of, as a member of the board of directors of, or as a consultant or advisor with or to, or acquires an ownership interest in excess of 5% of, a corporation, partnership, firm or other entity that engages in any of the businesses in which the Company or any Related Entity engages and with which the person was involved at any time during his or her employment with or other service for the Company or any Related Entity.

- (i) "<u>Disability</u>" means a disability that would entitle an eligible participant to payment of regular disability payments under any Company disability plan or as otherwise determined by the Committee.
 - (j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (k) The "Fair Market Value" of a share of Common Stock on any date shall be (i) the closing sale price per share of Common Stock during normal trading hours on the New York Stock Exchange or the last preceding date on which there was a sale of such Common Stock on such exchange or (ii) if the shares of Common Stock are then traded in an over-the-counter market, the average of the closing bid and asked prices for the shares of Common Stock during normal trading hours in such over-the-counter market for such date or the last preceding date on which there was a sale of such Common Stock in such market, or (iii) if the shares of Common Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee, in its discretion, shall determine.
 - (l) "Grantee" means a person who receives an Award.
- (m) "Incentive Stock Option" means a stock option that is intended to qualify for special federal income tax treatment pursuant to Sections 421 and 422 of the Code (or a successor provision thereof) and which is so designated in the applicable Award Agreement. Under no circumstances shall any stock option that is not specifically designated as an Incentive Stock Option be considered an Incentive Stock Option.
 - (n) "Non-Qualified Stock Option" means any stock option other than an Incentive Stock Option.
- (o) "<u>Key Persons</u>" means directors, officers and other employees of the Company or of a Related Entity, and consultants to the Company or a Related Entity.
- (p) "Option Exercise Price" means the amount payable by a Grantee on the exercise of a stock option as determined by the Committee and set forth in such Grantee's Award Agreement.
- (q) "<u>Related Entity</u>" means any parent or subsidiary corporation of the Company or any business, corporation, partnership, limited liability company or other entity in which the Company or a parent or a subsidiary corporation holds at least a 25% ownership interest, directly or indirectly and any other entity specifically designated as a Related Entity by the Committee.
- (r) "<u>Retirement</u>" means retirement as defined under any Company pension plan or retirement program or termination of one's employment on retirement with the approval of the Committee.
 - (s) "Rule 16b-3" means Rule 16b-3 under the Exchange Act.
 - (t) A "stock appreciation right" or "SAR" means any right granted under Section 2.3(b) of the Plan
 - (u) A "stock option" or "option" means an Incentive Stock Option or a Non-Qualified Stock Option.
- (v) Unless otherwise determined by the Committee, a Grantee shall be deemed to have a "Termination of Employment" upon ceasing employment with the Company and all Related Entities (or, in the case of a Grantee who is not an employee, upon ceasing association with the Company and all Related Entities as a director, consultant or otherwise). Subject to Section 3.19, the Committee in its discretion may determine (i) whether any leave of absence constitutes a Termination of Employment for purposes of the Plan, (ii) the impact, if any, of any such leave of absence on Awards theretofore made under the Plan, and (iii) when a change in a Grantee's association with the Company constitutes a Termination of Employment for purposes of the Plan. The Committee may also determine in its discretion whether a Grantee's Termination of Employment is for Cause and the date of termination in such case.

1.3 Administration

- (a) The Plan shall be administered by the Committee, which shall consist of not less than two directors; provided that the Board may, in its discretion, at any time and from time to time, resolve to administer the Plan, in which case the term "Committee" shall be deemed to mean the Board for all purposes herein.
- (b) The Committee or a subcommittee thereof (which hereinafter shall also be referred to as the Committee) shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Award Agreements, (iii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules governing its own operations, (iv) to make all determinations necessary or advisable in administering the Plan, (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan, (vi) to amend the Plan to reflect changes in applicable law, (vii) to determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, shares of Common Stock, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, canceled, forfeited or suspended, and (viii) to determine whether, to what extent and under what circumstances cash, shares of Common Stock, other securities, other Awards or other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee.
- (c) Actions of the Committee shall be taken by the vote of a majority of its members. Any action may be taken by a written instrument signed by a majority of the Committee members, and action so taken shall be fully as effective as if it had been taken by a vote at a meeting.
- (d) The determination of the Committee on all matters relating to the Plan or any Award Agreement shall be made by the Committee in its sole discretion and shall be final, binding and conclusive.
- (e) No member of the Board or the Committee or any employee of the Company or any of its subsidiaries or affiliates (each such person a "Covered Person") shall have any liability to any person (including, without limitation, any Participant) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan and against and from any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.
- (f) Notwithstanding anything to the contrary contained herein: (i) until the Board shall appoint the members of the Committee, the Plan shall be administered by the Board and (ii) the Board may, in its discretion, at any time and from time to time, grant Awards or resolve to administer the Plan. In either of the foregoing events, the Board shall have all of the authority and responsibility granted to the Committee herein.

1.4 Persons Eligible for Awards

Awards under the Plan may be made to such Key Persons as the Committee shall select in its discretion.

1.5 Types of Awards Under the Plan

Awards may be made under the Plan in the form of stock options, including Incentive Stock Options, Non-Qualified Stock Options, stock appreciation rights, restricted stock, restricted stock units, performance shares and share units and other stock-based Awards, as set forth in Article II.

1.6 Shares Available for Awards

- (a) Total shares available. The aggregate number of shares of the Company's Common Stock that shall be available for grant under this Plan shall be 40,522,075. Any shares granted as Stock Options or SARs shall be counted as one (1) share for every share granted. Any shares granted as Awards other than Stock Options or SARs shall be counted against this limit as 2.00 shares for every share granted. The aggregate number of shares available for grant under this Plan and the number of shares subject to outstanding Awards shall be subject to adjustment as provided by Section 1.6(b). The shares issued pursuant to Awards granted under this Plan may be shares that either were reacquired by the Company, including shares purchased in the open market, or authorized but unissued shares. Such shares may be authorized but unissued Common Stock or authorized and issued Common Stock held in the Company's treasury or acquired by the Company for the purposes of the Plan. The Committee may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares pursuant to the Plan. If any Award is forfeited or otherwise terminates or is canceled without the delivery of shares of Common Stock then the shares covered by such forfeited, terminated or cancelled award shall again become available for transfer pursuant to Awards granted or to be granted under the Plan. If any shares of Common Stock are surrendered or withheld from any Award (other than stock options or SARs) to satisfy a Grantee's income tax withholding obligations, then shares which are equal to the number of shares withheld shall again become available for transfer pursuant to Awards granted or to be granted under the Plan. If any shares of Common Stock owned by a Grantee are tendered to pay the exercise price of options granted under the Plan, then shares which are equal to the number of shares tendered shall no longer be available for transfer pursuant to Awards granted or to be granted under this Plan. The number of shares that are returned to the Plan due to the forfeiture, termination or cancelation of any Award shall be returned at the same ratio at which such Award counted against the total shares available for Award at the time of grant. Any shares of Common Stock delivered by the Company, any shares of Common Stock with respect to which Awards are made by the Company and any shares of Common Stock with respect to which the Company becomes obligated to make Awards, through the assumption of, or in substitution for, outstanding awards previously granted by an acquired entity, shall not be counted against the shares available for Awards under this Plan. Notwithstanding anything herein to the contrary, the following shares of Common Stock may not again be made available for issuance under the Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding stock appreciation right or stock option, (ii) shares of Common Stock used to pay the exercise price related to an outstanding Award or (iii) shares of Common Stock repurchased on the open market with the proceeds of the Option Exercise Price.
- (b) Adjustments. The number and type of shares of Common Stock covered by each outstanding Award, the number and type of shares available for Awards, and the price per share of Common Stock covered by each such outstanding Award (including the exercise price of a stock option or SAR) shall be proportionately adjusted, as determined by the Committee in its discretion, for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company or to reflect any distributions to holders of Common Stock, including cash dividends other than regular cash dividends paid pursuant to an announced dividend policy; provided, however, that conversion of any convertible securities of the Company

shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award. After any adjustment made pursuant to this paragraph, the number of shares subject to each outstanding Award shall be rounded to the nearest whole number.

ARTICLE II

AWARDS UNDER THE PLAN

2.1 Award Agreements

Each Award granted under the Plan shall be evidenced by an Award Agreement which shall contain such provisions as the Committee in its discretion deems necessary or desirable. The Committee may grant Awards in tandem with any other Award or Awards granted under this Plan or any award granted under any other plan of the Company. Payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form as the Committee shall determine, including cash, shares of Common Stock, other securities, other Awards or other property and may be made in a single payment or transfer, in installments or on a deferred basis. A Grantee shall have no rights with respect to an Award unless such Grantee accepts the Award within such period as the Committee shall specify by executing an Award Agreement in such form as the Committee shall determine and, if the Committee shall so require, makes payment to the Company in such amount as the Committee may determine.

2.2 No Rights as a Stockholder

No Grantee of an Award (or other person having rights pursuant to such Award) shall have any of the rights of a Stockholder of the Company with respect to shares subject to such Award until the issuance of a stock certificate to such person for such shares. Except as otherwise provided in Section 1.6(b), no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

2.3 Grant of Stock Options, Stock Appreciation Rights and Additional Options

- (a) The Committee may grant stock options, including Incentive Stock Options and Non-Qualified Stock Options to purchase shares of Common Stock from the Company, to such Key Persons, in such amounts and subject to such terms and conditions, as the Committee shall determine in its discretion; <u>provided</u>, <u>however</u>, that, subject to adjustment in accordance with Section 1.6(b), the maximum number of shares of Common Stock with respect to which options or stock appreciation rights may be granted during a calendar year to any Grantee may not exceed 3,000,000.
- (b) The Committee may grant stock appreciation rights to such Key Persons, in such amounts and subject to such terms and conditions, as the Committee shall determine in its discretion. Stock appreciation rights may be granted in connection with all or any part of, or independently of, any stock option granted under the Plan. A stock appreciation right may be granted at or after the time of grant of such option.
- (c) The Grantee of a stock appreciation right shall have the right, subject to the terms of the Plan and the applicable Award Agreement, to receive from the Company an amount equal to (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of the stock appreciation right over (ii) the exercise price of such right as set forth in the Award Agreement (or over the option exercise price if the stock appreciation right is granted in connection with a stock option), multiplied by (iii) the number of shares with respect to which the stock appreciation right is exercised. Payment to the Grantee upon exercise of a stock appreciation right shall

be made in cash or in shares of Common Stock (valued at their Fair Market Value on the date of exercise of the stock appreciation right) or both, as the Committee shall determine in its discretion. Upon the exercise of a stock appreciation right granted in connection with a stock option, the number of shares subject to the option shall be correspondingly reduced by the number of shares with respect to which the stock appreciation right is exercised. Upon the exercise of a stock option in connection with which a stock appreciation right has been granted, the number of shares subject to the stock appreciation right shall be correspondingly reduced by the number of shares with respect to which the option is exercised.

- (d) Each Award Agreement with respect to a stock option shall set forth the Option Exercise Price, which shall be at least 100% of the Fair Market Value of a share of Common Stock on the date the option is granted (except as permitted in connection with the assumption or issuance of options in a transaction to which Section 409A or Section 424(a) of the Code applies). Each Award Agreement with respect to a stock appreciation right shall set forth the exercise price, which shall be at least 100% of the Fair Market Value of a share of Common Stock on the date the stock appreciation right is granted.
- (e) Each Award Agreement with respect to a stock option or stock appreciation right shall set forth the periods during which the Award evidenced thereby shall be exercisable, whether in whole or in part. Such periods shall be determined by the Committee in its discretion; provided, that, except as otherwise determined under Section 3.7 below, such period shall be a minimum of 1 year for performance-based Awards and 3 years for Awards with time-based vesting; and, provided, however, that no stock options or stock appreciation rights (whether or not granted in connection with stock options) shall be exercisable more than seven (7) years after the date of grant of such stock options or stock appreciation rights.
- (f) To the extent that the aggregate Fair Market Value (determined as of the time the option is granted) of the stock with respect to which Incentive Stock Options granted under this Plan and all other plans of the Company are first exercisable by any Grantee during any calendar year shall exceed the maximum limit (currently, \$100,000), if any, imposed from time to time under Section 422 of the Code, such options shall be treated as nonqualified stock options.
- (g) Notwithstanding the provisions of Sections 2.3(d) and (e), to the extent required under Section 422 of the Code, an Incentive Stock option may not be granted under the Plan to an individual who, at the time the option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporations (as such ownership may be determined for purposes of Section 422(b)(6) of the Code) unless (i) at the time such Incentive Stock Option is granted the Option Exercise Price is at least 110% of the Fair Market Value of the shares subject thereto and (ii) the Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the date granted.

2.4 Exercise of Stock Options and Stock Appreciation Rights

Each stock option or stock appreciation right granted under the Plan shall be exercisable as follows:

- (a) A stock option or stock appreciation right shall become exercisable at such time or times as determined by the Committee, subject to the minimum periods set forth in Section 2.3(e).
- (b) Unless the applicable Award Agreement otherwise provides, a stock option or stock appreciation right may be exercised from time to time as to all or part of the shares as to which such Award is then exercisable (but, in any event, only for whole shares). A stock appreciation right granted in connection with an option may be exercised at any time when, and to the same extent that, the related option may be exercised. A stock option or stock appreciation right shall be exercised by written notice to the Company, on such form and in such manner as the Committee shall prescribe.
- (c) Any written notice of exercise of a stock option shall be accompanied by payment of the Option Exercise Price for the shares being purchased. Such payment shall be made (i) in cash (by certified check or as otherwise

permitted by the Committee), or (ii) to the extent specified in the Award Agreement and permitted by law, by such other method as the Committee may from time to time prescribe, including a cashless exercise procedure through a broker-dealer.

(d) Promptly after receiving payment of the full Option Exercise Price, or after receiving notice of the exercise of a stock appreciation right for which payment will be made partly or entirely in shares of Common Stock, the Company shall, subject to the provisions of Section 3.3 (relating to certain restrictions), deliver to the Grantee or to such other person as may then have the right to exercise the Award, a certificate or certificates for the shares of Common Stock for which the Award has been exercised. If the method of payment employed upon option exercise so requires, and if applicable law permits, a Grantee may direct the Company to deliver the certificate(s) to the Grantee's broker-dealer.

2.5 Cancellation and Termination of Stock Options and Stock Appreciation Rights

The Committee may, at any time and in its discretion, determine that any outstanding stock options and stock appreciation rights granted under the Plan, whether or not exercisable, will be canceled and terminated and that in connection with such cancellation and termination the holder of such options (and stock appreciation rights not granted in connection with an option) may receive for each share of Common Stock subject to such Award a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the difference, if any, between the amount determined by the Committee to be the fair market value of the Common Stock and the exercise price per share multiplied by the number of shares of Common Stock subject to such Award; provided that if such product is zero or less or to the extent that the Award is not then exercisable, the stock options and stock appreciation rights will be canceled and terminated without payment therefor.

2.6 Terms of Options

The term during which each option may be exercised shall be determined by the Committee, but if required by the Code and except as otherwise provided herein, no option shall be exercisable in whole or in part more than seven years from the date it is granted, and no Incentive Stock Option granted to an employee who at the time of the grant owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries shall be exercisable more than five years from the date it is granted. All rights to purchase Common Stock pursuant to an option shall, unless sooner terminated, expire at the date designated by the Committee. The Committee shall determine the date on which each option shall become exercisable and may provide that an option shall become exercisable in installments. The shares of Common Stock constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be designated by the Committee. Prior to the exercise of an option and delivery of the shares represented by Common Stock represented thereby, the Grantee shall have no rights as a stockholder with respect to any shares of Common Stock covered by such outstanding option (including any dividend or voting rights).

2.7 Termination of Employment

(a) <u>Death or Disability.</u> Unless otherwise determined by the Committee, if a participant ceases to be an officer or employee of, or to perform other services for, the Company or any Related Entity due to death or Disability, (A) all of the participant's Awards that were vested and exercisable on the date of his or her death or Disability shall remain exercisable for, and shall otherwise terminate at the end of, a period of 365 days from the date of such death or Disability, but in no event after the expiration date of the Awards; provided that in the case of Disability, if the participant engages in Competition prior to exercising such Awards, without having received written consent to do so from the Board or the Committee, such Awards will immediately terminate; and (B) all of the participant's Awards that were not vested and exercisable on the date of his or her death or Disability shall be forfeited immediately. Notwithstanding the foregoing, if the Disability giving rise to the termination of

employment is not within the meaning of Section 22(e)(3) of the Code or any successor thereto, Incentive Stock Options not exercised by such participant within 90 days after the date of termination of employment will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.

- (b) Retirement. Unless otherwise determined by the Committee, if a participant ceases to be an officer or employee of, or to perform other services for, the Company or any Related Entity upon the occurrence of his or her Retirement, (A) all of the participant's Awards that were vested and exercisable on the date of Retirement shall remain exercisable for, and shall otherwise terminate at the end of, a period of 180 days after the date of Retirement, but in no event after the expiration date of the Awards; provided that if the participant engages in Competition prior to exercising such Awards, without having received written consent to do so from the Board or the Committee, such Awards will immediately terminate; and (B) all of the participant's Awards that were not vested and exercisable on the date of Retirement shall be forfeited immediately. Notwithstanding the foregoing, Incentive Stock Options not exercised by such participant within 90 days after Retirement will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.
- (c) <u>Discharge for Cause.</u> Unless otherwise determined by the Committee, if a participant ceases to be an officer or employee of, or to perform other services for, the Company or a Related Entity due to Cause, all of the participant's Awards shall expire and be forfeited immediately upon such cessation, whether or not then vested and exercisable.
- (d) Other Termination. Unless otherwise determined by the Committee, if a participant ceases to be an officer or employee of, or to otherwise perform services for, the Company or a Related Entity for any reason other than death, Disability, Retirement or Cause, (A) all of the participant's Awards that were vested and exercisable on the date of such cessation shall remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of such cessation, but in no event after the expiration date of the Awards; provided that if the participant engages in Competition prior to exercising such Awards, without having received written consent to do so from the Board or the Committee, such Awards will immediately terminate; and (B) all of the participant's Awards that were not vested and exercisable on the date of such cessation shall be forfeited immediately upon such cessation.

2.8 Grant of Restricted Stock

- (a) The Committee may grant restricted shares of Common Stock to such Key Persons, in such amounts, and subject to such terms and conditions as the Committee shall determine in its discretion, subject to the provisions of the Plan. Restricted stock Awards may be made independently of or in connection with any other Award.
- (b) The Company shall issue in the Grantee's name a certificate or certificates for the shares of Common Stock covered by the Award. Upon the issuance of such certificate(s), the Grantee shall have the rights of a Stockholder with respect to the restricted stock, subject to the transfer restrictions and the Company repurchase rights described in paragraphs (d) and (e) below and to such other restrictions and conditions as the Committee in its discretion may include in the applicable Award Agreement.
- (c) Unless the Committee shall otherwise determine, any certificate issued evidencing shares of restricted stock shall remain in the possession of the Company until such shares are free of any restrictions specified in the applicable Award Agreement.
- (d) Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in this Plan or the applicable Award Agreement. The Committee at the time of grant shall specify the date or dates (which may depend upon or be related to the attainment of performance goals and other conditions) on which the nontransferability of the restricted stock shall lapse. Unless

the applicable Award Agreement provides otherwise, additional shares of Common Stock or other property distributed to the Grantee in respect of shares of restricted stock, as dividends or otherwise, shall be subject to the same restrictions applicable to such restricted stock.

(e) During the ninety (90) days following the Grantee's Termination of Employment for any reason, the Company shall have the right to require the return of any shares to which restrictions on transferability apply, in exchange for which the Company shall repay to the Grantee (or the Grantee's estate) in cash any amount paid by the Grantee for such shares.

2.9 Grant of Restricted Stock Units

- (a) The Committee may grant Awards of restricted stock units to such Key Persons, in such amounts, and subject to such terms and conditions as the Committee shall determine in its discretion, subject to the provisions of the Plan. Restricted stock units may be awarded independently of or in connection with any other Award under the Plan.
- (b) At the time of grant, the Committee shall specify the date or dates on which the restricted stock units shall become vested, and may specify such conditions to vesting as it deems appropriate. Unless otherwise determined by the Committee, in the event of the Grantee's Termination of Employment for any reason, restricted stock units that have not vested shall be forfeited and canceled. The Committee at any time may accelerate vesting dates and otherwise waive or amend any conditions of an Award of restricted stock units.
- (c) At the time of grant, the Committee shall specify the maturity date applicable to each grant of restricted stock units, which may be determined at the election of the Grantee. Such date may be later than the vesting date or dates of the Award. On the maturity date, the Company shall transfer to the Grantee one unrestricted, fully transferable share of Common Stock for each vested restricted stock unit scheduled to be paid out on such date and as to which all other conditions to the transfer have been fully satisfied. The Committee shall specify the purchase price, if any, to be paid by the Grantee to the Company for such shares of Common Stock.

2.10 Grant of Performance Shares and Share Units

The Committee may grant performance shares in the form of actual shares of Common Stock or share units having a value equal to an identical number of shares of Common Stock to such Key Persons, in such amounts, and subject to such terms and conditions as the Committee shall determine in its discretion, subject to the provisions of the Plan. In the event that a stock certificate is issued in respect of performance shares, such certificates shall be registered in the name of the Grantee but shall be held by the Company until the time the performance shares are earned. The performance conditions and the length of the performance period shall be determined by the Committee. The Committee shall determine in its discretion whether performance shares granted in the form of share units shall be paid in cash, Common Stock, or a combination of cash and Common Stock.

2.11 Other Stock-Based Awards

The Committee may grant other types of stock-based Awards to such Key Persons, in such amounts and subject to such terms and conditions, as the Committee shall in its discretion determine, subject to the provisions of the Plan. Such Awards may entail the transfer of actual shares of Common Stock, or payment in cash or otherwise of amounts based on the value of shares of Common Stock.

2.12 Grant of Dividend Equivalent Rights

The Committee may in its discretion include in the Award Agreement with respect to any Award (other than stock options or stock appreciation rights) a dividend equivalent right entitling the Grantee to receive amounts equal to the ordinary dividends that would be paid, during the time such Award is outstanding and unexercised,

on the shares of Common Stock covered by such Award if such shares were then outstanding. In the event such a provision is included in an Award Agreement, the Committee shall determine whether such payments shall be made in cash, in shares of Common Stock or in another form, whether they shall be conditioned upon the exercise or vesting of the Award to which they relate, the time or times at which they shall be made, and such other terms and conditions as the Committee shall deem appropriate.

2.13 Right of Recapture

To the extent provided in the Award Agreement, if at any time within one (1) year after the date on which a participant exercises a stock option or stock appreciation right, or on which restricted stock vests, or which is the maturity date of restricted stock units, or on which income is realized by a participant in connection with any other stock-based Award (each of which events is a "realization event"), the participant (a) is terminated for Cause or (b) engages in any activity determined in the discretion of the Committee to be in competition with any activity of the Company, or otherwise inimical, contrary or harmful to the interests of the Company (including, but not limited to, accepting employment with or serving as a consultant, adviser or in any other capacity to an entity that is in competition with or acting against the interests of the Company), then any gain realized by the Grantee from the realization event shall be paid by the Grantee to the Company upon notice from the Company. Such gain shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, without regard to any subsequent change in the Fair Market Value of a share of Common Stock. The Company shall have the right to offset such gain against any amounts otherwise owed to the Grantee by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement).

ARTICLE III

MISCELLANEOUS

3.1 Amendment of the Plan; Modification of Awards

- (a) The Board may from time to time suspend, discontinue, revise or amend the Plan in any respect whatsoever, except that no such amendment shall materially impair any rights or materially increase any obligations of the Grantee under any Award theretofore made under the Plan without the consent of the Grantee (or, after the Grantee's death, the person having the right to exercise or receive payment of the Award). For purposes of the Plan, any action of the Board or the Committee that alters or affects the tax treatment of any Award shall not be considered to materially impair any rights of any Grantee.
- (b) Stockholder approval of any amendment shall be obtained to the extent necessary to comply with Section 422 of the Code (relating to Incentive Stock Options) or any other applicable law, regulation or stock exchange listing requirements.
- (c) The Committee may amend any outstanding Award Agreement, including, without limitation, by amendment which would accelerate the time or times at which the Award becomes unrestricted or may be exercised, or waive or amend any goals, restrictions or conditions set forth in the Award Agreement. However, any such amendment (other than an amendment pursuant to paragraphs (a) or (d) of this Section or an amendment to effect an assumption or other action consistent with Section 3.7(b)) that materially impairs the rights or materially increases the obligations of a Grantee under an outstanding Award shall be made only with the consent of the Grantee (or, upon the Grantee's death, the person having the right to exercise the Award). Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding stock options or stock appreciation rights or cancel outstanding stock options or stock appreciation rights without stockholder approval.

(d) Notwithstanding anything to the contrary in this Section, the Board or the Committee shall have full discretion to amend the Plan to the extent necessary to preserve fixed accounting treatment with respect to any Award and any outstanding Award Agreement shall be deemed to be so amended to the same extent, without obtaining the consent of any Grantee (or, after the Grantee's death, the person having the right to exercise or receive payment of the affected Award), without regard to whether such amendment adversely affects a Grantee's rights under the Plan or such Award Agreement.

3.2 Tax Withholding

- (a) As a condition to the receipt of any shares of Common Stock pursuant to any Award or the lifting of restrictions on any Award, or in connection with any other event that gives rise to a federal or other governmental tax withholding obligation on the part of the Company relating to an Award (including, without limitation, FICA tax), the Company shall be entitled to require that the Grantee remit to the Company an amount sufficient in the opinion of the Company to satisfy such withholding obligation.
- (b) If the event giving rise to the withholding obligation is a transfer of shares of Common Stock, then, to the extent specified in the applicable Award Agreement and unless otherwise permitted by the Committee, the Grantee may satisfy only the minimum statutory withholding obligation imposed under paragraph (a) by electing to have the Company withhold shares of Common Stock having a Fair Market Value equal to the amount of tax to be withheld. For this purpose, Fair Market Value shall be determined as of the date on which the amount of tax to be withheld is determined (and any fractional share amount shall be settled in cash).

3.3 Restrictions

- (a) If the Committee shall at any time determine that any consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any Award, the issuance or purchase of shares of Common Stock or other rights thereunder, or the taking of any other action thereunder (a "Plan Action"), then no such Plan Action shall be taken, in whole or in part, unless and until such consent shall have been effected or obtained to the full satisfaction of the Committee.
- (b) The term "consent" as used herein with respect to any action referred to in paragraph (a) means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state or local law, rule or regulation, (ii) any and all written agreements and representations by the Grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, (iii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies, and (iv) any and all consents or authorizations required to comply with, or required to be obtained under, applicable local law or otherwise required by the Committee. Nothing herein shall require the Company to list, register or qualify the shares of Common Stock on any securities exchange.

3.4 Nonassignability

Except to the extent otherwise provided in the applicable Award Agreement, no Award or right granted to any person under the Plan shall be assignable or transferable other than by will or by the laws of descent and distribution, and all such Awards and rights shall be exercisable during the life of the Grantee only by the Grantee or the Grantee's legal representative. Notwithstanding the immediately preceding sentence, the Committee may permit a Grantee to transfer any stock option which is not an Incentive Stock Option to one or more of the Grantee's immediate family members or to trusts established in whole or in part for the benefit of the Grantee and/or one or more of such immediate family members. For purposes of the Plan, (i) the term "immediate family" shall mean the Grantee's spouse and issue (including adopted and step children) and (ii) the phrase "immediate family members or to trusts established in whole or in part for the benefit of the Grantee

and/or one or more of such immediate family members" shall be further limited, if necessary, so that neither the transfer of a nonqualified stock option to such immediate family member or trust, nor the ability of a Grantee to make such a transfer shall have adverse consequences to the Company or the Grantee by reason of Section 162(m) of the Code.

3.5 Requirement of Notification of Election Under Section 83(b) of the Code

If a Grantee, in connection with the acquisition of shares of Common Stock under the Plan, is permitted under the terms of the Award Agreement to make the election permitted under Section 83(b) of the Code (i.e., an election to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code notwithstanding the continuing transfer restrictions) and the Grantee makes such an election, the Grantee shall notify the Company of such election within ten (10) days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code.

3.6 Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code

If any Grantee shall make any disposition of shares of Common Stock issued pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Grantee shall notify the Company of such disposition within ten (10) days thereof.

3.7 Change in Control

- (a) A "Change in Control" means the occurrence of any one of the following events:
- (i) any person is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power of the Company's then outstanding securities generally eligible to vote for the election of directors (the "Company Voting Securities"); provided, however, that any of the following acquisitions shall not be deemed to be a Change in Control: (1) by the Company or any subsidiary or affiliate, (2) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary or affiliate, (3) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (4) pursuant to a Non-Qualifying Transaction (as defined in paragraph (ii));
- (ii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries or affiliates (a "Business Combination"), unless immediately following such Business Combination:
- (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 95% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, and
- (B) at least 50% of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination;

(any Business Combination which satisfies all of the criteria specified in (A) and (B) above shall be deemed to be a "Non-Qualifying Transaction");

- (iii) individuals who, on March 22, 2006, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to March 22, 2006, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;
- (iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or
- (v) the consummation of a sale of all or substantially all of the Company's assets to an entity that is not an affiliate of the Company (other than pursuant to a Non-Qualifying Transaction).
- (b) The Committee may, in its discretion, determine whether, upon the occurrence of a Change in Control specified in paragraph (a)(i) or (a)(iii) above, any applicable Award shall Fully Vest (as defined below), such determination to be evidenced in the applicable Award Agreement. In the event that the applicable Award Agreement does not specify that an applicable Award will Fully Vest upon a Change in Control, such Award shall not Fully Vest.
- (c) Upon the occurrence of a Change in Control specified in paragraph (a)(iv) above, all outstanding Awards will terminate upon consummation of the liquidation or dissolution of the Company. The Committee may, in the exercise of its discretion in such instances, (i) provide that Awards shall Fully Vest as of any specified date prior to such liquidation or dissolution and/or (ii) declare that any Award shall terminate as of any specified date.
- (d) The following shall occur if Awards "Fully Vest": (i) any stock options and stock appreciation rights granted under the Plan shall become fully vested and immediately exercisable, (ii) any restricted stock, restricted stock units and other stock-based Awards granted under the Plan will become fully vested, any restrictions applicable to such Awards shall lapse and such Awards denominated in stock will be immediately paid out, and (iii) any performance goals applicable to Awards will be deemed to be fully satisfied unless otherwise determined by the Committee in its discretion.
- (e) Upon the occurrence of any Change in Control or upon the occurrence of a Non-Qualifying Transaction where Awards are not assumed (or substituted) by the Surviving Corporation or Parent Corporation, the Committee may, in its discretion, (i) Fully Vest Awards, (ii) determine that any or all outstanding Awards granted under the Plan, whether or not exercisable, will be canceled and terminated and that in connection with such cancellation and termination the holder of such Award may receive for each share of Common Stock subject to such Awards a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the difference, if any, between the consideration received by stockholders of the Company in respect of a share of Common Stock in connection with such transaction and the purchase price per share, if any, under the Award multiplied by the number of shares of Common Stock subject to such Award; provided that if such product is zero or less or to the extent that the Award is not then exercisable, the Awards will be canceled and terminated without payment therefor or (iii) provide that the period to exercise stock options or stock appreciation rights granted under the Plan shall be extended (but not beyond the expiration of such option or stock appreciation right).
- (f) The Committee shall determine in its discretion whether an Award shall be considered "assumed" or "substituted". Without limiting the foregoing, for the purposes of Section 3.7, a stock option or stock appreciation right shall be considered "assumed" or "substituted" if in the reasonable determination of the

Committee (i) the aggregate intrinsic value (the difference between the then fair market value as reasonably determined by the Committee and the exercise price per share of Common Stock multiplied by the number of shares of Common Stock subject to such award) of the assumed (or substituted) Award immediately after the Change in Control is substantially the same as the aggregate intrinsic value of such Award immediately before such transaction, (ii) the ratio of the exercise price per assumed (or substituted) Award to the fair market value per share of successor corporation stock immediately after the Change in Control is substantially the same as such ratio for such Award immediately before such transaction and (iii) the Award is exercisable for the consideration approved by the Committee (including shares of stock, other securities or property or a combination of cash, stock, securities and other property).

3.8 No Right to Employment

Nothing in the Plan or in any Award Agreement shall confer upon any Grantee the right to continue in the employ of or association with the Company or affect any right which the Company may have to terminate such employment or association at any time (with or without Cause).

3.9 Nature of Payments

Any and all grants of Awards and issuances of shares of Common Stock under the Plan shall constitute a special incentive payment to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any benefits under any pension, retirement, profit-sharing, bonus, life insurance or other benefit plan of the Company or under any agreement with the Grantee, unless such plan or agreement specifically provides otherwise.

3.10 Non-Uniform Determinations

The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to the persons to receive Awards under the Plan, and the terms and provisions of Awards under the Plan.

3.11 Other Payments or Awards

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company from making any Award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

3.12 Section Headings

The section headings contained herein are for the purpose of convenience only and are not intended to define or limit the contents of the sections.

3.13 Effective Date and Term of Plan

Unless sooner terminated by the Board, the Plan, including the provisions respecting the grant of Incentive Stock Options shall terminate on March 25, 2025. All Awards made under the Plan prior to its termination shall remain in effect until such Awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreements.

3.14 Governing Law

All rights and obligations under the Plan shall be construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflict of laws.

3.15 Severability; Entire Agreement

If any of the provisions of this Plan or any Award Agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby; provided that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award Agreements contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

3.16 No Third Party Beneficiaries

Except as expressly provided therein, neither the Plan nor any Award Agreement shall confer on any person other than the Company and the grantee of any Award any rights or remedies thereunder. The exculpation and indemnification provisions of Section 1.3(e) will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

3.17 Successors and Assigns

The terms of this Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns.

3.18 Waiver of Claims; Clawback

Each Grantee of an Award recognizes and agrees that prior to being selected by the Committee to receive an Award he or she has no right to any benefits hereunder. Accordingly, in consideration of the Grantee's receipt of any Award hereunder, he or she expressly waives any right to contest the amount of any Award, the terms of any Award Agreement, any determination, action or omission hereunder or under any Award Agreement by the Committee, the Company or the Board, or any amendment to the Plan or any Award Agreement (other than an amendment to this Plan or an Award Agreement to which his or her consent is expressly required by the express terms of the Plan or an Award Agreement). Awards under the Plan shall be subject to the clawback, recapture or recoupment policy, if any, that the Company may adopt from time to time to the extent provided in such policy and, in accordance with such policy, as in effect from time to time, may be subject to the requirement that the Awards be forfeited or repaid to the Company after they have been distributed or paid to the Grantee.

3.19 Section 409A

All Awards made under the Plan that are intended to be "deferred compensation" subject to Section 409A of the Code shall be interpreted, administered and construed to comply with Section 409A, and all Awards made under the Plan that are intended to be exempt from Section 409A shall be interpreted, administered and construed to comply with and preserve such exemption. The Board and the Committee shall have full authority to give effect to the intent of the foregoing sentence. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the Plan and a provision of any Award or Award Agreement with respect to an Award, the Plan shall govern. Notwithstanding anything to the contrary in this Plan or an Award

Agreement, if a Grantee is a "specified employee" as determined pursuant to Section 409A of the Code as of the date of his or her "separation from service" (within the meaning of Treasury Regulation 1.409A-1(h)) and if any Award or payment or settlement of an Award provided hereunder both (x) constitutes a "deferral of compensation" within the meaning of Section 409A and (y) cannot be paid or provided in the manner otherwise provided without subjecting the Grantee to "additional tax", interest or penalties under Section 409A, then any such payment or settlement that is payable or that would be settled during the first six months following Grantee's "separation from service" shall be paid or provided to Grantee on the first business day of the seventh calendar month following the month in which his or her "separation from service" occurs or, if earlier, at Grantee's death. In addition, any payment or benefit due upon a termination of Grantee's employment that represents a "deferral of compensation" within the meaning of Section 409A shall only be paid or provided to Grantee upon a "separation from service". For the purposes of this Plan, each Award made pursuant hereto shall be deemed to be a separate payment. This provision does not prohibit the vesting of any Award or the vesting of any right to eventual payment or distribution of any amount or benefit under the Plan or any Award Agreement.

3.20 Foreign Participants

To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practices and to further the purposes of the Plan, the Committee may, in its sole discretion and without amending the Plan, (i) establish special rules applicable to Awards to Key Persons who are foreign nationals, are employed outside the United States or both and grant Awards (or amend existing Awards) in accordance with those rules and (ii) cause the Company to enter into an agreement with any local Related Entity pursuant to which such Related Entity will reimburse the Company for the cost of such equity incentives.



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

Form 10-K

(Mark One)					
ANNUAL REPORT PUR OF 1934	SUANT TO SECTION	N 13 OR 15(d) OF THE SECURITIES EXC	HANGE ACT		
For the fiscal year ended Oc	tober 31, 2014				
		OR			
☐ TRANSITION REPORT ACT OF 1934	PURSUANT TO SECT	TION 13 OR 15(d) OF THE SECURITIES	EXCHANGE		
For the transition period fro	om to				
	Commission f	file number 001-32465			
•	VERIFONE (Exact name of Regist	SYSTEMS, INC. trant as Specified in its Charter)			
DELAWA (State or Other Ju Incorporation or O	risdiction of	04-3692546 (I.R.S. Employer Identification No.)	(I.R.S. Employer		
2099 Gateway Pla San Jose (Address of Principal F	CA	95110 (Zip Code)			
	(40	98) 232-7800 ne Number, Including Area Code)			
	Securities registered pur	rsuant to Section 12(b) of the Act:			
Title of Each	Class	Name of Each Exchange on Which Reg	gistered		
Common Stock, \$6	0.01 par value	New York Stock Exchang	e		
	Securities registered pur	rsuant to Section 12(g) of the Act:			
		None.			
Indicate by check mark if the regi	strant is a well-known season	ed issuer, as defined in Rule 405 of the Securities Act.	Yes ✓ No 🗌		
Indicate by check mark if the regi	strant is not required to file re	eports pursuant to Section 13 or Section 15(d) of the Act.	Yes 🗌 No 🗸		
	onths (or for such shorter peri	eports required to be filed by Section 13 or 15(d) of the S iod that the registrant was required to file such reports), a No \square			
Data File required to be submitted and	posted pursuant to Rule 405 c	ectronically and posted on its corporate Web site, if any, of Regulation S-T (§232.405 of this chapter) during the p and post such files). Yes No			
Indicate by check mark if disclost contained, to the best of registrant's kn Form 10-K, or any amendment to this	owledge, in definitive proxy of	nt to Item 405 of Regulation S-K is not contained herein or information statements incorporated by reference in Pa	, and will not be art III of this		
		ated filer, an accelerated filer, a non-accelerated filer, or ed filer" and "smaller reporting company" in Rule 12b-2			
Large accelerated filer	Accelerated filer	Non-accelerated filer Smaller (Do not check if a smaller reporting company)	reporting company		
-	-	ny (as defined in Rule 12b-2 of the Act). Yes \(\square\) No			
As of April 30, 2014, the aggregation based on the closing sale price a		on stock of the registrant held by non-affiliates was appro Stock Exchange.	ximately \$2.60		
	•	s of common stock, as of the close of business on Decem	aber 1, 2014: Number of shares		
Common Stock, \$0.01 par value	per share		113,344,841		

DOCUMENTS INCORPORATED BY REFERENCE

As noted herein, the information called for by Part III is incorporated by reference to specified portions of the Registrant's definitive proxy statement to be filed in conjunction with the Registrant's 2015 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the Registrant's fiscal year ended October 31, 2014.

VERIFONE SYSTEMS, INC.

2014 ANNUAL REPORT ON FORM 10-K

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K and certain information incorporated by reference herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Many of the forward-looking statements are located in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements relate to future events or our future financial performance based on certain assumptions. In some cases, you can identify forward-looking statements by words such as "may," "should," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of such terms, or comparable terminology. Actual events or results may differ materially from those expressed or implied in these forward-looking statements.

Forward-looking statements are not guarantees of future results, events, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined in Item 1A, *Risk Factors*, in this Annual Report on Form 10-K, and elsewhere in this report, including our disclosures of *Critical Accounting Policies and Estimates* in Item 7, our disclosures in Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, as well as in our Consolidated Financial Statements and related notes. We are under no duty to update any of the forward-looking statements after the date of this Annual Report on Form 10-K to conform such statements to actual results or to changes in expectations. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

In this Annual Report on Form 10-K, each of the terms "VeriFone," "Company," "us," "we," and "our" refers to VeriFone Systems, Inc. and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Our Company

VeriFone is a global leader in secure electronic payment solutions at the point of sale ("POS"). We provide expertise, solutions and services that add value at the POS and enable innovative forms of commerce. For over 30 years, we have been a leader in designing, manufacturing, marketing and supplying a broad range of innovative payment solutions and complementary services that enable secure electronic payment transactions and value-added services at the POS. We focus on delivering value to our clients at the POS where merchant and consumer requirements drive increasingly innovative POS payment capabilities, value-added services that increase merchant revenues and consumer experience and solutions that enrich the interaction between merchant and consumers. Key industries in which we operate include financial services, retail, petroleum, restaurant, hospitality, taxi, transportation, and healthcare.

VeriFone, Inc., our principal operating subsidiary, was incorporated in 1981. Shortly afterward, we introduced the first check verification and credit authorization device utilized by merchants in a commercial setting. In 1984, we introduced the first mass market electronic payment system intended to replace manual credit card authorization devices for small merchants. VeriFone, Inc. operated as a publicly-traded company from 1990 until it was acquired in 1997 by Hewlett-Packard, which operated it as a division. In July 2001, HP sold VeriFone, Inc. to Gores Technology Group, LLC, a privately held acquisition and investment management firm. In July 2002, VeriFone, Inc. was recapitalized and VeriFone Systems, Inc. (formerly known as VeriFone Holdings, Inc.), a Delaware corporation, was organized as a holding company for VeriFone, Inc. In connection with the recapitalization, certain investment funds affiliated with GTCR Golder Rauner, LLC, a private equity firm, became our majority stockholders. VeriFone completed its initial public offering on May 4, 2005. In June 2009, the GTCR-affiliated funds ceased to be beneficial owners of 5% or more of our outstanding common stock.

Our business has grown through both organic growth and strategic acquisitions. In August 2011, we acquired the non-U.S. business of Hypercom Corporation ("Hypercom"), a provider of electronic payment solutions and value-added services at the POS, which expanded our geographic reach and business for our EMEA and Asia-Pacific segments (as defined below). In December 2011, we acquired Electronic Transaction Group Nordic Holding AB ("ETG"), a Swedish company operating the Point International business ("Point"), which was previously one of our distributors, which expanded our presence primarily in the Nordics and augmented our EMEA services business. Other acquisitions in recent years include our December 2010 acquisition of certain assets and liabilities of Gemalto N.V.'s e-payment terminals and systems business unit with operations in South Africa, India and parts of the Middle East as well as certain vertical markets; our June 2011 acquisition of Destiny Electronic Commerce (Proprietary) Limited (which traded as CSC), our South Africabased distributor, whose business included value-added services and end-to-end estate management services and tools for Sub-Saharan Africa and the Indian Ocean Islands; and our May 2013 acquisition of EFTPOS New Zealand Limited, which holds the switching and terminal business of ANZ Bank New Zealand Limited, and April 2013 acquisition of Sektor Payments Limited, which was our main distributor in New Zealand. In addition, we completed a number of smaller acquisitions over the past several years targeting complementary products, services and technologies.

We are headquartered in San Jose, California and operate in more than 150 countries worldwide, with a direct presence in more than 45 countries.

Our Business Strategy

We seek to provide innovative payment and payment-enabled solutions and services to facilitate trade and commerce on a worldwide basis. Our solutions and services offerings are trusted by clients globally to enhance payment security and regulatory and industry standards compliance, facilitate terminal management and enable

consumer interactions at the point of sale in both developed and emerging markets throughout the world. We have one of the leading electronic payment solutions brands and are one of the largest providers of electronic payment solutions worldwide.

We are committed to designing reliable and secure payment terminal solutions that incorporate leading edge technology to meet client needs. Our terminal solutions provide flexibility to support a wide range of client deployment and connectivity preferences and payment types. Our solutions enable payment and commerce in a variety of environments, including traditional multilane and countertop implementations, self-service or unattended environments, as well as in-vehicle and portable deployments.

Services are an increasingly important part of our business strategy. Our Payment-as-a-Service solutions offer clients terminal management services and gateway solutions that enable more efficient routing of transactions, multi-channel acceptance and processing, and payment value-added services. We provide flexibility in deployment options, allowing our solutions to accommodate varying client needs. For example, in the U.S., our Payment-as-a-Service offering incorporates terminals with a simplified certification process, along with end-to-end encryption to reduce the complexity and costs of Payment Card Industry, or PCI, standards compliance. Continued innovation and expansion of our Payment-as-a-Service solutions are important elements of our strategy. Increasingly, we deploy Payment-as-a-Service solutions for clients whose electronic payment devices are connected directly to our gateway, simplifying payment operations for merchants and providing additional payment-enabled functionality, such as advertising, couponing, loyalty programs and data analytics services. We also offer a broad range of traditional services, including professional services related to customized application development, installation and deployment, helpdesk support, training, equipment repair and maintenance, and software post-contract support.

Another important part of our business strategy is the development of our commerce enablement offerings that are complementary to our payment solutions and designed to facilitate commerce opportunities for merchants. Our terminals and media platforms provide a means for merchants and other partners in the payment stream to engage consumers at the point of sale through value-added applications such as loyalty and couponing applications, targeted offers and real-time reward redemptions. Consumer engagement at the point of sale provides opportunities to increase brand awareness and potential for merchants to grow sales. For example, we partnered to launch an American Express award point redemption program for our in-taxi payment solutions. We intend to develop a commerce enablement platform that links smart terminals, digital media screens, and technology gateways in order to provide our clients with integrated tools to enhance and enrich the commerce experience at the point of sale. We continue to invest in integrated media capabilities, such as our VNET media platform deployed at gas dispensers and in taxis and our PAYMedia/LiftRetail services for basket-level targeting of media content at convenience stores, that leverage our secure payment terminals and solutions to help merchants increase consumer interaction at the point of sale.

We believe continued innovation in terminal solutions, strategic expansion of our Payment-as-a-Service solution in key markets, including both developed and emerging markets, and investment in our commerce enablement solutions are important components of our business strategy. We intend to focus on our Payment-as-a-Service solution as a key driver of growth in markets such as the Nordic countries and certain other parts of Europe, Australia and New Zealand, and the U.S. and Mexico, including emphasis on growing the number of devices connected to our gateways. Our strategy to expand our commerce enablement reach includes strategic investments that grow our network of digital media screens, including screens at the pump and inside the convenience store. For example, in August 2014, we entered into a global partnership with Gilbarco Veeder-Root, a global leading petroleum dispenser provider, which provided additional media screens that we are incorporating into our network. In connection with the partnership, we also acquired Outcast Media, Gilbarco's forecourt media business.

Our Business Organization

We manage our business primarily on a geographic basis. Accordingly, we determined our operating segments, which are generally based on our geographic markets and client location, to be Americas, EMEA and

Asia-Pacific. The Americas segment includes our operations in North America, South America, Central America, and the Caribbean. The EMEA segment includes our operations in Europe, Russia, the Middle East, and Africa, and the Asia-Pacific segment consists of our operations in Australia, New Zealand, China, India and throughout the rest of Greater Asia, including other Asia-Pacific Rim countries. For segment and geographic information, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results of Operations, and Note 12, Segment and Geographic Information, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Our Industry Trends

The electronic payment solutions industry encompasses systems, software, and services that enable the acceptance and processing of electronic payments for goods and services, enable commerce and provide other value-added functionality at the POS. The electronic payment system is an important part of the payment processing infrastructure, serving as the interface between consumers and merchants at the POS, as well as the link between the consumer transaction at the POS and the payment transaction processing infrastructure.

The global payments industry has continued to move towards electronic payment transactions. Consumer habits have continued to shift to higher volumes of non-cash transactions with demand for additional payment options. In developed markets, such as the U.S., the continued shift to electronic payments is characterized by an increasing volume of transactions, including an increase in volume of low value card transactions, through multiple payment forms. Our industry continues to move toward advanced payment technologies and methods, and has also seen the emergence of new market entrants, including outside the traditional POS providers. Certain regions, such as parts of Eastern Europe, Latin America, and Asia, currently have relatively low rates of electronic payments, but are experiencing a growing number of such transactions. The adoption of electronic payments in emerging markets is driven primarily by economic growth, infrastructure development, expanding presence of Internet connectivity and support from governments seeking to modernize their economies and to encourage electronic payment transactions as a means of driving commerce and improving tax collection. In some emerging markets, the trend toward non-cash transactions is driving the need for innovative solutions to address access barriers to large populations of consumers who are not using or able to use the banking and financial systems.

Security continues to be a driving factor in our industry. Security over payment transactions will need to become increasingly more sophisticated as security threats become more sophisticated, as new payment methods, especially mobile payments, are introduced, and as payment transaction volumes increase. Further, new payment types and platforms make payment transactions more operationally complex and thus exacerbate security concerns and increase the need for security solutions. In the last several quarters, a number of large U.S. retailers and banks have reported customer or client data breaches and other fraudulent activities, which have heightened awareness of data security and increased demand for security solutions in payments systems, including accelerating the adoption of EMV, a chip and PIN based card acceptance payment method, which has already become the payment standard in other countries, by several large retailers. In addition to offering products that are independently certified to meet stringent security standards, we provide secure commerce architecture as well as transaction encryption and tokenization services to facilitate an end-to-end security solution for payments. Our security solutions must continue to evolve to meet changing needs and threats.

We anticipate that the industry will see growing demand for mobile and portable products. The increased use of smartphones and tablets for mobile commerce has generated consumer expectation for secure and easy-to-use mobile payment options. Industry leaders as well as acquirers and banks are anticipated to continue investing in mobile technologies and payments and encouraging mobile payments acceptance. Expanded communications networks by major telecommunications carriers at a lower cost to users further increase the prevalence of portable and handheld payment devices. The increased use of wireless Internet connectivity is also a factor that drives demand for compact, easy-to-use, and reliable payment solutions. With the rise in the number of smartphones globally, we expect rising demand for mobile platforms for payments including increasing

utilization of smartphones and tablets based on the Apple iOS, Google Android, and Windows Phone operating systems to conduct payment transactions and to enable new mobile retailing solutions for merchants. Wireless portable devices and mobile devices, such as smartphones and tablets, are also increasingly being used as multipurpose hardware and integrated software platforms that are being adopted for commerce, payments, and complementary applications, and tablet-based POS systems are becoming more common as all-in-one merchant management systems.

Portable and mobile devices may have shorter technology refresh cycles than traditional electronic payment devices. In particular, major telecommunications carriers around the world are phasing out their 2G/GPRS networks in favor of faster and more advanced technologies, such as 3G or later-generation networks.

We expect continued advancement in payment technologies driven by demand for payment solutions that accommodate different payment methods, such as EMV and near field communications, or NFC, and across multiple channels while maintaining a consistent consumer experience. The payments industry has seen the continued advancement in technologies, with the emergence of new payment methods, such as contactless, NFC, and mobile cloud-based payments, including card not present options. In the U.S., we have seen acceleration in adoption of EMV by larger retailers. We believe that security concerns driven by a number of recent high-profile security breaches at major retailers and banks will continue to drive demand for EMV solutions in the U.S. In October 2014, Apple launched Apple Pay, its mobile payment service, in the U.S. With the Apple Pay application, consumers are able to use their smartphones to make payments by tapping their phones on POS terminals, such as ours, that are enabled with NFC technology. The release of Apple Pay in the U.S. has increased visibility into NFC which may spur more adoption of NFC, particularly as NFC transactions are considered EMV compliant. We are also working with PayPal to increase the acceptance of PayPal's digital wallet at large retailers across the U.S. through our NFC-enabled devices.

Overall, merchants are striving to enrich the consumer experience and to accommodate consumer expectations for flexibility at the POS by offering a variety of payment options and other value-added services at the POS. Merchants increasingly seek more sophisticated tools integrated with payment systems that enable a consistent and seamless experience for consumers across multiple delivery channels, both online and offline. We expect this trend to create a need for a single platform that can support different payment options and delivery channels, and that is offered on a managed service basis to reduce risk and time to market. With the continued emergence of new and innovative technologies, our markets have become increasingly complex, which has in turn driven increasing interest in merchants to outsource managed services solutions such as terminal estate management, gateway transaction services, and payment systems implementation and management.

We expect merchants to increasingly seek to have rich and dynamic interactions with consumers. In addition to enabling multi-payment acceptance options for consumers, customized relevant content at the POS, such as promotions, offers, coupons, merchandise suggestions and loyalty programs, offer a means to enrich the consumer experience, particularly in retail and hospitality environments. The time between the initiation and completion of a transaction on a media-enabled payment solution provides merchants the opportunity to engage with consumers. Furthermore, incorporation of emerging technologies, such as Bluetooth low energy, or BLE, into payment solutions provides merchants with enhanced customer information as well as real-time inventory and product information in order to engage customers in the store and to streamline consumer shopping experience across channels.

We expect clients in more price sensitive markets to expect more options for lower cost payments solutions. Certain markets are more price sensitive than others. In more price sensitive markets, which tend to be high growth markets such as China and Brazil, more clients have sought lower cost payment solution options, including the flexibility for the client to forgo certain features and enhancements but nevertheless have a leading edge payment solution. This trend has increased competition and pricing pressures in these markets as clients place less emphasis on branding and added features and enhancements that may otherwise differentiate competing products, and rely primarily on pricing for purchase decisions. While pricing has become a key factor,

clients nevertheless seek payment solutions with certain innovative technological features, such as contactless or portability options, and solutions providers must continue to innovate to address specific market needs while maintaining lower costs.

We expect compliance requirements and regulatory mandates applicable to our industry will continue to expand. Compliance requirements include government regulations related to the prevention of identity theft, as well as operating regulation safeguards issued by the credit and debit card associations. Card associations have established the Payment Card Industry Security Standards Council ("PCI SSC") to oversee and unify industry standards, known as PCI standards, to enhance payment card data security and serve as a framework for the safe handling of cardholder information. These standards continually evolve to become more stringent and increasingly dependent on complex measures to protect all payment related data. Compliance requirements and regulatory mandates continue to evolve to accommodate new payment types and related security concerns.

Our products and solutions generally must be certified against applicable payment industry requirements and mandates. The continual evolution of industry security standards drives recertification and replacement of electronic payment systems. In addition to meeting the PCI standards, additional governmental regulations over payment card data security may apply and require separate local certifications in certain non-U.S. countries, such as Australia, China and Brazil. Certain other countries also have their own set of compliance and certification requirements for payment card data security, including Germany, the United Kingdom, and the Netherlands. Furthermore, in order for our products to be allowed to connect to payment networks, we must obtain certification of the relevant products and solutions with card associations, financial institutions, and payment processors and comply with local government and telecommunications regulations. Some of these certification processes may take up to twelve months to complete. See Item 1, *Business-Industry Standards and Government Regulations*, for a more detailed description of these standards and regulations.

Products and Services

Our System Solutions

Our system solutions consist of point of sale electronic payment devices that run our unique operating systems, security and encryption software, and certified payment software, and that are designed to suit our clients' needs in a variety of environments, including traditional multilane and countertop implementations, self-service and unattended environments, as well as in-vehicle and portable deployments. Our system solutions can securely process a wide range of payment types including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification, or RFID, cards, smart cards, pre-paid gift and other stored-value cards, electronic bill payment, check authorization and conversion, signature capture and electronic benefits transfer, or EBT. Our unique architecture enables multiple value-added applications, including third-party applications, such as gift card and loyalty card programs, healthcare insurance eligibility, and time and attendance tracking, and allows these services to reside on the same system without requiring recertification upon the addition of new applications.

Countertop and PIN pads

Designed with merchant and consumer needs in mind, our suite of countertop solutions incorporate compact design, easy installation and consumer-friendly features. Our countertop solutions accept a wide variety of payment options including contactless, NFC, mobile wallets, and chip and PIN, and support a range of applications, such as pre-paid products, including gift cards and loyalty programs. We also supply secure PIN pads that support credit and debit card, EBT, EMV and other PIN-based transactions, and include multiple connectivity options and NFC capability. Our countertop solutions support a wide range of certified applications that are either built into electronic payment systems or connect to electronic cash registers, or ECRs, and POS systems.

Multimedia

Our multimedia consumer facing POS devices, offered under our MX solutions brand, are designed to allow merchants, particularly in the multi-lane retail environment, to engage in direct consumer interaction through customized multimedia content, in-store promotions, digital offers, and other value-added services using a POS device, to enrich the customer experience while enabling new merchant revenue opportunities. These products offer features that are important to servicing customers in a multi-lane retail environment, such as user-friendly interfaces, ECR compatibility, durable key pads and signature capture functionality. Our MX solutions also feature a modular hardware architecture that allows merchants to introduce additional capabilities such as contactless or NFC. Our MX solutions also include products that support these same features in self-service market segments such as taxis, parking lots/garages, ticketing machines, vending machines, gas pumps, self-checkouts, and quick service restaurants.

Portable and Mobile

Our portable payment devices consist of small, portable, handheld devices that enable merchants to accept electronic payments wherever wireless connectivity is available, and our mobile solutions offer secure mobile payment capabilities for all segments of the mobile point of sale, or mPOS, environment, from large retailers to small merchants, and include devices that attach to, and interface with, iOS, Android or Windows-based smartphones and tablets, enabling these devices to be used as a secure payment device by merchants. Increasingly, clients look for portable options whether to enable electronic payments in new environments or to augment traditional POS environments. Our portable and mobile devices are designed to meet these needs, offering PCI compliant solutions that securely accept a variety of payment types, and providing merchants with increased flexibility to enrich the overall consumer experience whether in or out of the traditional bricks and mortar store location. We expect that market demand for portable and mobile options will continue to grow, particularly in developing countries where wireless and mobile telecommunications networks are being deployed at a much faster rate than wireline networks. We have deployed our portable and mobile solutions in a number of merchant environments, including for retail, restaurant, hospitality, transportation, and delivery businesses where merchants and consumers desire portability but demand secure payment systems to reduce fraud and identity theft.

Petroleum

Our family of products for petroleum companies consists of integrated electronic payment systems that combine electronic payment processing, fuel dispensing, and ECR functions, as well as secure payment systems that integrate with leading petroleum pump controllers. These products, which include our Secure PumpPay devices and related software, are designed to meet the needs of petroleum company operations, where rapid consumer turnaround, easy pump control, and accurate record keeping are imperative. Our products allow our petroleum clients to manage fuel dispensing and control, and enable "pay at the pump" functionality, cashiering, store management, inventory management, and accounting for goods and services at the POS. In addition, our PAYmedia service enables digital content, including paid advertising and couponing, at the petroleum forecourt using our VNET media platform on the color screen of our Secure PumpPAY units. The enablement of media at the forecourt offers opportunities for merchants to further engage consumers at the point of sale and provides additional commerce opportunities for the retail operator.

Unattended and Self-Service

Our unattended and self-service payment solutions are designed to enable payment transactions in self-service, high-transaction-volume environments, such as vending machines, on-street parking meters, petroleum pumps, ticketing machines and store kiosks, as well as public transportation environments, including buses and rail lines. Our public transportation solutions enable contactless and NFC-enabled fare payments, while other unattended and self-service solutions include versions to accept a range of payment options, including mobile wallets, magnetic stripe, EMV chipcard or NFC or other contactless payment schemes.

Network Access Solutions

Our network access solutions are designed and customized to support the unique requirements of the electronic payments industry by providing the networking hardware technology and communications infrastructure necessary to achieve connectivity within the POS environment. Our Integrated Enterprise Networks ("IENs") are designed to reduce operating costs, protect investments in current legacy networks and work on a wide range of standard network technologies and protocols. Our Intelligent Network Access Controller ("IntelliNAC") is an intelligent networking device that provides a wide range of digital and analog interfaces, line and data concentration, protocol conversion and transaction routing, among other features. IntelliNAC is offered with IntelliView, an enterprise-level solution that provides the networking tools needed to manage POS solutions, such as remote downloads, and centralizes network management for reporting and monitoring.

Our Services

We continue to invest in developing a broad portfolio of service solutions complementary to our systems solutions and designed to meet a wide range of merchant and partner needs, including removing complexity from payments, increasing ease of use, adding value by enriching the consumer experience at the POS and helping our clients grow their businesses and strengthening their relationships with consumers. Services are an increasingly important part of our business and revenues, accounting for approximately 37.8% of our total net revenues in our fiscal year ended October 31, 2014. Our services offerings include our Payment-as-a-Service solutions, managed services and terminal management solutions, payment-enabled media, in-taxi payment solutions, security solutions, and other value-added services at the point of sale. We also offer a host of support services, including software development, installation and deployment, warranty, post-sale support, repairs, and training.

Payment-as-a-Service

Our Payment-as-a-Service payment system management solution is hosted and managed by us and offered as a subscription-based model that provides clients with the flexibility to outsource a select set of payment operation services and solutions to be managed by us. Our range of services and solutions includes terminal services such as terminal rental and related installation, deployment, on-site terminal servicing, and hardware repair services, as well as gateway services such as transaction routing, transaction acceptance processing, transaction reporting, remote device management, and payment value-added services using the client's choice of processor. The solution serves as a platform for deployment of additional value-added programs. Further, the hosted service covers 24x7 support, encrypted transactions, integration of new payment methods, ongoing EMV maintenance, merchant support, and PCI compliance, with the aim of reducing operational complexity and costs for clients. Clients also have the option to enable processing of payment types across different channels of a merchant's business, including credit and debit card payments, online payments for e-commerce applications and mobile platforms. Clients can select a full service or other options that meet their immediate business needs, and adjust their subscription service packages to more advanced features and functions as their business grows or as the payment industry evolves. Currently, the Payment-as-a-Service model is implemented primarily in our EMEA segment and, to a lesser extent, in our Asia-Pacific and Americas segments. We anticipate that outsourcing of payment operations may become more attractive to clients as payment complexity and cost of payment operations increase.

Managed Services and Terminal Management Solutions

In addition to our Payment-as-a-Service solution, we offer a range of other managed services to provide our clients with managed services tools that accommodates their business needs and plans. Our managed services include secure web-based transaction processing that is consolidated across payment types, cloud-based remote loading of supported devices with updates for base files and firmware, software and applications, and estate management, including remote key loading, capabilities to remotely activate contactless, NFC and EMV payment methods, and consolidated reporting and analytics. PAYware Connect, our cloud-based hosted payment

solution, consolidates all payment transactions through our payment gateway and enables merchants to process from any internet-connected PC through a single portal. PAYware Connect uses our proprietary VeriShield Total Protect for end-to-end transaction encryption and tokenization and is certified by all of the major payment processing networks. Our VX Direct managed solution combines our VX device with the latest payment applications, automatic updates, security protection with VeriShield Total Protect, and estate management capabilities. Our terminal management solution, VHQ, enables efficient management of an entire estate of devices with minimal on-site intervention, and is targeted to retailers, financial institutions, processors with helpdesk operations, and device maintenance companies. VHQ, which is available for a variety of environments, including retail, healthcare, transit, quick service restaurants and financial services, connects the devices within a merchant's estate to back office operations, enabling remote deployment of software to POS terminals, centralized estate tracking, monitoring and diagnostics, and consolidated information collection and management reports. Our limo, livery and taxi fleet management solution provides tools for fleets installed with our POS devices, including real-time vehicle and trip/fare activity monitoring, computerized dispatch, vehicle tracking and faster card processing.

These managed solutions are offered globally to retailers, acquirers and merchants in the restaurant and hospitality markets who can host the solution on their own servers, but are also available as part of a total payments solution hosted by us.

Payment-Enabled Media

Our payment-enabled media solutions seek to leverage customer engagement at the POS, in taxis, and at petroleum dispensers.

Our PAYmedia solution is a media content management tool that enables delivery of digital media, including media content of interest to customers, relevant advertisement, and promotions and merchant loyalty programs, through our media-enabled POS devices. PAYmedia has been implemented on our MX devices, including in taxis, in conjunction with our Secure PumpPay devices in petroleum dispensers, or through our LiftRetail platform connected to a merchant's ECR. In addition to delivery of special offers and couponing, our LiftRetail platform is an interactive platform that accommodates loyalty program enrollment and touch screen capabilities so that a customer can immediately scan additional merchandise for purchase. Production, management and delivery of media content can be managed by merchants or outsourced to us.

In conjunction with our in-taxi payment and Secure PumpPay POS devices, we offer digital media content such as local news, weather, traffic, and public service messages, as well as paid advertising, through our VNET media platform. Delivery of the media content may be targeted to a particular geographic location or time of day to optimize customer engagement. Certain of our taxi leasing arrangements for advertising cover the rights to place advertisement on taxi tops or elsewhere on a taxi such as on the trunk or with wraps on the exterior of the taxi. For our VNET platform and other media content on taxis, we typically are engaged by advertisers through ad agencies for display of their advertisements, and we generally do not create or design third-party media content.

In-Taxi Payment Solutions

We provide an integrated suite of hardware, software and services to the taxi industry to enable electronic payment of taxi fares. In-taxi equipment we provide includes our secure electronic payment devices, GPS navigation, wireless communications, and fleet management services. In addition to traditional payment methods, in October 2013, we launched a program that provides riders the option to pay their taxi fare with their American Express membership reward points. All payment transactions made through our in-taxi electronic payment devices are sent wirelessly through our secure payment gateway and we generally earn a per transaction service fee.

Our taxi payment solutions are currently deployed in multiple U.S. cities, including New York City, Philadelphia, Boston, Chicago, Las Vegas, Miami, Baltimore, Washington D.C., and Fort Lauderdale, as well as certain cities in Europe.

Security Solutions

Our security solutions offer clients tools to secure payment transaction data. We have expanded the implementation options of our Secure Commerce Architecture, which directs encrypted payment data from the terminal directly to the processor, thereby eliminating the transfer of payment data through the merchant POS system and simplifying the EMV certification burden. VeriShield Total Protect provides end-to-end encryption coupled with server-based tokenization to securely protect data from the point of capture, whether transmitted from a card or mobile device, to the processor, and tokenizes card data for use post-authorization to eliminate cardholder data from POS applications, networks and servers. In the U.S., the majority of the leading acquirers have selected our end-to-end encryption technology. VeriShield Remote Key enables merchants to remotely and securely manage key injection into PIN pad devices as needed, including as part of scheduled maintenance, in response to changing compliance standards, and in response to suspected security breaches. Our VeriShield Retain file authentication software is designed to secure a merchant's terminal estate against unauthorized third parties executing software on the payment devices. Our VeriFone Secure Data solution allows applications with access to our SRED compliant encryption library to enable point-to-point encryption capabilities.

Server-based Payment Processing Software and Middleware

Our server-based software allows merchants to integrate advanced payment functionality into PC-based and other retail systems seamlessly. These products handle the business logic steps related to an electronic payment transaction (credit, debit, gift, and loyalty), including collection of payment-related information from the consumer and merchant, and communication with payment processors for authorization and settlement. These solutions also enable the functionality of peripherals that connect to PC-based electronic payment systems, including consumer-facing products such as secure PIN pads and signature capture devices. Our PAYware software product line, consisting of server-based, enterprise payment software solutions, now includes card acceptance and merchant acquiring solutions, POS integration software, value-added payment solutions, and card management systems.

Support Services

We offer a suite of support services, including installation, deployment, standard or customized training, and application development and delivery solutions. We support our installed base by providing payment system 24-hour helpdesk support, consulting, training, repair and/or replacement, asset tracking, and reporting. We also offer customized service programs for specific vertical markets in addition to standardized service plans, per incident repair services and annual software maintenance on some of our licensed software products.

We offer professional services for customized application development and delivery solutions. We also provide specific project management services for turn-key application implementations. We also offer client education programs as well as consulting services regarding selection of product and payment methodologies and strategies such as debit implementation. We believe that our client services are distinguished by our ability to perform large-scale customizations for clients quickly and efficiently.

Our payment devices generally carry a standard one-year warranty. For repairs of defective devices covered by such warranties, we either repair or replace the devices at no charge to the client, except for certain shipping and related costs. For repairs of defective devices not covered by such warranty, we offer repair services in many countries or clients may use our authorized service centers to repair the device.

Libraries and Development Tools

We make a broad portfolio of application libraries and development tools available to our large community of internal and third-party application developers, including certain pre-certified software libraries that can be integrated into third-party applications without the need for further card brand certifications. We provide a set of application libraries, or programming modules such as smart card interfaces, contactless card and NFC phone interfaces, and communications drivers with defined programming interfaces that facilitate the implementation of our multi-application system solutions. Further, we maintain application compatibility, including use of standardized application programming interfaces, also known as APIs, and service calls, designed to facilitate the migration of applications to future system solutions.

We also provide developer tool kits that contain industry standard visual development environments (C/C++) along with platform-specific compilers and debuggers. We provide a broad range of support services for our application development communities, including developer training, a dedicated developers' support team, and VeriFone DevNet, an online developers' portal that provides registered developers access to libraries, tools, programming guides, and technical support. Our libraries, developer tool kits, training, and support systems facilitate the rapid growth in deployment of third-party, value-added applications for our system solutions.

We believe that this growing portfolio of value-added applications increases the attractiveness of our solutions to global financial institutions and payment processors by adding services beyond payment transaction processing. We seek to encourage innovation on our terminal platform and intend to encourage continued development of applications for our system solutions.

Customers

Globally, our clients consist primarily of financial institutions, payment processors, large retailers, petroleum companies, transportation companies, government organizations, healthcare companies and quick service restaurants. In our Americas and EMEA segments, we also sell our in-taxi payments solution to taxi fleets and advertising space to advertisers and media companies. We also sell directly to smaller merchants and retailers under our Payment-as-a-Service model, primarily in our EMEA and Asia-Pacific segments. We also sell through third party partners, such as banks and acquirers, system integrators, and independent sales organizations, and channel partners that distribute and resell our products.

The percentage of net revenues from our ten largest clients is as follows:

	Years Ended October 31		
	2014	2013	2012
Percentage of net revenues from our ten largest clients	22.7%	21.8%	22.8%

For information regarding our largest clients by reportable segment, see Note 1, *Principles of Consolidation and Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Historically, we have experienced fluctuations of orders from clients based on the timing of client technology refresh cycles and/or client capital expenditure decisions, which typically drive larger volume orders. Timing of such cycles from larger clients, such as large retailers and processors could cause our net revenues and results of operations to vary from period to period. In addition, the timing of adoption of new technologies, such as EMV in the U.S., and timing of releases of regulatory and industry standards, such as PCI standards, as well as releases of new product introductions can significantly impact net revenues, cost of net revenues and operating expenses. Net revenues from both direct clients and our third-party distributors may decline pending an upcoming standards change or in anticipation of a standards change or new product introduction. However, neither historical patterns of net revenues nor timing of net revenues related to releases of new standards or products should be considered reliable indicators of our future net revenues, results of operations or financial performance.

Sales and Marketing

We sell our products worldwide through our direct sales force or through third-party distributors and partners. Internationally, we rely on distributors to represent us in countries or geographies where we do not have a direct presence. In recent years, we have expanded the number of countries where we have a direct presence, in part through our acquisitions. As we continue to focus on services, we expect a shift to more direct sales and support personnel.

Our sales personnel consists of sales representatives, business development personnel, sales engineers, and customer service representatives with specific vertical market expertise. Our sales teams are supported by client services, manufacturing, product development, and marketing teams to deliver products and services that meet the needs of our diverse client base. Our marketing personnel includes product marketing personnel, account managers, program marketing personnel, and corporate communications and public relations personnel.

As of October 31, 2014, we had 967 sales and marketing employees, representing approximately 18.4% of our total workforce.

Competition

The markets for our System Solutions and Services are highly competitive. We compete based on various factors, including product functions and features, product availability and certifications, pricing, product quality and reliability, design innovation, interoperability with third-party systems, service offerings, support, and brand reputation. We continue to experience intense competition in all of our operating segments from traditional POS terminal providers for both systems solutions and services. In certain more price sensitive markets, typically high growth markets such as China and Brazil, we have seen some competitors introduce increasingly aggressive pricing. We also see new companies entering our markets, including entrants offering some form of mobile-device based payment option. In certain foreign countries, some of our competitors may be more established, benefit from greater local recognition and have greater resources within those countries than we do.

Competition from manufacturers, distributors, or providers of products and services similar to or competitive with our System Solutions or Services could result in lower market share, price reductions, reduced margins, or could render our solutions obsolete. Some smaller local electronic payment terminal vendors, particularly in our Asia-Pacific segment, have also introduced pricing pressures in their markets by offering substantially lower prices. In addition, a number of the financial institutions and payment processors to whom we market our products typically adopt a dual vendor approach for the supply of their POS terminals.

We expect to continue to experience significant competition in the future. We compete globally with suppliers, manufacturers, and distributors of electronic payment systems and services as well as suppliers of ECRs that provide built-in electronic payment capabilities and producers of software that facilitates electronic payments over the Internet. Our primary competitors in these markets for POS terminals and services include Ingenico S.A., PAX Technology, Ltd., SZZT Electronics Co. Ltd., Equinox Payments, CyberNet Inc., and Spire Payments Ltd. We also compete with Gilbarco, Inc. (a subsidiary of Danaher Corporation), International Business Machines Corporation, MICROS Systems, Inc., NCR Corporation, and Wayne, A GE Energy Business. In addition, we face vigorous competition from smaller companies that have been able to develop strong local or regional customer bases.

As we focus on specialty services and increase our emphasis on mobile and full service solutions, as well as on small to medium sized enterprises, we face new competitors, including those who target merchants that are not traditionally our clients or offer competing technologies, such as mobile-based payment dongles or electronic wallets. We believe these competitors are targeting merchants that are our clients.

Most of our clients are large, sophisticated organizations that have significant purchasing power and seek innovative solutions from trusted brands. We believe that we benefit from a number of competitive advantages

gained through our more than 30-year history. These advantages include our globally trusted brand name, large installed base, significant involvement in the development of industry standards, security infrastructure, global operating scale, customizable platforms, and investment in research and development. Additionally, we compete primarily on the basis of the following additional key factors: end-to-end system solutions, industry leading security, product certifications, value-added applications and advanced product features, advanced communications modularity, reliability, supply chain scale and flexibility, and low total cost of ownership.

We expect competition in our industry will be largely driven by the requirements to respond to increasingly complex and evolving technology, industry certifications, and security standards and requirements, as well as market demands for innovative and flexible payment solution options. We also see the prospect of continued consolidation among suppliers of electronic payment systems as they seek inorganic ways to enhance their capability to carry out research and development and seek other efficiencies, such as in procurement and manufacturing. The rapid technological and other changes in the payments industry have led to increased competition from new technologies and competitors both within and outside our traditional industry.

Research and Development

Our R&D activities include design and development of our hardware products and unique operating systems, development of new solutions and applications, attaining applicable certifications and approvals required for our products and solutions, and ensuring compatibility and interoperability between our solutions and those of third parties. We work with our clients to develop system solutions that address existing and anticipated end-user needs. Our development activities are distributed globally and managed primarily from the U.S. Our regional application development centers provide customization and adaptation to meet the needs of clients in local markets.

During fiscal year 2014, as part of our transformation initiatives, we developed plans to consolidate our global R&D sites for hardware and software development, and initiated standardization and consolidation efforts for our gateways, hardware platforms, and software application architecture.

As of October 31, 2014, we had 1,637 research and development employees, representing approximately 31.2% of our total workforce. For the total amounts of our research and development expenses for the fiscal years ended October 31, 2014, 2013, and 2012, see our Consolidated Statements of Operations of this Annual Report on Form 10-K.

Industry Standards and Government Regulations

In order to offer products that connect to payment networks, electronic payment system providers must certify their products and services with card associations, financial institutions, and payment processors, as well as comply with government and telecommunications company regulations.

The following are key standards and requirements that apply to our industry.

Security Standards

Industry and government security standards are implemented to ensure the integrity of the electronic payment process and protect the privacy of consumers using electronic payment systems. We design our product security architecture to meet the requirements of those countries that have the more stringent and specific security requirements, such as Australia, Brazil, Canada, Germany, the Netherlands, New Zealand, Singapore, Sweden, Switzerland, and the United Kingdom.

Card Association Standards

Payment Card Industry Security Standards. Formed in 2006, the PCI SSC develops standards and supporting materials that enhance payment card data security and serve as a framework for the safe handling of cardholder information. The following are the PCI SSC principal standards applicable to our industry.

- PCI Data Security Standard ("PCI DSS") provides a specifications framework for the payment card data security process, including prevention, detection, and appropriate reaction to security incidents.
- PIN Transaction Security ("PTS") provides vendors and manufacturers with the requirements for all
 personal identification number ("PIN") terminals, including POS devices, encrypting PIN pads, and
 unattended payment terminals.
- Payment Application Data Security Standard ("PA-DSS") provides a set of standards to help software vendors and others develop secure payment applications.
- Point-to-Point Encryption ("P2PE") provides a set of requirements for vendors, assessors, and point-to-point encryption solution providers to validate their solutions. P2PE certified solutions may help a merchant reduce the scope of their PCI DSS assessments when using a validated P2PE solution for account data acceptance and processing.

EMV Standards. EMV standards are intended to address the growing need for transaction security and interoperability, and are designed to ensure global smart card interoperability across all electronic payment systems. To ensure adherence to this standard, specific certifications are required for all electronic payment systems and their application software. We maintain EMV certifications across our applicable product lines. EMV has already been adopted in many countries outside the U.S., and we anticipate adoption of EMV in the U.S. within the next several years, in part as card associations seek to incentivize adoption of EMV.

Contactless and NFC System Standards. The major card associations have each established a brand around contactless payment, for example, PayPass for MasterCard, Visa payWave and Visa Wave for Visa, ExpressPay for American Express, ZIP for Discover Financial Services, and J/speedy for JCB. Each contactless payment brand has a complete set of specifications, certification requirements and a highly controlled testing and approval process. In addition to EMVCo standards, there are also regional specification and certification and other payment scheme requirements for contactless such as PBOC in China, CEPAS in Singapore, Interac Flash in Canada, Geldkarte in Germany, and Carte Bancaire in France.

MasterCard PTS and TQM Program. The MasterCard PTS program identifies and addresses stability and security of communications between Internet-enabled POS terminals and the acquirer host system using authentication/encryption protocols approved by MasterCard ensuring transaction data integrity. We have successfully achieved VX product-line compliance with the MasterCard PTS security specification regarding security of Internet connected payment systems. As of May 2010, the MasterCard PTS program was subsumed into a PCI SSC PTS 3.x program known as the Open Protocols module. The Open Protocols module addresses POS devices that are Internet, WIFI, or GPRS enabled to make sure they are secure. The MasterCard PTS program compliance applies to several of our Internet-enabled products including the VX Evolution series payment systems. The MasterCard TQM (Terminal Quality Management) program was created in 2003 to help ensure the quality and reliability of EMV compliant terminals worldwide. MasterCard's TQM program validates the entire life cycle of the product, from design to manufacturing and deployment, and is in addition to the EMV Level 1 certification. We maintain TQM approval across all EMV Level 1 approved products deployed with EMV applications. The TQM program is now extended to contactless payment systems and is a requirement for achieving a full PayPass approval with MasterCard.

Payment Processor/Financial Institution Requirements

U.S. payment processors have two types of certification levels: (1) Class B certification, which ensures that an electronic payment system adheres to the payment processor's basic functional and network requirements; and (2) Class A certification, which adds another stipulation that the processor actively supports the electronic

payment system on its internal helpdesk systems. Attainment of Class A certification, which may take up to twelve months, requires working with each payment processor to pass extensive functional and end-user testing and to establish the help desk related infrastructure necessary to provide Class A support. Attaining Class A certifications increases the number of payment processors that may actively sell and deploy a particular electronic payment system.

Other Regulatory Authorities

Our products must comply with government regulations, including those imposed by the FCC (U.S. Federal Communications Commission) and similar telecommunications authorities worldwide regarding emissions, radiation, safety, and connections with telephone lines and radio networks. Our products must also comply with recommendations of quasi-regulatory authorities and of standards-setting committees. Our electronic payment systems have been certified as compliant with a large number of national requirements, including those of the FCC and Underwriters Laboratory in the U.S. and similar local requirements in other countries. In addition, wireless network service providers mandate certain standards and certifications applicable to connected devices and systems that operate on their networks. Our wireless electronic payment systems have been certified by certain leading wireless carrier networks around the world.

We are also subject to various other legal and regulatory requirements related to the manufacture and sale of our products, such as the U.S. regulations which require us to implement a management system to evaluate and report on the existence of conflict minerals originating in the Democratic Republic of the Congo in our supply chain, the European Union ("EU") directive that places restrictions on the use of hazardous substances (RoHS and RoHS2) in electronic equipment, the EU directive on Waste Electrical and Electronic Equipment (WEEE), the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and the environmental regulations promulgated by China's Ministry of Information Industry (China RoHS). RoHS and RoHS2 set a framework for producers' obligations in relation to manufacturing (including the amounts of named hazardous substances contained in products sold) and WEEE sets a framework for treatment, labeling, recovery, and recycling of electronic products in the European Union. REACH imposes chemicals regulation and controls including requirements for registration of chemicals on the EU market.

Foreign Operations

For our fiscal years ended October 31, 2014 and 2013, our international net revenues accounted for 72.0% and 71.6%, respectively, of our total net revenues. Margins on our sales of products in foreign countries and on sales of our products generally, which include components sourced from foreign suppliers, can be adversely affected by foreign currency exchange rate fluctuations and by international trade regulations, including tariffs and other applicable duties. See "Foreign Currency Transaction Risk" under Item 7A, *Quantitative and Qualitative Disclosures About Market Risk* in this Annual Report on Form 10-K. In certain regions outside the U.S., we rely on third-party distributors to market and sell our products in accordance with our policies for promotional efforts and maintenance of adequate technical expertise with respect to our products, and with our requirements for compliance with applicable laws, including for example, trade regulations applicable to our products and anti-corruption laws. Although we generally have contractual relationships with these third parties, if such third parties do not comply with our requirements, we face potential liability, harm to our brand reputation, and disruptions to our business, which could have a material adverse effect on our results of operations.

We outsource our product manufacturing to various suppliers in the Electronic Manufacturing Services ("EMS") industry. Our primary EMS providers are located in China, Singapore, Malaysia, Brazil, Germany, and Romania. For several of our product lines, we directly ship from our EMS providers to our clients in various countries around the world. Substantially all of our products contain key components that are obtained from foreign sources. These concentrations in external and foreign sources of supply present risks of interruption for reasons beyond our control, including political and other uncertainties. See "Manufacturing Agreements" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

See also Item 1A, *Risk Factors*, in this Annual Report on Form 10-K for additional discussion about the risks that we face related to our foreign operations.

Proprietary Rights

We rely primarily on copyrights, trademarks, patent filings, and trade secret laws to establish and maintain our proprietary rights in our technology and products. We maintain a patent incentive program and patent committee, which encourages and rewards employees to present inventions for patent application and filings.

As of October 31, 2014, we held 363 patents and 88 patent applications filed with various patent offices in 56 jurisdictions throughout the world, including the U.S., Canada, the United Kingdom, the European Union, China, Israel, Italy, India, Australia, Japan, Germany, France, Ireland, Hong Kong, Taiwan, Brazil, and South Africa, among other countries. These patents and patent applications include utility patents, utility models and designs acquired in connection with our acquisitions. We believe that the duration of our patents is adequate relative to the expected lives of our products which generally are expected to be shorter than the terms of our patents due to continual technical innovations in our industry.

We use the VeriFone name and logo globally as an important part of the branding of our company and our products, and we register these trademarks in the key jurisdictions where we do business, including the U.S. and the European Union. As of October 31, 2014, we held trademark registration in 23 jurisdictions (including registration in the European Union that covers a number of country level registrations we had previously filed) for the "VERIFONE" trademark and in 32 jurisdictions (including registration in the European Union that covers a number of country level registrations we had previously filed) for the VERIFONE trademark including our ribbon logo. Our trademark registration also includes our new company logo that is part of our November 2014 new brand identity launch. We currently hold trademark registration in the U.S. and a variety of other countries for our product names and other marks.

We generally have not registered copyrights in our software and other written works. Instead, we have relied upon common law copyright, customer license agreements, and other forms of protection. We use non-disclosure agreements and license agreements to protect software and other written materials as copyrighted and/or trade secrets.

Employees

As of October 31, 2014, we had approximately 5,200 employees worldwide. We have collective bargaining agreements with our employees in France, Spain, Italy, Sweden, and Brazil. Our employees in France and Germany are represented by works councils that have the right to certain information and to participate in certain operational decisions affecting the represented employees, such as relocation of office facilities, compensation and benefits, and working hours. We have not experienced any work stoppages, and we believe that we have good employee relations and relationships with the collective bargaining groups and works councils.

Executive Officers

Our executive officers and their ages as of December 17, 2014 are as follows:

Name	Age	Position
Alok Bhanot	46	Executive Vice President, Engineering & Chief Technology Officer
June Yee Felix	58	President, VeriFone Europe
Paul Galant	46	Chief Executive Officer
Sunil Kappagoda	50	President, VeriFone Asia Pacific and Executive Vice President, Corporate
		Strategy
Albert Liu	42	Executive Vice President, Corporate Development & General Counsel
Jennifer Miles	42	President, VeriFone Americas
William K. Nelson	59	Executive Vice President, Global Product Management and Services
Bulent Ozayaz	41	President, VeriFone Southern Europe, Russia, Middle East and Africa
Marc Rothman	50	Executive Vice President and Chief Financial Officer

Alok Bhanot. Mr. Bhanot has served as our Executive Vice President, Engineering and Chief Technology Officer since December 2, 2013. Prior to joining VeriFone, from June 2013 to November 2013, Mr. Bhanot served as an advisor of Walmart Labs, a unit of Walmart Global e-Commerce, and, from February 2011 to June 2013, as the founder and Chief Executive Officer of Inkiru, Inc., a provider of business intelligence/analytics technology, before it was acquired by Walmart in June 2013. Prior to that, from July 2010 to January 2011, Mr. Bhanot served as the Chief Technology Officer for Rent The Runway, Inc., a company that sells and rents women's fashion products online, and, from April 2009 to June 2010, Executive Vice President for Cooliris, Inc., a software developer of photo viewing applications. From May 2007 to March 2009, Mr. Bhanot served as Vice President, Risk Technology of PayPal and, from January 2006 to March 2009, Vice President, Corporate Architecture of eBay, Inc. Before joining eBay, Inc., from January 2000 to March 2002, Mr. Bhanot served as the Chief Technology Officer of Gradience, Inc., a market data analytics provider. Mr. Bhanot graduated from University of Roorkee (Indian Institute of Technology) with a Bachelor's degree in Mechanical Engineering.

June Yee Felix. Ms. Felix has served as our President, VeriFone Europe since May 26, 2014. Prior to joining VeriFone, Ms. Felix served as Managing Director of Global Enterprise Payments at Citibank, N.A. from February 2011 to May 2014, leading a global business focused on healthcare payments and digital transformation. From October 2002 to November 2009, Ms. Felix served as Global General Manager of Banking and Financial Markets at International Business Machines Corporation, responsible for the overall business results of IBM's largest industry group, covering banks, broker-dealers, payment processors, merchant acquirers and exchanges globally, and led teams that developed new solutions and partnerships in payments, risk management, banking, customer management and data management/analytics. Ms. Felix was the CEO and Chairman of the Board of CertCo LLC, a security and risk management technology company, from January 2000 to June 2002 and Senior Vice President, E-Commerce and Payments Executive of Chase Manhattan Bank from January 1991 to January 2000. Ms. Felix also served as a consultant for Citibank N.A., Permira LLC, a private equity investment firm, in 2010 and for Booz, Allen & Hamilton from August 1985 to December 1989. Ms. Felix holds a B.S. degree in Chemical Engineering (summa cum laude) and Premedical Studies from the University of Pittsburgh.

Paul Galant. Mr. Galant has served as our Chief Executive Office and a director since October 1, 2013. Prior to joining VeriFone, Mr. Galant served as the Chief Executive Officer of Citigroup Inc.'s Enterprise Payments business since 2010. In this role, Mr. Galant oversaw the design, marketing and implementation of global business-to-consumer and consumer-to-business digital payments solutions. From 2009, Mr. Galant served as Chief Executive Officer of Citi Cards, heading Citigroup's North American and International Credit Cards business. From 2007 to 2009, Mr. Galant served as Chief Executive Officer of Citi Transaction Services, a division of Citi's Institutional Clients Group. From 2002 to 2007, Mr. Galant was the Global Head of the Cash Management business, one of the largest processors of payments globally. Mr. Galant joined Citigroup, a

multinational financial services corporation, in 2000. Prior to joining Citigroup, Mr. Galant held positions at Donaldson, Lufkin & Jenrette, Smith Barney, and Credit Suisse. Mr. Galant holds a Bachelor's degree from Cornell University where he graduated a Phillip Merrill Scholar.

Sunil A. Kappagoda. Mr. Kappagoda has served as our President of VeriFone Asia Pacific, overseeing VeriFone's operations in China, India, Greater Asia, Australia, and New Zealand, and as our Executive Vice President of Corporate Strategy, leading the ongoing development of VeriFone's global business strategy since July 25, 2013. Prior to joining VeriFone, from November 1999 to July 2013, Mr. Kappagoda served as a Senior Partner and Managing Director for The Boston Consulting Group, leading its relationships with major U.S. and international financial services organizations. Prior to joining The Boston Consulting Group, from February 1996 to October 1999, Mr. Kappagoda served as a Director of Oliver, Wyman & Company, a financial services consulting firm, and, from September 1990 to January 1996, as a Principal of Booz Allen & Hamilton, Inc.'s financial services practice. Mr. Kappagoda holds a Bachelor's degree in Engineering from Imperial College in London, a Master's degree in Economics from the London School of Economics and a Master's degree in Business Administration from the University of Pennsylvania's Wharton School. He has served as a member of the advisory board for the Imperial College Business School since 2007.

Albert Liu. Mr. Liu serves as our Executive Vice President, Corporate Development and General Counsel. Mr. Liu joined VeriFone in October 2008, as Senior Vice President, General Counsel and Corporate Secretary, and was named Executive Vice President, Corporate Development in August 2011. In his capacity Mr. Liu also serves as Chief Compliance Officer. Prior to joining VeriFone, he was Vice President, Legal and Corporate Development, and Company Secretary for NETGEAR, Inc., a provider of networking solutions, since October 2004. Mr. Liu also previously served as General Counsel, Director of Human Resources and Secretary of Turnstone Systems, Inc., a supplier of digital subscriber line testing equipment and General Counsel and Secretary for Yipes Enterprise Services, a provider of Ethernet connectivity services. Mr. Liu began practicing law with the firm of Sullivan & Cromwell in New York, advising clients on all aspects of corporate and securities law, leading public and private securities offerings, and negotiating and finalizing venture capital investments and contracts. Before entering the legal field, he was a software engineer at Tandem Computers. He holds dual degrees in Computer Science and Political Science from Stanford University, and a J.D (magna cum laude) from the University of California, Hastings College of the Law. He is a member of the State Bar of California.

Jennifer Miles. Ms. Miles has served as our President, VeriFone Americas since March 18, 2013. Ms. Miles joined VeriFone in February 2001 and has served in various management positions, playing an integral role in driving the growth of VeriFone's solutions. Most recently, from August 2011 to March 18, 2013, she served as VeriFone's Executive Vice President, North America, overseeing VeriFone's North America business. Prior to joining VeriFone, Ms. Miles spent six years with Wachovia Bank serving in several roles including sales and product management of corporate treasury and cash management solutions to Fortune 500 companies. Ms. Miles graduated from the University of Georgia with a Bachelor's degree in Business Administration.

William K. Nelson. Mr. Nelson has served as our Executive Vice President, Global Product Management and Services since October 1, 2013. Prior to joining VeriFone, Mr. Nelson served as Executive Vice President, Worldwide Sales for Nuance Communications, a speech recognition technology company, from April 2011. Prior to that, Mr. Nelson was Executive Vice President of North American Sales for SunGuard Availability Services, a provider of managed IT and disaster recovery services, which he joined in 2009. Prior to joining SunGuard, from 2008 to 2009, Mr. Nelson served as Executive Vice President of Global Sales at Nortel Networks, a telecommunications and data networking equipment manufacturer, and, from 2001 to 2008, as Senior Vice President, Resource Management Software and Telecommunications/Media & Entertainment Business Units for EMC Corporation, a provider of data storage, management, protection and analysis services. Mr. Nelson holds a Bachelor's degree in Business Administration with a major in Economics from the University of Massachusetts.

Bulent Ozayaz. Mr. Ozayaz has served as our President, Southern Europe, Russia, Middle East and Africa since March 18, 2013, overseeing our business in these regions. Prior to his current position, he served as Vice President and General Manager of VeriFone Media Solutions as well as Vice President and General Manager of Wireless Solutions, North America Financial Solutions. Mr. Ozayaz joined VeriFone through our acquisition of Lipman Electronic Engineering Ltd. in 2006, where he served as Vice President North America Marketing. Mr. Ozayaz holds a Bachelor's degree in Computer Science and Electronic Engineering and a Master's of Business Administration degree from Hofstra University.

Marc E. Rothman. Mr. Rothman has served as our Executive Vice President and Chief Financial Officer since February 4, 2013. Prior to joining VeriFone, Mr. Rothman served as the Chief Financial Officer of Motorola Mobility, Inc., where he oversaw global financial strategy, financial analysis and reporting, regulatory financial compliance, restructuring activities, and mergers and acquisitions, including involvement in Motorola Mobility's spin-off transaction from its former parent company, Motorola, Inc., as well as the sale of the company to Google in May 2012. At Motorola, he also held a number of senior finance leadership positions across the company, including serving as chief financial officer in several of its business segments (Public Safety, Networks and Enterprise, and Mobile Devices). Mr. Rothman joined Motorola, Inc. through the acquisition of General Instrument in 2000, and at that time he was vice president and corporate controller. He began his career at Deloitte & Touche LLP. Mr. Rothman is a Certified Public Accountant (inactive) in the State of California and graduated from Richard Stockton College with a Bachelor's degree in Business.

Available Information

Our website is located at www.verifone.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission. The reports are also available on the SEC's website at www.sec.gov. Information contained on our website is not incorporated into this Annual Report on Form 10-K, and any references to our website are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

The risks set forth below may adversely affect our business, financial condition, results of operations and cash flows. In addition to the risks set forth below and the factors affecting specific business operations identified with the description of these operations elsewhere in this report, there may also be risks of which we are currently not aware, or that we currently regard as immaterial based on the information available to us, that later prove to be or become material.

Our quarterly operating results may fluctuate significantly as a result of factors outside of our control, which could cause the market price of our stock to decline.

We expect our net revenues and operating results to vary from quarter to quarter. As a consequence, our operating results in any single quarter may not meet the expectations of securities analysts and investors, which could cause the price of our stock to decline. Factors that may affect our operating results include:

- the type, timing, and size of orders and shipments;
- delays in the implementation, including obtaining certifications, delivery and customer acceptance of our products and services, which may impact the timing of our recognition, and amount, of net revenues;
- delays in customer purchases in anticipation of product or service enhancements or due to uncertainty in economic conditions;

- demand for and acceptance of our new product and services offerings;
- changes in competitive conditions, including from traditional payment solution providers and from alternative payment solution providers, and related impacts, such as inventory obsolescence and increased research and development expense;
- the rate at which we transition customers to our services model;
- decisions by our distributors and other customers relating to the overall channel inventories of our products held in a particular quarter;
- concentration in certain of our customer bases;
- changes in economic or market conditions, such as fluctuations in currency exchange rates;
- variations in product and service mix and cost during any period;
- development of new customer and distributor relationships or new types of customers, penetration of new markets and maintenance and enhancement of existing relationships with customers, distributors and strategic partners, as well as the mix of customers in a particular quarter;
- component supply, manufacturing, or distribution difficulties;
- timing of commencement, execution, or completion of major product or service implementation projects;
- timing of governmental, statutory and industry association requirements, such as PCI compliance deadlines or EMV adoption in the U.S. or elsewhere;
- the relative geographic mix of net revenues;
- the fixed nature of many of our expenses;
- changes in credit card interchange and assessment fees, which are set by the credit card networks and
 are a component of the cost of providing some of our newer product offerings, including the Paymentas-a-Service solution and in-taxi payments solutions;
- the introduction of new or stricter laws and regulations in jurisdictions where we operate, such as data protection or data privacy laws and regulations covering hazardous substances, that may cause us to incur additional compliance or implementation costs and/or costs to alter our business operations;
- the introduction of new laws and regulations, or changes in implementation of existing laws and
 regulations, in jurisdictions where we operate that may create uncertainty regarding the business
 operations of our customers or distributors, which may in turn lead to deferred or reduced orders from
 our customers or distributors; and
- business and operational disruptions or delays caused by political, social or economic instability and unrest, such as the ongoing significant civil, political and economic disturbances in Russia, Ukraine and the surrounding areas as well as the political and military conditions in Israel and the Palestinian territories.

In addition, we have experienced in the past and may continue to experience periodic variations in sales in our key vertical and geographical markets. In particular, differences in relative growth rates among our businesses in the U.S. and other regions may cause significant fluctuation in our quarterly operating results, especially our quarterly gross profit margins, because net revenues generated from international markets tend to carry lower margins. These periodic variations occur throughout the year and may lead to fluctuations in our quarterly operating results depending on the impact of any given market during that quarter and could lead to volatility in our stock price.

If we fail to address the challenges and risks associated with international operations, including those through expansion and acquisitions, we may encounter difficulties implementing our strategy, which could impede our growth or harm our operating results.

We are subject to risks and costs associated with operating in foreign countries which could negatively impact our results of operations or cash flows. In addition, if we are not able to effectively manage these risks, our strategy of international expansion will be negatively impacted.

Our international operations expose us to a number of risks, including:

- multiple, changing, and often inconsistent enforcement of laws and regulations;
- local regulatory or industry imposed requirements, including security or other certification requirements;
- competition from existing market participants, including strong global or local competitors that may have a longer history in and greater familiarity with the international markets we enter;
- tariffs and trade barriers;
- higher costs and complexities of compliance with international and U.S. laws and regulations such as import and trade regulations and embargoes, trade sanctions, export requirements and local tax laws;
- laws and business practices that may favor local competitors;
- restrictions on the repatriation of funds, including remittance of dividends by foreign subsidiaries, foreign currency exchange restrictions, and currency exchange rate fluctuations;
- less favorable payment terms and increased difficulty in collecting accounts receivable and developing payment histories that support collectability of accounts receivable and revenue recognition;
- different and/or more stringent labor laws and practices, such as the mandated use of workers' councils and labor unions, or laws that provide for broader definitions of employer/employee relationships;
- different and/or more stringent data protection, privacy and other laws;
- antitrust and competition regulations;
- · changes or instability in a specific country's or region's political or economic conditions; and
- greater difficulty in safeguarding intellectual property in areas such as China, India, Russia, and Latin America.

Many of these factors typically become more prevalent during periods of economic stress, such as the ongoing weakness in the economies of the euro zone countries and volatility in global financial markets that have caused declines in the value of the euro and other currencies impacted by the European sovereign debt crisis, or disruptive events such as natural or man-made disasters or military or terrorist actions. The persistence or occurrence of weakened global economic conditions in one or more regions where we do business may exacerbate certain of these risks. Additionally, these risks and costs associated with operating in foreign countries are heightened with respect to our international expansion into emerging or developing markets, which, for example, tend to experience more economic and political instability or have less developed or sophisticated distribution channels.

We are subject to foreign currency risk including that from economic and political instability which can lead to significant and unpredictable volatility in currency rates, including significant currency devaluations, which may negatively impact our net revenues, gross margins, results of operations and financial position. Although we engage in some hedging of our foreign currency exposures, we do not hedge all such exposures and our hedging arrangements may not always be effective. The uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations and the related European financial restructuring

efforts may cause the value of the Euro to fluctuate. The current political situation in Ukraine, the sanctions imposed against Russia by certain European nations and the U.S., and Russia's response to these sanctions may further increase the economic uncertainty in the affected regions and lead to further fluctuation in the value of foreign currencies, such as the Euro and Russian ruble, used in these regions. See "Fluctuations in currency exchange rates may adversely affect our results of operations" and Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Transaction Risk in this Annual Report on Form 10-K.

In addition, compliance with foreign and U.S. laws and regulations, including changes and additions to such laws and regulations, that are applicable to our international operations is complex and may increase our cost of doing business in international jurisdictions and our international operations could expose us to fines and penalties if we fail to comply with these regulations. These laws and regulations include import and export requirements, trade restrictions and embargoes, exchange control regulations, data privacy requirements, labor laws, tax laws, anti-competition regulations, U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials and other improper payments or inducements, such as the U.K. Bribery Act. Although we have implemented policies, procedures and training designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, distributors, suppliers and agents will not take actions in violation of our policies, particularly as we expand our operations through organic growth and acquisitions, including acquisitions of businesses that were not previously subject to and may not have familiarity with U.S. and other laws and regulations applicable to us or compliance policies similar to ours. For example, as described under the caption "Disclosures of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934" in Part I, Item 1, Business of our Annual Report on Form 10-K filed with the SEC for the fiscal year ended October 31, 2013, in early 2013, we submitted a voluntary disclosure to the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") in connection with certain unauthorized activities by employees of one of our non-U.S. subsidiaries that involved potential violations of sanctions regulations. Any violations of sanctions or export control regulations or other laws could subject us to civil or criminal penalties, including the imposition of substantial fines and interest or prohibitions on our ability to offer our products and services to one or more countries, and could also materially damage our reputation, our brand, our international expansion efforts and our business, and negatively impact our operating results.

If we do not continually enhance our existing solutions and develop and market new solutions and enhancements responsive to technological advancements and customer or end user demand in a timely manner or at all, our net revenues and income will be adversely affected.

The market for electronic payment systems is characterized by:

- rapid technological advancements;
- frequent product introductions and enhancements;
- local certification requirements and product customizations;
- evolving industry and government performance and security standards and regulatory requirements;
- introductions of competitive products, including products that customers may perceive as having better
 functions and features, and alternative payment solutions, such as mobile payments and processing, at
 the POS: and
- rapidly changing customer and end user preferences or requirements.

Because of these factors, we must continually enhance our existing solutions and develop and market new solutions, and we must anticipate and respond timely to these industry, customer and regulatory changes in order to remain competitive. If we cannot develop new products or enhancements to our existing products that satisfy customer or end user demand, or if our new products or product enhancements do not meet local certification requirements or experience delays in the certification process, we will not be able to timely and adequately respond to competitive challenges and technological advancements, and our net revenues and results of

operations will be adversely affected. These efforts require management attention and significant investment in research and development as well as increased costs of manufacturing and distributing our system solutions, and we may not necessarily be able to increase or maintain prices to account for these costs, which will negatively impact our profitability, cash flows and results of operations. Our business has been in the past and continues to be adversely affected by our failure to timely obtain local certifications in some markets for certain of our products.

We cannot be sure that we will successfully and timely complete the development and introduction of new solutions or enhancements or that our new solutions will satisfy customer or end user demand or be accepted in the marketplace. If we fail in either case, we may lose market share to existing or new competitors and competing technologies, our solutions could become obsolete and our net revenues, income and profitability will suffer.

We continue to experience significant and increasing levels of competition from existing and new competitors and a variety of technologies.

The markets for our system solutions and services are highly competitive and rapidly evolving, and we have been and expect to continue to be subject to significant and increasing competition from existing and new competitors and a variety of technologies. Traditionally, we have competed with other large manufacturers and distributors of electronic POS payment solutions, suppliers of cash registers that provide built-in electronic payment capabilities and producers of software that facilitates electronic payment over the Internet. In certain areas, we also compete with smaller companies that have been able to develop strong local or regional customer bases. In certain foreign countries, we compete with companies that are more established, benefit from greater name recognition and have greater resources within those countries than we do. In addition, some of these competitors compete with aggressive pricing. We continue to face significant downward pressures on prices in certain regions, including China, Brazil and India, where price competition is increasingly intense in the POS hardware market, in particular from some local competitors. Any decrease in our selling prices in order to remain competitive in these markets could negatively impact our net revenues, gross margins and results of operations.

New competitors are entering the payments market rapidly with alternative payment solutions at the POS, such as mobile device-based card payment and processing solutions, including providers of "digital wallets" such as Merchant Customer Exchange, or MCX, an initiative supported by Walmart, Target and other major U.S. retailers, Google Wallet, which offer customers the ability to pay on mobile devices through a variety of payment methods, and Apple Pay, which takes advantage of major credit cards' tokenized card data approach and NFC functionality to provide mobile payments solutions, and providers of card readers for mobile devices and of other new POS technologies such as PayPal and Square. Some of these alternative solutions enable payment and processing at the POS without use of traditional payment terminals, such as those we manufacture and sell. In addition, some of these alternative solutions are offered by companies that are significantly larger than we are.

Although a number of industry participants have announced new technologies, initiatives, and/or products that we anticipate our products and services will partner with and benefit from, there can be no guarantee that any of these will be successful. Should any or all of these initiatives fail, it could have a negative impact on our results of operations and cash flows, including due to a loss in the investment that we have made in pursuing these new developments. Furthermore, even if the market does embrace these new technologies, initiatives and products, there is no guarantee that any of these will benefit our business or that our products and services will continue to participate in those technologies, initiatives and products.

As discussed in "If we are unsuccessful in executing on our implementation of the Payment-as-a-Service model and obtaining and maintaining customer acceptance of our service offerings, our net revenues, income and profitability will be adversely affected", the competitive environment for services offerings is complex and very different in each market and, in some markets, our competitors include certain of our customers that distribute our terminals. Some of our competitors may offer more services, have better name recognition in that market or have a longer or more established relationship with customers in that market than we do.

We expect to continue to experience significant and increasing competition. Our net revenues, income and profitability will be negatively impacted if we do not effectively compete with existing competitors and new market entrants. If we cannot develop and offer, in a timely manner, technological features our customers desire or offer alternative solutions that align with shifts to payment on devices other than the traditional POS terminal, we may lose customers and market share, experience price reductions and/or reduced margins, or, in some cases, cease to participate in the market at all.

Security is vital to our customers and end users, and breaches in the security of our solutions could adversely affect our reputation and results of operations.

We operate in an industry that makes us a target of cyber- and other attacks on our systems as well as at our payment solutions. Our business involves the collection, transmission, storage and use of proprietary data or personally-identifying information of our customers, business partners and employees, as well as, in certain cases, end-users of our products or services. We rely on electronic networks, computers, systems, including our gateways, and programs to run our business and operations and, as a result, are exposed to risks of third-party security breaches, employee error, malfeasance, or other irregularities or compromises on our systems which could result in the loss or misappropriation of sensitive data, corruption of business data or other disruption to our operations. As we expand our solutions and services, we may handle increasing volumes of sensitive data, in which case we would expect to increasingly become a target of security breach attempts. We have devoted significant resources to security measures, processes and technologies to protect and secure our networks and systems, but they cannot provide absolute security, especially in light of rapid advances in computer capabilities and cryptography. For example, an increasing number of companies have disclosed breaches of their security systems, some of which have involved sophisticated and highly targeted attacks on their network infrastructure. Because the techniques used to breach security safeguards change frequently, may be difficult to detect for a long time and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

We have in the past experienced and may in the future experience security breaches related to unauthorized access to sensitive customer information. If the security of our solutions is compromised, our reputation and marketplace acceptance of our solutions will be adversely affected, which would cause our business to suffer. In addition, we may be subject to damages claims, lost sales, fines or lawsuits, which could adversely affect our results of operations. Furthermore, the costs associated with preventing breaches in the security of our solutions, such as investment in technology and related personnel and costs associated with the testing and verification of the security of our solutions, could adversely impact our financial condition and results of operations.

Changes in laws and regulations of privacy and protection of user data could adversely affect our business.

We are subject to data privacy and protection laws and regulations that apply to the collection, transmission, storage and use of proprietary information and personally-identifying information. The regulatory environment surrounding information security and data privacy varies from jurisdiction to jurisdiction and is constantly evolving and increasingly demanding. The restrictions imposed by such laws continue to develop and may require us to incur substantial costs, adopt additional compliance measures, such as notification requirements and corrective actions in the event of a security breach, and/or change our current or planned business models. For example, in the U.S., legislation is pending regarding restrictions on the use of geolocation information collected by mobile devices without consumer consent. If adopted, such legislation or any other restrictions imposed on use of location-based information or geolocation tracking could impact our implementation of mobile-based payments solutions that utilize such information or technology.

If our current security measures and data protection policies and controls are found to be non-compliant with relevant laws or regulations in any jurisdiction where we conduct business, we may be subject to penalties and fines, and may need to expend significant resources to implement additional data protection measures. In addition, we may be required to modify the features and functionality of our system solutions offerings in a way that is less attractive to customers.

We may suffer losses due to credit card fraud or similar fraudulent activities.

We are expanding our service solutions offerings. Some of our service solutions offerings include our services as a payment processor of credit card transactions for merchants. We may be subject to losses in the provision of such services in the event of credit card fraud or other fraudulent activities or errors in connection with such transactions. As we expand such service solutions offerings, we increase our exposure to such risks, and our business, results of operations and financial condition may be negatively impacted by such loss. Further, the occurrence of fraud perpetrated on our solutions may result in negative publicity and user sentiment which could harm our brand and reputation and impair our ability to retain or attract users of our solutions.

Our solutions may have defects or experience field failures that could delay sales, harm our brand, increase costs and result in product recalls and additional warranty and other expense.

We offer complex solutions that are susceptible to undetected hardware and software errors or failures. Our solutions may experience failures when first introduced, as new versions are released, or at any time during their lifecycle. We cannot assure you that, despite our testing procedures and controls over manufacturing quality, errors will not be found in our products. Field failure may result from usage with third-party issued payment cards, for example, if such usage generates excess electrostatic discharge. Defects may also arise from third-party components that are incorporated into our products, such as hardware modules, chipsets or battery cells. Our customers may also run third-party software applications on our electronic payment systems. Errors in such thirdparty applications could adversely affect the performance of our solutions. Any product recalls or delays in implementation of our products as a result of, or perceived to be resulting from, our errors or failures could result in the loss of customers, fines incurred by our customers due to failure to comply with payment system rules for which we may be obligated to compensate our customers, loss of or delays in market acceptance of our solutions, diversion of the attention of our research and development personnel from product development efforts and harm to our credibility and relationships with our customers, adversely affect our business and reputation, and increase our product costs which could negatively impact our margins, profitability, and results of operations. Any significant returns or warranty claims for any of our products, including products from acquisitions, could result in significant additional costs to us, such as costs to implement modifications to correct defects, recall and replace products, and defend against litigation related to defective products or related property damage or personal injury, and could adversely affect our results of operations.

Identifying and correcting defects can be time-consuming, costly and in some circumstances extremely difficult. It may take several months to correct software errors, and even longer for hardware defects. The delays in correcting product defects could exacerbate the adverse impact product defects or failures may have on our business, results of operations, financial condition and reputation.

Macroeconomic conditions and economic volatility have in the past and could in future periods materially and adversely affect our business and results of operations.

Our operations and performance depend significantly on global and regional economic conditions. For example, the current continued and prolonged weak macro-economic conditions in Europe and in some euro zone countries have resulted in a slowdown, and in some cases deferrals, of orders by customers, which has adversely impacted our business, financial condition and results of operations. Similarly, the significant slowdown and volatility in the U.S. and international economy and financial markets which began in the latter half of 2008 resulted in reduced demand for our products and adversely affected our business, financial condition and results of operations. The lower-than-expected growth rates in certain emerging market economies in which we operate have also had an adverse effect on our results of operations in these regions. In particular, the slowdown and volatility in the global markets resulted in softer demand in the financial and retail sectors, pricing pressures and more conservative purchasing decisions by customers, including a tendency toward lower-priced products and lower volume of purchases. In some countries where we do business, the weakened economy has resulted in economic instability which has had negative effects, including a decrease in purchasing power due to

currency devaluations. If these weak macro-economic conditions continue or if any economic recovery remains slow and fragile or is not sustained, our net revenues, business, financial condition and results of operations could be adversely impacted.

We expect certain markets where we conduct business, including parts of Europe, to continue to experience weakened or uncertain economic conditions in the near term, and some of our customers, prospective customers, suppliers, distributors and partners will continue to be negatively impacted by the continued global weakness in the economy. We cannot predict the extent and duration of the negative impact that global and regional economic volatility may have on our business, operating results and financial condition. There is no assurance that governments and central banks will take actions to further stimulate the economy or that any such actions will have positive or lasting impacts. Existing stimulus measures may also be withdrawn or reduced, introducing greater economic uncertainty or volatility. Further, conditions such as political situations or terrorist actions in other parts of the world, such as Ukraine and parts of Asia, the continued uncertainty related to economic conditions in the U.S., including the implementation and duration of the so-called "budget sequestration", the ongoing debate in the U.S. Congress regarding the national debt ceiling and federal budget deficit, the potential effect of the recent and any future federal government shutdown, and additional taxes related to changes in the health care law, as well as continued high unemployment rates in the U.S. and some other regions, may negatively impact global economic conditions, including corporate and consumer spending, and liquidity of capital markets. Continued volatility in market conditions, such as fluctuations in foreign currency rates relative to the U.S. dollar, makes it difficult to forecast our financial guidance and/or to meet such guidance. If we fail to meet our financial guidance or the expectations of investment analysts or investors in any period, the market price of our stock could decline.

Continuing political instability in Ukraine, sanctions against Russia, and Russia's response to those sanctions, could materially adversely affect our business, results of operations and financial condition.

In March 2014, the Crimean region of Ukraine was annexed by Russia. In response, other nations, including the U.S., have imposed or are considering imposing, economic sanctions on Russia. Recently, concerns related to the political and military conditions in the region have prompted increasing levels of economic sanctions, targeting certain Russian companies in the finance, energy and defense industries and additional Russian nationals, as well as imposing restrictions on trading and access to capital markets. In response, Russia announced its own trading sanctions against nations that implemented or supported the anti-Russia sanctions, including the U.S. and some European Union nations. A significant amount of our net revenues are from Russia and its surrounding areas, including Ukraine. Continuing political instability in Ukraine and economic sanctions imposed by the U.S., the European Union, or the world community may result in serious economic challenges in Ukraine, Russia and the surrounding areas, and imposition of trade restrictions may delay or prevent shipment of products to or services performed in those countries, resulting in a significant decline in our net revenues. In addition, to the extent it is more difficult for some of our customers to obtain financing or access U.S. dollar currency, due to restrictions on access to international capital markets as a result of the sanctions, our customers' ability to pay could be adversely affected, which could have a material adverse impact on our business, cash flows, results of operations and financial condition. Moreover, uncertain political and military conditions in Russian and Ukraine as well as the sanctions against Russia have led to significant devaluation of local currencies in these two countries, making our U.S. dollar-denominated products more expensive than local currency-denominated products. Further, current and any future retaliatory measures by Russia in response to anti-Russia sanctions could adversely affect European economic conditions, which could in turn affect our business in Europe and elsewhere. Accordingly, continuing political instability in Ukraine, sanctions against Russia and Russia's responses to such sanctions could have a material adverse effect on our business, results of operation and financial condition.

We have significant operations in Israel and therefore our results of operations may be adversely affected by political or economic instability or military operations in or around Israel.

We have offices and personnel in Israel. Therefore, political, economic, and military conditions in Israel directly affect our operations. The outcome of peace efforts between Israel and its Arab neighbors remains uncertain. Any armed conflicts, such as the recent military conflict in the Gaza Strip, or further political instability in the region is likely to negatively affect business conditions and materially harm our results of operations. Furthermore, several countries continue to restrict or ban business with Israel, Israeli companies and companies with significant Israeli operations. These restrictive laws and policies may seriously limit our ability to make sales in those countries.

In addition, many employees in Israel are obligated to perform between 30 to 40 days of military reserve duty annually and are subject to being called for active duty under emergency circumstances. If a military conflict arises, these individuals could be required to serve in the military for extended periods of time. Our operations in Israel could be disrupted by the absence for a significant period of one or more key employees or a significant number of other employees due to military service. Any disruption in our operations in Israel could materially and adversely affect our business.

We have experienced rapid and significant growth in our operations in recent years, and if we cannot manage our expanded operations and also effectively execute on our business strategy, our results of operations will suffer.

We have experienced rapid and significant growth in our operations in recent years, both organically and from acquisitions. If we cannot manage our expanded operations to align with our business strategy, which includes maintaining streamlined and efficient operations while effectively meeting the needs of our broader customer base, managing a competitive portfolio of products, and growing our payment services globally in a cost-effective manner, our results of operations will suffer. In particular, we may not be able to attain desired cost-efficiencies and remain competitive, and any measures we may need to undertake to further align our operations with our business strategy may be costly and could adversely impact our results of operations. If we are unable to successfully execute on our business strategy, our results of operations may also be adversely affected. Furthermore, we cannot be sure that we have made adequate allowances for the costs and risks associated with supporting our expanded operations. Any delay in implementing, or transitioning to, new or enhanced systems, procedures, processes or controls to adequately support our expanded operations, including our expansion into a number of additional international markets, including emerging markets, and our growth in payment services globally may adversely affect our ability to meet customer requirements, manage our product inventory, and record and report financial and management information on a timely and accurate basis.

If we are unsuccessful in executing on our implementation of the Payment-as-a-Service model and obtaining and maintaining customer acceptance of our service offerings, our net revenues, income and profitability will be adversely affected.

A central part of our strategic plan is to increase services offerings so that we can derive higher overall net revenues and margins, develop deeper relationships with our customers and drive more predictable financial results. Following our December 2011 acquisition of Point, we have been implementing Point's Payment-as-a-Service model in multiple jurisdictions. Implementing a new services model is difficult and involves management focus, upfront local infrastructure and capital costs and other resources that could otherwise be utilized in research and development of other hardware and software product offerings, and the build-out of local service and support teams. In addition, the competitive environment for services is very different in each market, and the bundle of services being offered must be customized to compete effectively. Markets may take longer to adopt a Payment-as-a-Service model than we anticipate or may choose not to adopt this model at all. We may also be competing against others, including certain of our customers that distribute our terminals, who already offer similar services. Continued weakness in the global economy may also negatively impact our ability to implement our Payment-as-a-Service model within the time frames we desire and to achieve the benefits we

anticipate. If we are unsuccessful in executing on our implementation of the Payment-as-a-Service model and obtaining and maintaining customer acceptance of our service offerings or are unable to implement the model while also maintaining focus on other key areas of our business or if we are unable to maintain the expected level of margins associated with these service offerings, we may not be able to generate sufficient returns on our investments in the services business and our net revenues, income and profitability will be adversely affected.

Timing for orders for our products and services can be back-end weighted within the fiscal quarter, which can make our net revenues difficult to predict and can negatively impact our business and results of operations.

The timing of our customer orders and related net revenues are often back-end weighted, meaning that during a particular fiscal quarter, a substantial portion of sales orders may be received, substantial product may be shipped, and substantial revenue may be recognized towards the end of the fiscal quarter. Timing of customer orders and related net revenues often become more back-end weighted during economic downturns or periods of uncertainty, as well as in markets where there is uncertainty related to acceptance and/or implementation of our products, such as that related to changes or potential changes in regulations or other local requirements that impact deployment of our products. These effects can also be exacerbated in markets where we depend on a limited number of customers, and where one or a few customers' decisions can have a significant impact on our results of operations in the fiscal quarter. Such back-end loading can also adversely affect our business and results of operations due to a number of additional factors including the following:

- the manufacturing processes at our third-party contract manufacturers could become concentrated in a
 shorter time period. This concentration of manufacturing could increase manufacturing costs, such as
 costs associated with the expediting of orders, and negatively impact our gross margins. The risk of
 higher levels of obsolete or excess inventory write-offs would also increase if we were to hold higher
 inventory levels to counteract this effect;
- the higher concentration of orders may make it difficult to accurately forecast component requirements and, as a result, we could experience a shortage of the components needed for production, possibly delaying shipments and causing lost orders;
- if we are unable to fill orders at the end of a quarter, shipments may be delayed. This could cause us to fail to meet our revenue and operating profit expectations for a particular quarter and could increase the fluctuation of quarterly results if shipments are delayed from one fiscal quarter to the next or orders are canceled by customers; and
- in order to fulfill orders at the end of a quarter, we may be forced to deliver our products using air freight which would result in increased distribution costs.

These factors can cause our net revenues to fluctuate and be difficult to predict in any given fiscal quarter. Any failure to meet our or analysts' revenue or operating profit expectations for a particular quarter could cause the market price of our stock to decline.

A majority of our net revenues are generated outside of the U.S. and we intend to continue to expand our operations internationally. Our results of operations could suffer if we are unable to manage our international expansion effectively.

During the fiscal years ended October 31, 2014, 2013 and 2012, approximately 72%, 72% and 73%, respectively, of our net revenues were generated outside of the U.S. The percentage of net revenues generated outside of the U.S. has increased over recent years and may continue to increase over time. In particular, our acquisition in December 2011 of Point has increased our business in the Nordic regions and elsewhere in Northern Europe and our acquisition in August 2011 of Hypercom has increased our business significantly in the EMEA region and Asia. Part of our strategy is to expand our penetration in existing foreign markets and to enter new foreign markets, particularly emerging markets where we expect to see growth in electronic payments and related services. Our ability to penetrate some international markets may be limited due to different technical

standards, protocols or product requirements. Expansion of our international operations will require significant management attention and financial resources. Certain emerging markets, such as those in the Middle East and Africa, may require longer lead times to develop distribution channels, may involve distribution channels with greater business and operational risk due to their relatively shorter operating histories, may be dependent upon the timing and success of local electronic payments initiatives and related infrastructure investments in such markets, as well as require additional time and effort to obtain product certifications and gain market acceptance for our products. Our international net revenues will depend on our success in a number of areas, including:

- securing commercial relationships to help establish or increase our presence in new and existing international markets;
- hiring and training personnel capable of marketing, installing and integrating our solutions, supporting customers, and effectively managing operations in foreign countries;
- adapting our solutions to meet local requirements and regulations, and to target the specific needs and preferences of foreign customers, which may differ from our traditional customer base in the markets we currently serve;
- building our brand name and awareness of our services in new and existing international markets;
- enhancing our business infrastructure to enable us to efficiently manage the higher costs of operating across a larger span of geographic regions and international jurisdictions; and
- implementing effective systems, procedures, and controls to monitor and manage our operations across our international markets.

As discussed more extensively under "If we fail to address the challenges and risks associated with international operations, including those through expansion and acquisitions, we may encounter difficulties implementing our strategy, which could impede our growth or harm our operating results", if we cannot effectively manage our international expansion, our results of operations could suffer.

We are exposed to credit risk with some of our customers and to credit exposures and currency controls in certain markets, which could result in material losses.

A significant portion of our net revenues are on an open credit basis, with typical payment terms of up to 60 days in the U.S. and longer in some international markets due to local customs or conditions. In the past, there have been bankruptcies among our customer base. Credit risks may be higher and collections may be more difficult to enforce in emerging markets where we conduct business, including for example where the market for our products and solutions is still developing and their acceptance uncertain, and future losses, if incurred, could harm our business and have a material adverse effect on our operating results and financial condition. Also, certain customers that are invoiced in U.S. dollars, such as those based in Venezuela, have experienced, and may continue to experience, difficulties in obtaining U.S. dollars due to local currency controls, and therefore may not be able to remit timely payment to us. Additionally, to the extent that the ongoing uncertainty in the global economy continues to make it more difficult for some customers to obtain financing or access U.S. dollar currency, our customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, cash flows, operating results and financial condition.

If we do not accurately forecast customer demand and effectively manage our product mix and inventory levels, we may lose sales from having too few or the wrong mix of products or incur costs associated with excess inventory.

If we inaccurately forecast demand for our products, we could end up with either excess or insufficient inventory to satisfy demand. This problem is exacerbated because we generally receive a significant volume of customer orders towards the end of each fiscal quarter which leaves us little room to adjust inventory mix to match demand, as discussed under "Timing for orders for our products and services can be back-end weighted".

within the fiscal quarter, which can make our net revenues difficult to predict and can negatively impact our business and results of operations." During the transition from an existing product to a new replacement product, we must accurately predict the demand for the existing and the new product. Furthermore, introducing new products into our current markets or existing products into new markets involves the uncertainty of whether the market will adopt our product in the volumes and time frames that we anticipate or at all. Our inability to properly manage our inventory levels could lead to increased expenses associated with writing off excessive or obsolete inventory, additional shipping costs to meet immediate demand and a corresponding decline in gross margins, or lost sales. If we do not accurately predict demand, we could also incur increased expenses associated with binding commitments to certain third-party contract manufacturers and suppliers which would negatively impact our gross margins and operating results. For example, as of October 31, 2014, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$150.3 million. Of this amount, \$12.8 million has been recorded in Accruals and other current liabilities in our Consolidated Balance Sheets because these commitments are not expected to have future value to us. For additional information regarding our commitments to third-party manufacturers and suppliers, see Note 11, Commitments and Contingencies, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. During times of economic uncertainty, such as the global economic recession that continues to impact certain parts of Europe, it becomes more difficult to accurately forecast demand and manage our inventory levels. Deteriorating market conditions have in the past and can in future periods cause us to incur additional costs associated with excess and obsolete inventory, scrap, and excess inventory held by our contract manufacturers.

We may accumulate excess or obsolete inventory that could result in unanticipated price reductions and write-downs and adversely affect our financial condition.

In formulating our solutions, we have focused our efforts on providing our customers with solutions that have high levels of functionality, which requires us to develop and incorporate new and evolving technologies. This approach tends to increase the risk of obsolescence for products and components we hold in inventory and may compound the difficulties posed by other factors that affect our inventory levels, including the following:

- maintaining significant inventory of components that are in limited supply;
- buying components in bulk for better pricing;
- entering into purchase commitments based on early estimates of quantities for longer lead time components;
- responding to the unpredictable demand for products;
- cancellation of customer orders;
- · responding to customer requests for quick delivery schedules; and
- timing of end-of-life decisions regarding products.

The accumulation of excess or obsolete inventory has in the past resulted in and may in future periods result in price reductions and inventory write-downs and scrap, which could, sometimes materially, adversely affect our business, results of operations and financial condition. For example, as a result of the expiration of PCI 1.3 standards in April 2014, we can no longer sell our products that are only compliant with PCI 1.3 or earlier standards except under limited circumstances, primarily as one-for-one in-kind replacements of devices for repair and replacement. For the fiscal year ended October 31, 2013, we incurred costs for obsolete inventory, scrap, and purchase commitments for excess components at contract manufacturers of \$26.5 million, an increase of \$13.7 million compared to those for the fiscal year ended October 31, 2012, due to lower-than-anticipated system solutions sales volumes and potential obsolescence because of the PCI 1.3 standard expiration.

From time to time, we engage in acquisitions, divestitures, and other strategic transactions that involve numerous enterprise risks and could disrupt our ongoing business and harm our results of operations. We may not be able to address these risks without substantial expense, delay or other operational or financial problems, and may not realize the expected benefits of our acquisitions.

In pursuing our business strategy, we, from time to time, conduct discussions, evaluate opportunities, and complete acquisitions or strategic investments in related businesses, technologies, or products.

The integration of our acquisitions, particularly those that are international in scope, is complex, time-consuming and expensive, and has disrupted, and may continue to disrupt, our business or divert the attention of our management. Achieving the expected benefits of our acquisitions depends in large part on our successful integration of the acquired businesses' operations and personnel with our own in a timely and efficient manner. We cannot ensure that all of our integration efforts will be completed as quickly as expected or that our past or future acquisitions will achieve the expected benefits. These challenges and risks, which are heightened due to the number, size and varying scope of our recently completed acquisitions, include, but are not limited to:

- the need to integrate the operations, business systems, and personnel of the acquired business, technology or product, including coordinating the efforts of the sales operations, in a cost-effective manner;
- the challenge of managing acquired lines of business, particularly those lines of business with which we have limited operational experience;
- the need to integrate or migrate the information technology infrastructures of acquired operations into our information technology systems and resources in an effective and timely manner;
- the need to migrate our acquired businesses to our common enterprise resource planning information system and integrating all operations, sales, accounting, and administrative activities for the combined company, all in a cost-effective and timely manner;
- the need to coordinate research and development and support activities across our existing and newly acquired products and services in a cost-effective manner;
- the challenges of incorporating acquired technologies, products and service offerings into our next generation of products and solutions in an effective and timely manner;
- the potential disruption of our ongoing business, including the diversion of management attention to issues related to integration and administration;
- entering markets in which we have limited prior experience;
- in the case of international acquisitions, the need to integrate operations across different jurisdictions, cultures and languages and to address the particular economic, foreign currency, political, legal, compliance and regulatory risks, including with respect to countries where we previously had limited operations;
- the possible inability to realize the desired financial and strategic benefits from any or all of our acquisitions or investments in the time frame expected, or at all;
- the loss of all or part of our investment;
- the loss of customers and partners of acquired businesses;
- the failure to retain employees from acquired businesses;
- the need to integrate each company's accounting, legal, management, information, human resource and other administrative systems to enable effective management, and the lack of control if such integration is delayed or unsuccessful;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition had lacked such controls, procedures and policies;

- the risk that increasing complexity inherent in operating a larger global business and managing a broader range of solutions and service offerings may impact the effectiveness of our internal controls and adversely affect our financial reporting processes;
- the failure to adequately identify or assess the magnitude of certain liabilities, shortcomings or other
 circumstances prior to acquiring a company, which could result in unexpected litigation, unanticipated
 liabilities, additional costs, unfavorable accounting treatment or other adverse effects; and
- the dependency on the retention and performance of key management and employees of acquired businesses for the day-to-day management and future operating results of these businesses.

Our operating results or financial condition may be adversely impacted by pre-existing claims or liabilities, both known and unknown, of these acquired companies, including claims from current or former customers, terminated employees or other third parties; pre-existing contractual relationships of an acquired company that may contain unfavorable terms or that have unfavorable revenue recognition or accounting treatment; and intellectual property claims or disputes. In addition, the integration process may strain the combined company's financial and managerial controls and reporting systems and procedures and may result in the diversion of management and financial resources from the combined company's core business objectives. There can be no assurance that we will successfully integrate our businesses or that we will realize the anticipated benefits of the acquisitions after we complete our integration efforts.

These risks are heightened and more prevalent in acquisitions of larger businesses or in businesses involving geographies or business lines in which we may have less experience. Future acquisitions and investments could also result in substantial cash expenditures, potentially dilutive issuances of our equity securities and incurrence of additional debt, contingent liabilities and amortization expenses related to other intangible assets that could adversely affect our business, operating results, and financial condition.

We are party to a number of lawsuits and tax assessments and we may be named in additional litigation and assessments, all of which are likely to require significant management time and attention and expenses and may result in unfavorable outcomes that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are currently a party in several litigation proceedings. If any of these proceedings are resolved adversely to us, this could have a material adverse effect on our business, financial condition, results of operations or cash flows. For example, in connection with the restatement of our historical interim financial statements during fiscal year 2007, a number of securities class action complaints were filed against us and certain of our officers, and purported derivative actions were also filed against certain of our current and former directors and officers. As described in Part I, Item 3, *Legal Proceedings* of this Annual Report on Form 10-K, we settled with the plaintiffs in the securities class action case caption *In re VeriFone Holdings, Inc. Securities Litigation* for a total of \$95.0 million. In fiscal year 2013, we recorded a total expense of \$61.2 million for this securities class action, which represents the amount of the settlement that was not covered by insurance.

We are also subject to a number of pending tax assessment matters, particularly in Brazil where such assessments can be difficult to defend and result in substantial losses. Further, our operating results or financial condition may also be adversely impacted by claims or liabilities that we assume from an acquired company or that are otherwise related to an acquisition. For example, in connection with our acquisition of Hypercom, we have, except for certain matters related to the businesses divested by Hypercom, generally assumed all of Hypercom's litigation proceedings and tax assessments, and may also be liable for certain matters arising after closing of the Hypercom divestitures but related to pre-closing operations.

We also are subject to the risk of additional litigation and regulatory proceedings or actions in connection with the restatement of our financial statements. We have responded to inquiries and provided information and documents related to the restatement to the SEC, the U.S. Department of Justice, the New York Stock Exchange,

and the Chicago Board Options Exchange. We were the subject of a Wells Notice from the SEC stating that the staff of the SEC's Division of Enforcement intends to recommend that the SEC bring a civil injunctive action against us, alleging violations of the federal securities laws arising from the restatement, which we settled in November 2009. Although we have settled this matter with the SEC, additional regulatory inquiries may also be commenced by other U.S. federal, state or foreign regulatory agencies. In addition, we may in the future be subject to additional litigation or other proceedings or actions arising in relation to the restatement of our historical interim financial statements.

Furthermore, we are, and in the future may be, involved in various litigation and regulatory matters, such as commercial disputes and labor and employment claims, that arise in the ordinary course of business.

Our insurance policies may not cover certain claims that are filed against us or may not be sufficient to cover all of our costs for defending such actions or paying any damages in the event of an unfavorable outcome. In addition, we may be obligated to indemnify (and advance legal expenses to) both current and former officers, employees and directors in connection with the securities class action and derivative action matters. Although we currently hold insurance policies for the benefit of our directors and officers, such insurance coverage may not be sufficient in some or all of these matters. Furthermore, our insurance carriers may seek to deny coverage in some or all of these matters, in which case we may have to fund the indemnification amounts owed to such directors and officers ourselves. Because we have a number of pending litigation matters, these amounts may be material.

The amount of time and resources required to resolve these lawsuits is unpredictable, and defending ourselves is likely to divert management's attention from the day-to-day operations of our business, which could adversely affect our business, financial condition, and results of operations. We have in the past incurred and expect to continue to incur significant expenses in connection with these matters. Many members of our senior management team and our Board of Directors have devoted and may be required to devote additional time to our pending litigation matters. Certain of these individuals are named defendants in the litigation related to the restatement actions. If our senior management is unable to devote sufficient time in the future to developing and pursuing our strategic business initiatives and running ongoing business operations, there may be a material adverse effect on our business, financial condition and results of operations.

The outcome of litigation and tax assessments is inherently difficult to predict. If any such litigation or tax assessment is resolved adversely to us (whether as a result of a court judgment or a decision by us to settle litigation to avoid the distraction, expense and inherent risks of continued litigation), this could have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, even when we are able to reasonably estimate the probable loss and thus record an accrual for such probable and reasonably estimable loss contingency, the accrual may change due to new developments or changes in our estimates or the amount of our liability could exceed the accrual. For a description of our material pending litigation, see Part I, Item 3, *Legal Proceedings*, of this Annual Report on Form 10-K.

Our business may suffer if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which we depend.

Third parties have in the past asserted and may in the future assert claims that our products and services infringe their proprietary rights. Such infringement claims, even if meritless, may cause us to incur significant costs in defending against or settling those claims, whether directly or as a result of indemnification obligations. We may be required to discontinue using and selling any infringing technology and services, to expend resources to develop non-infringing technology or to purchase licenses or pay royalties for other technology. Similarly, we depend on our ability to license intellectual property from third parties. The third parties from whom we license technology may become unwilling to license to us on acceptable terms intellectual property that is necessary to our business. In addition, we may be unable to acquire licenses for other technology necessary for our business on reasonable commercial terms or at all. As a result, we may be unable to continue to offer the solutions and services upon which our business depends.

We have received, and have currently pending, third-party infringement claims and may receive additional notices of claims of infringement in the future. As we expand into other payment technologies and as competition in this area increases, it is possible that the rate at which third parties bring claims will increase. Infringement claims may cause us to incur significant costs in defending against those claims or to settle claims to avoid costly or protracted litigation even if we believe those claims are without merit. For example, in March 2008, Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC commenced an infringement action against us and others in the Eastern District of Texas, Marshall Division. Although we believe that Cardsoft's claims are without merit, a jury issued a verdict against us and awarded Cardsoft infringement damages and royalties of \$15.4 million, and the District Court confirmed the jury's verdict in its judgment against us and also granted Cardsoft pre-judgment interest, post-judgment interest and certain costs. Infringement claims are expensive and time consuming to defend against, regardless of the merits or ultimate outcome. Although we believe Cardsoft's claims are without merit and have received a favorable ruling on appeal, we have had to expend substantial time and funds to defend these claims over several years, and have had to divert R&D personnel time to complete a redesign of products following the jury's finding of infringement. Similar claims may result in additional protracted and costly litigation. There can be no assurance that we will prevail in any such actions or that any license required under any such patent or other intellectual property would be made available on commercially acceptable terms, if at all. An unfavorable outcome in any such litigation could result in a significant judgment of damages against us, which could materially and adversely impact our operating results, financial condition and cash flows. See Note 11, Commitments and Contingencies, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Fluctuations in currency exchange rates may adversely affect our results of operations.

A substantial portion of our business consists of sales made to customers outside the U.S. A portion of the net revenues we receive from such sales is denominated in currencies other than the U.S. dollar, primarily the British Pound, the Euro, the Swedish Krona and the Brazilian real, and the amount of net revenues in foreign currencies has increased with our acquisitions of Point and Hypercom. Additionally, portions of our cost of net revenues and our other operating expenses are incurred by our international operations and denominated in local currencies, primarily the Euro, Brazilian real, British Pound, and Swedish Krona. Our net revenues, cost of net revenues and operating expenses denominated in the Euro and the Swedish Krona have increased with the Point and Hypercom acquisitions. Fluctuations in the value of these net revenues, costs and expenses as measured in U.S. dollars have historically affected our results of operations, and adverse currency exchange rate fluctuations may have a material impact in the future. Further, changes in exchange rates that strengthen the U.S. dollar could increase the price of our U.S. dollar-denominated products in the local currencies of the foreign markets we serve, making our products relatively more expensive than products that are denominated in local currencies, which could lead to a reduction in our sales and profitability in those markets. In addition, our balance sheet contains monetary assets and liabilities denominated in currencies other than the U.S. dollar, such as cash, intercompany balances, trade receivables and payables, and fluctuations in the exchange rates for these currencies could adversely affect our results of operations.

We have entered into foreign exchange forward contracts intended to hedge a portion of our balance sheet exposure to adverse fluctuations in exchange rates. We have also effectively priced our system solutions products in U.S. dollars in certain countries. Nevertheless, these hedging arrangements can be costly and may not always be effective, particularly in the event of imprecise forecasts of non-U.S. dollar denominated assets and liabilities. Additionally, our efforts to effectively price products in U.S. dollars may have disadvantages as they may affect demand for our products if the local currency strengthens relative to the U.S. dollar. We could be adversely affected when the U.S. dollar strengthens relative to the local currency between the time of a sale and the time we receive payment, which would be collected in the devalued local currency. Accordingly, if there is an adverse movement in one or more exchange rates, we might suffer significant losses and our results of operations may otherwise be adversely affected. Uncertainty in global market conditions has resulted in and may continue to cause significant volatility in foreign currency exchange rates which could increase these risks. As our international operations expand, our exposure to these risks also increases.

Additionally, hedging programs expose us to risks that could adversely affect our operating results, including the following:

- we may be unable to hedge currency risk for some transactions because of a high level of uncertainty or the inability to reasonably estimate our foreign exchange exposures; and
- we may be unable to acquire foreign exchange hedging instruments in some of the geographic areas
 where we do business, or, even where these derivatives are available, we may choose not to hedge
 because of their high cost.

Our international operations tend to carry lower average selling prices, may be subject to greater downward pressure on prices in some markets and may be associated with higher costs, which may promote volatility in our earnings and may adversely impact future growth in our earnings.

Our international sales of system solutions tend to carry lower average selling prices and therefore have lower gross margins than our sales in the U.S. We also face increasing downward pressure on prices in certain international markets such as China, where competition from local low-cost vendors has increased significantly, Brazil, where competition has intensified, and India where we continue to work to expand our business. In addition, the costs associated with international trade may be higher as a result of the importation costs, duties and trade requirements or other import or export control laws and regulations imposed by some jurisdictions where we do business. As a result, any improvement in our results of operations from our international expansion will likely not be as favorable or profitable as an expansion of similar magnitude in the U.S. In addition, we are unable to predict for any future period our proportion of net revenues that will result from international sales versus sales in the U.S. Variations in this proportion from period to period may lead to volatility in our results of operations which, in turn, may depress the trading price of our stock.

We depend on a limited number of customers, including distributors and resellers, for a large percentage of our net revenues. If we do not effectively manage our relationships with them, our net revenues and operating results could suffer.

A significant percentage of our net revenues is attributable to a limited number of customers, including distributors and ISOs. For example, in the fiscal year ended October 31, 2014, one customer accounted for 11.4% of total net revenues in our Americas reportable segment. If we are not able to adequately and timely respond to demands for new or additional products or features from any of our large customers, that customer may decide to reduce its order or not to purchase from us at all, which could have a material adverse effect on our business and results of operations. Our net revenues are dependent in part on the timing of purchases by our large customers. If any of our large customers significantly reduces or delays purchases from us or if we are required to sell products to them at reduced prices or on other terms less favorable to us, our net revenues, profitability, cash flows and net income could be materially and adversely affected.

We depend on distributors and resellers to sell a significant portion of our solutions. If we do not effectively manage our relationships with them, our net revenues and results of operations could suffer.

We sell a significant portion of our solutions through third-party resellers such as independent distributors, ISOs, value-added resellers, and payment processors. We depend on their active marketing and sales efforts. These resellers also provide after-sales support and related services to end user customers, and generally have valuable knowledge and experience with the customer base in the territories they serve. These resellers also provide critical services of developing and supporting the software applications to run on our various electronic payment systems and, internationally, in obtaining requisite certifications in the markets in which they are active. Accordingly, the pace at which we are able to introduce new solutions in markets in which these resellers are active depends on the resources they dedicate to these tasks. Moreover, our arrangements with these resellers typically do not prevent them from selling products of other companies, including our competitors, and such resellers may elect to market our competitors' products and services in preference to our system solutions. In

addition, we may offer similar services as those offered by certain of our resellers as we introduce our Payment-as-a-Service model. If one or more of our major resellers terminate or otherwise adversely change their relationship with us, we may be unsuccessful in replacing such relationship. The loss of any of our major resellers could impair our ability to sell our solutions and result in lower net revenues and income. It could also be time-consuming and expensive to replicate, either directly or through other resellers, the certifications and the applications developed by these resellers.

In addition, orders from our distributors and resellers depend on their sales volumes and inventory management decisions. We have experienced, and may in future periods experience, a significant decrease in our net revenues based on the timing of orders from our distributors, which generally varies based on distributor decisions on managing inventory levels, desired product mix and timing of new product introductions. Declines or deferrals of orders could materially and adversely affect our net revenues, operating results and cash flows.

We may be subject to additional impairment charges due to potential declines in the fair value of our assets.

As a result of our acquisitions, particularly that of Lipman in November 2006, Hypercom in August 2011 and Point in December 2011, we have recorded significant goodwill and intangible assets on our balance sheet. We test goodwill and intangible assets for impairment on a periodic basis as required, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The events or changes that could require us to test our goodwill and intangible assets for impairment include a reduction in our stock price and market capitalization and changes in our estimated future cash flows or changes in rates of growth in our industry or in any of our reporting units or lines of business. For example, in fiscal years 2008 and 2009 we recorded significant goodwill impairment charges.

We performed our annual review for potential indicators of impairment during the fourth fiscal quarter of fiscal year 2014, and concluded that there was no indicator of impairment at October 31, 2014. We will continue to evaluate the carrying value of our goodwill and intangible assets. The process of evaluating the potential impairment of goodwill and intangible assets is subjective and requires significant judgment at many points during the analysis. Our evaluation of potential impairment of goodwill could be negatively affected by a variety of factors, including declines in our stock price, failure to meet our internal forecasts, and weakening of macroeconomic conditions or significant changes in management structure or business strategies. If we determine in the future that there is potential further impairment in any of our reporting units, we may be required to record additional charges to earnings, which could materially and adversely affect our financial results and could also materially and adversely affect our business. See Note 8, *Goodwill and Purchased Intangible Assets*, in the Notes to Consolidated Financial Statements, and Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Goodwill*, of this Annual Report on Form 10-K for additional information related to impairment of goodwill and intangible assets.

The value of our deferred tax assets may not be realizable to the extent our future profits are less than we have projected and we may be required to record valuation allowances against previously-booked deferred tax assets, which may have a material adverse effect on our results of operations and our financial condition.

Our income tax expense includes deferred income taxes arising from temporary differences between the financial reporting and tax bases of assets and liabilities, capital loss carry-forwards and net operating losses. We evaluate the realizability of our deferred income tax assets and assess the need for a valuation allowance on an ongoing basis. In evaluating our deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of our deferred income tax assets depends upon generating sufficient future taxable income during the periods in which our temporary differences become deductible and before our capital loss carry-forwards and net operating losses expire. Our assessment of the realizability of our deferred income tax assets requires significant judgment. If we fail to achieve our

projections or if we need to lower our projections, we may not have sufficient evidence of our ability to realize our deferred tax assets, and we may need to increase our valuation allowance. For example, for the fiscal year ended October 31, 2013 we recorded a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, primarily in the U.S., because our three year cumulative U.S. pretax losses raised uncertainty about the likelihood of realization of those deferred tax assets. For further information regarding this valuation allowance, see Note 5, *Income Taxes*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. There is no assurance that we will not record a valuation allowance in future periods against previously-booked deferred tax assets. Any increase in the valuation allowance would result in additional income tax expense which could have a material adverse effect on our results of operations and financial condition.

Changes in our effective tax rate could adversely affect our results of operations.

Our effective tax rate could be adversely affected by a number of factors, including shifts in the mix of pretax profits and losses by tax jurisdiction, loss or cessation of tax holidays or other tax benefits, our ability to generate tax credits, the tax impact of nondeductible compensation, and changes in accounting rules, tax laws and regulations, and related interpretations, in the jurisdictions in which we operate. The U.S., countries in the European Union and other countries where we do business have been considering changes in tax laws applicable to multinational corporations. These potential changes in tax laws could have an adverse effect on our effective tax rate.

We are subject to ongoing tax audits in various jurisdictions. Although we regularly assess the likely outcomes of such audits in order to determine the appropriateness of our tax provision, such assessments involve significant judgment and there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our net income or financial condition. We have not provided for U.S. federal and state income taxes or foreign withholding taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries. Any changes to these factors could have an adverse effect on our results of operations.

We have previously received tax benefits related to our operations in Israel and Singapore. Our subsidiary in Israel (formerly Lipman) previously received tax benefits under Israeli law for capital investments that were designated as "Approved Enterprises" through October 31, 2009. To the extent that these prior year earnings are distributed or deemed distributed, our Israeli subsidiary could be required to remit corporate income tax on these earnings at the applicable rate, between 12.5% and 36.25%. In addition, our subsidiary in Singapore previously received tax benefits under the Singapore Pioneer Tax Holiday provision (the "Tax Holiday") which expired on October 31, 2012. Our effective tax rate could be adversely affected to the extent that tax authorities in Singapore challenge our Tax Holiday.

Our business and results of operations may be adversely affected if we do not comply with legal and regulatory requirements that apply to our products, including environmental laws and regulations that regulate substances contained in our products.

We may be subject to various other legal and regulatory requirements related to the manufacture and sale of our products, such as a European Union directive that places restrictions on the use of hazardous substances (RoHS and RoHS2) in electronic equipment, a European Union directive on WEEE, the European Union's REACH, and the environmental regulations promulgated by China RoHS. RoHS and RoHS2 sets a framework for producers' obligations in relation to manufacturing (including the amounts of named hazardous substances contained in products sold) and WEEE sets a framework for treatment, labeling, recovery, and recycling of electronic products in the European Union which may require us to alter the manufacturing of the physical devices that include our solutions and/or require active steps to promote recycling of materials and components. REACH imposes chemicals regulation and controls including requirements for registration of chemicals on the European Union market. In addition, similar legislation could be enacted in other jurisdictions, including in the U.S. where many states have already enacted state-level programs and requirements for recycling of certain

electronic goods. In addition, climate change legislation in the U.S. is a significant topic of discussion and may generate federal or other regulatory responses in the near future. If we do not comply with environmental law and regulations, we may suffer a loss of revenue, be unable to sell in certain markets or countries, be subject to penalties and enforced fees, and/or suffer a competitive disadvantage. Customers may impose certain requirements or levels of compliance due to these regulations and programs that may increase our costs of doing business. Furthermore, the costs to comply with RoHS, RoHS2, WEEE, REACH and China RoHS, or with current and future environmental and worker health and safety laws may have a material adverse effect on our business, results of operations and financial condition.

In 2012, the SEC adopted rules pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring disclosure of the use of certain minerals that are mined from the Democratic Republic of Congo and adjoining countries. We filed our first report under the disclosure requirement in June 2014 for the 2013 calendar year. Because our supply chain is complex, in preparation of such report, we were dependent on the implementation of diligence procedures we put in place to determine the sources of conflict minerals that may be used or are necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply in response to the findings resulting from such verification activities, as well as information provided by many of our suppliers. To the extent the information we received from our suppliers is inaccurate or inadequate or our processes in obtaining such information do not satisfy the SEC's diligence requirements, we may be unable to sufficiently verify the origins of conflict minerals used in our products and could face reputational risks. In addition, we have incurred and expect to continue to incur costs associated with complying with these disclosure requirements, including for conducting diligence procedures. Moreover, these rules could adversely affect the sourcing, supply and pricing of materials used in our products, particularly if the number of suppliers offering minerals identified as "conflict minerals" that are sourced from locations other than the Democratic Republic of Congo and adjoining countries is limited. We may also suffer reputational harm if we determine that certain of our products contain minerals not determined to be conflict-free yet are unable to alter our products, processes or sources of supply to avoid such materials.

Our results of operations will suffer if we cannot comply with industry and government regulations and standards, or if changing standards do not continue to drive upgrade cycles.

Our system solutions must meet industry standards imposed by payment systems standards setting organizations such as EMVCo LLC, credit card associations such as Visa, MasterCard, and other credit card associations and standard setting organizations such as PCI SSC, Intermec and the U.K. Cards Association and other local organizations. New standards are continually being adopted or proposed as a result of worldwide antifraud initiatives, encryption of cardholder data, the increasing need for system compatibility and technology developments such as wireless and wireline IP communication. Our solutions also must comply with government regulations, including those imposed by telecommunications authorities and independent standards groups worldwide regarding emissions, radiation, and connections with telecommunications and radio networks, as well as data privacy laws which regulate the collection, compilation, aggregation, sharing or use of consumer information. We cannot be sure that we will be able to design our solutions to comply with future standards or regulations on a timely basis, if at all. Compliance with these standards could increase the cost of developing or producing our solutions. New products designed to meet any new standards need to be introduced to the market and ordinarily need to be certified by the credit card associations and our customers and, in some cases, local certification bodies, before being purchased. These certification processes are costly and time consuming and increase the amount of time it takes to introduce new products and sell our products. Our business has been in the past and continues to be adversely affected by our failure to timely obtain local certifications in some markets for certain of our products. Moreover, certain uses of our products may subject us to additional regulations and licensing requirements. For example, use of our products in taxis requires additional licensing and may subject us to certain taxi business regulations. Our business, net revenues and financial condition could be adversely affected if we cannot comply with new or existing industry standards, or obtain or retain necessary regulatory approval or certifications in a timely fashion, or if compliance results in increasing costs of our products. Selling products that are non-compliant may result in fines against us or our customers, which we may be liable to pay.

In addition, even if our products are designed to be compliant, compliance with certain security standards is determined based on the merchant's or service provider's network environment in which our systems are installed and, therefore, is dependent upon a number of additional factors such as proper installation of the components of the environment including our systems, compliance of software and system components provided by other vendors, implementation of compliant security processes and business practices and adherence to such processes and practices. Our business and financial condition could be adversely affected if we do not comply with new or existing industry standards and regulations, or obtain or retain necessary regulatory approval or certifications in a timely fashion, or if compliance results in increasing costs of our products.

On the other hand, our business also benefits from changes in industry standards and government regulations as well as technological changes, which are large drivers of customer upgrade cycles. For example, if EMV standards are required in the U.S., as currently anticipated, we expect that our business could benefit as customers move to upgrade their systems. Nevertheless, if these or other standards are not implemented on the timeline we expect, or at all, or if they are implemented but we cannot deliver products that comply with these standards in a timely manner or at all, our business will suffer. If customers do not continue to upgrade their terminals due to technological changes or changes in standards or government regulations, demand for our offerings could reach a saturation point, which would adversely affect our results of operations.

Our internal processes and control over financial reporting have in prior periods been deemed inadequate.

In certain prior periods we reported material weaknesses in our internal control over financial reporting, which we have remedied. These material weaknesses in our internal control over financial reporting contributed to our need to restate previously reported interim financial information for each of the first three quarters of our fiscal year ended October 31, 2007, and to the delays in the filing of our Annual Report on Form 10-K for fiscal year 2007. We also were unable to file our quarterly reports on Form 10-Q for our fiscal quarters ended January 31, 2008 and April 30, 2008 on a timely basis.

Although we have implemented improved controls and remedied these material weaknesses, these controls may not be sufficient to detect or prevent errors in financial reporting in future periods and will require continued enhancement to accommodate our rapid growth in operations both organically and from acquisitions. We may hire additional employees and may also engage additional consultants in these and other key areas. Competition for qualified financial control and accounting professionals in the geographic areas in which we operate is intense and there can be no assurance that we will be able to hire and retain these individuals.

Changes to our management and strategic business plan and restructuring activities may cause uncertainty regarding the future of our business, and may adversely impact employee hiring and retention, our stock price, our customer relationships, and our results of operations and financial condition.

We have experienced, and may experience in the future, changes in our management team. In March 2013, following the resignation of our former CEO, our Board commenced an extensive search for a new, permanent CEO while our then Chairman of the Board, Mr. Richard A. McGinn, stepped in as Interim CEO. The Board appointed Mr. Paul Galant as our new CEO, effective October 1, 2013. Earlier in the fiscal year, in February 2013, Mr. Marc Rothman joined VeriFone as CFO following the resignation of our former CFO. Further, during 2013 and 2014, we announced certain other technology, sales, marketing, and operations management changes. During this time of transition, our new executive leadership and our continuing executives have been designing and implementing changes to our strategic business plans, in order to better position the Company for strategic growth and long-term profitability. In addition, we have initiated certain restructuring activities in accordance with our approved restructuring plans, reducing the number of employees and contractors in certain areas and reassigning certain employee duties, and consolidating excess facilities. Our management changes, changes to our strategic business plan, and restructuring activities, as well as the potential for additional changes or activities in the future, may introduce uncertainty regarding our business prospects and may result in disruption of our business and our customer relationships. In addition, these changes and measures could distract our employees,

decrease employee morale, result in failure in meeting operational targets due to the loss of employees and make it more difficult to retain and hire new talent, increase our expenses in terms of severance payments and facility exit costs, both of which could be significant, expose us to increased risk of legal claims by terminated employees, and harm our reputation. These changes and activities could also increase the volatility of our stock price. If we are unable to mitigate these or other similar risks, our business, results of operations, and financial condition may be adversely affected.

We may not successfully implement our transformation initiatives or fully realize the anticipated benefits from our restructuring efforts.

We are in the process of implementing a number of strategic, transformation initiatives intended to redefine our global product management process and portfolio, re-engineer our research and development function and improve our cost structure. As part of these transformation initiatives, in the second and third quarters of fiscal year 2014, our management approved restructuring plans to better align our business organization, operations and product lines to achieve long-term sustainable growth and value, including through workforce reduction and facility consolidations. We cannot assure you that we will be able to successfully implement our transformation initiatives. Further, our ability to achieve the anticipated benefits, including the anticipated levels of cost savings and efficiency, of such transformation initiatives and the restructuring plans within expected timeframes is subject to many estimates and assumptions, which are, in turn, subject to significant economic, market, competitive and other uncertainties, some of which are beyond our control. Further restructuring or reorganization activities may also be required in the future beyond what is currently planned, which could further enhance the risks associated with these activities. There is no assurance that we will successfully implement, or fully realize the anticipated positive impact of, our transformation initiatives and the restructuring plans, in the timeframes we desire or at all.

We may not be able to attract, integrate, manage, and retain qualified personnel.

Our success depends to a significant degree upon the continued contributions of our key senior management, engineering, sales and marketing, and manufacturing personnel, many of whom would be difficult to replace. In addition, our future success also depends on our ability to attract, integrate, manage, and retain highly skilled employees throughout our business. Competition for some of these personnel is intense, and in the past we have had difficulty hiring, in our desired time frame, employees that have the specific qualifications required for a particular position. In particular, we may be unsuccessful in attracting and retaining personnel as a result of the workforce reduction measures we have implemented or may implement in the future. To help attract, retain and motivate qualified personnel, we use share-based incentive awards, such as employee stock options and restricted stock units. If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock, or if our share-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate personnel could be weakened. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel in the future, or delays in hiring required personnel, particularly engineers and sales personnel, could make it difficult for us to manage our business and meet key objectives, such as timely product introductions, and our business and profitability may suffer.

We depend upon third parties to manufacture our systems and to supply the components necessary to manufacture our products.

We utilize a limited number of third parties to manufacture our hardware products pursuant to our specifications and rely upon these contract manufacturers to produce and deliver products on a timely basis and at an acceptable cost or to otherwise meet our product demands. Further, a material portion of these third-party manufacturing activities are concentrated in China. Disruptions to the business, financial stability or operations, including due to strikes, labor disputes or other disruptions to the workforce, of these contract manufacturers, or to their ability to produce the products we require in accordance with our and our customers' requirements, and

particularly disruptions to the manufacturing operations in China including due to geological disruptions such as earthquakes, could significantly affect our ability to fulfill customer demand on a timely basis which could materially harm our net revenues and results of operations. Substantially all of our manufacturing is currently handled by our third-party contract manufacturers and our dependency on our third-party contract manufacturers could exacerbate these risks.

Components such as application specific integrated circuits, or ASICs, microprocessors, wireless modules, modems, and printer mechanisms that are necessary to manufacture and assemble our systems are sourced either directly by us or on our behalf by our contract manufacturers from a variety of component suppliers selected by us. Certain of the components are specifically customized for use in our products and are obtained from sole source suppliers on a purchase order basis. Disruptions to the business, financial stability or operations, including due to strikes, labor disputes or other disruptions to the workforce, of our suppliers, and particularly sole source suppliers, may also impact the availability of components to us in the quantities or within the timeframe we require. Any prolonged component shortage could materially and adversely affect our business and results of operations. Component shortages have resulted in increased costs for certain components and continued cost increases, particularly for critical components, could negatively impact our gross margins and profitability. If our suppliers are unable or unwilling to deliver the quantities that we require within the timeframe that we require, we would be faced with a shortage of critical components. We also experience from time to time an increase in the lead time for delivery of some of our key components. We may not be able to find alternative sources in a timely manner if suppliers of our key components become unwilling or unable to provide us with adequate supplies of these key components when we need them or if they increase their prices. If we are unable to obtain sufficient key required components, or to develop alternative sources if and as required in the future, or to replace our component and factory tooling for our products in a timely manner if they are damaged or destroyed, we could experience delays or reductions in product shipments. This could harm our relationships with our customers and cause our net revenues to decline. Even if we are able to secure alternative sources or replace our tooling in a timely manner, our costs could increase. Any of these events could adversely affect our results of operations.

Shipments of electronic payment systems may be delayed by factors outside of our control, which can harm our reputation and our relationships with our customers.

The shipment of payment systems requires us or our manufacturers, distributors, or other agents to obtain customs or other government certifications and approvals, and, on occasion, to submit to physical inspection of our systems in transit. Failure to satisfy these requirements, and the very process of trying to satisfy them, can lead to lengthy delays in the delivery of our solutions to our direct or indirect customers. Because we depend upon third-party carriers for the timely delivery of our products we may face delays in delivery due to reasons outside our control. Delays and unreliable delivery by us may harm our reputation in the industry and our relationships with our customers and result in canceled orders, any of which could adversely affect our results of operations and business.

Our proprietary technology is difficult to protect and unauthorized use of our proprietary technology by third parties may impair our ability to compete effectively.

We may not be able to protect our proprietary technology, which could enable competitors to develop services that compete with our own. We rely on patent, copyright, trademark, and trade secret laws, as well as confidentiality, licensing and other contractual arrangements to establish and protect the proprietary aspects of our solutions. Institution of legal proceedings to enforce our intellectual property rights could be costly and divert the efforts and attention of our management and technical personnel from other business operations. In addition, there can be no assurance that such proceedings would be determined in our favor. We do not have patent protection for certain important aspects of our current solutions. The laws of some countries in which we sell our solutions and services may not protect software and intellectual property rights to the same extent as the laws in the U.S. If we are unable to prevent misappropriation of our proprietary technology, competitors or others may be able to use and adapt such technology, which could diminish our competitive advantage and cause us to lose customers to competitors.

Force majeure events, such as terrorist attacks, other acts of violence or war and political instability may adversely affect us.

Terrorist attacks, war, and international political instability may disrupt our ability to generate net revenues. Such events may negatively affect our ability to maintain net revenues and to develop new business relationships. Because a substantial and growing part of our net revenues is derived from sales and services to customers outside of the U.S. and we have our electronic payment systems manufactured outside the U.S., terrorist attacks, war, and international political instability anywhere may decrease international demand for our products and inhibit customer development opportunities abroad, disrupt our supply chain, and impair our ability to deliver our electronic payment systems, which could materially and adversely affect our net revenues or results of operations. Economic and political instability, particularly in the Middle East or OPEC member countries, may also disrupt the production or supply of fuel which could increase our costs related to shipment and distribution of our products. Any of these events may also disrupt global financial markets and precipitate a decline in the price of our stock. See also "Continuing political instability in Ukraine, sanctions against Russia, and Russia's response to those sanctions, could materially adversely affect our business, results of operations and financial condition" and "We have significant operations in Israel and therefore our results of operations may be adversely affected by political or economic instability or military operations in or around Israel."

Natural or man-made disasters, business interruptions and health epidemics could delay our ability to receive or ship our products, or otherwise disrupt our business.

Our worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, health epidemics, and other natural or man-made disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our business, our revenue and financial condition, and increase our costs and expenses. If our manufacturers' or warehousing facilities are damaged or destroyed, we would be unable to distribute our products on a timely basis, which could harm our business. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults. Certain key servers and information systems as well as a shared services center are located in Florida, which has in the past experienced major hurricanes and similar extreme weather. Any disruption of our operations in these areas could materially affect our operations and harm our business. In addition, we increasingly rely on our computer systems and servers to conduct our business. For example, much of our order fulfillment process is automated and the order information is stored on our servers. If our computer systems and servers are impaired or cease functioning, even for a short period, our ability to serve our customers and fulfill orders would be disrupted and our net revenues could be materially and adversely affected. Moreover, if our computer information systems or communication systems, or those of our vendors or customers, are subject to hacker attacks or other disruptions, our business could suffer. Although we have systems and facilities in place to run back-up operations in case of a business interruption, these systems and facilities are not yet all fully redundant and we are still in the process of formalizing a comprehensive disaster recovery plan. In addition, our back-up operations may be inadequate and our business interruption insurance may not be enough to compensate us for any losses that may occur, which could adversely affect our business, results of operations and financial condition, as well as harm our reputation, and could cause our stock price to decline significantly.

Risks Related to Our Capital Structure

Our secured credit facility contains restrictive and financial covenants. If we are unable to comply with these covenants, we will be in default. A default could result in the acceleration of our outstanding indebtedness, which would have an adverse effect on our business and stock price.

We have senior secured credit facilities pursuant to a credit agreement (the "Credit Agreement") consisting of a Term A loan facility of \$600.0 million (the "Term A Loan"), a Term B loan facility of \$200.0 million (the "Term B Loan") and a revolving credit facility permitting borrowings of up to \$500.0 million. As of October 31, 2014, we had outstanding loan balances of \$887.0 million under the Credit Agreement.

Our Credit Agreement contains customary covenants that require maintenance of certain specified financial ratios and restricts the ability of certain of our subsidiaries to make certain distributions with respect to their capital stock, prepay other debt, encumber their assets, incur additional indebtedness, make capital expenditures above specified levels, engage in certain business combinations, or undertake various other corporate activities. Therefore, as a practical matter, these covenants restrict our ability to engage in or benefit from such activities. Further, VeriFone, Inc. must limit its leverage ratio and maintain its interest coverage ratio at or above specified thresholds. In addition, we have, in order to secure our repayment obligations under the Credit Agreement, pledged a substantial amount of our assets and properties. This pledge may reduce our operating flexibility because it restricts our ability to dispose of these secured assets or engage in other transactions that may be beneficial to us.

If we are unable to comply with the covenants in our Credit Agreement, we will be in default, which could result in the acceleration of our outstanding indebtedness. If acceleration occurs, we may not be able to repay our debt and we may not be able to borrow sufficient additional funds to refinance our debt. In addition, under the terms of the Credit Agreement, increases in our leverage ratio could result in increased interest rates and, therefore, higher debt service costs. If we were to default in performance under the Credit Agreement, we may pursue an amendment or waiver from our lenders, but there can be no assurance that the lenders would grant such an amendment or waiver and, in light of current credit market conditions, any such amendment or waiver requested is likely to be on terms, including additional fees, as well as increased interest rates and other more stringent terms and conditions that would be materially disadvantageous to us.

See Note 9. *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information regarding our Credit Agreement.

Our indebtedness and debt service obligations under our Credit Agreement are substantial and may adversely affect our cash flow, cash position, and stock price.

Our outstanding indebtedness and debt service obligations are substantial. As of October 31, 2014, we had total indebtedness outstanding of \$887.0 million related to the Credit Agreement. The outstanding principal balance of the Term A Loan is required to be repaid in quarterly installments of the following percentages of the original balance outstanding under the Term A Loan: 1.25% for each quarter from the quarter ended September 30, 2014 through the quarter ending June 30, 2016; 2.50% for each quarter from the quarter ending September 30, 2016 through the quarter ending June 30, 2019, with the balance being due at maturity on July 8, 2019. The outstanding principal balance of the Term B Loan is required to be repaid in equal quarterly installments of 0.25% of the original balance outstanding under the Term B Loan, with the balance being due at maturity on July 8, 2021. Outstanding amounts may also be subject to mandatory prepayment with the proceeds of certain asset sales and debt issuances and, in the case of the Term B Loan only, from a portion of annual excess cash flows (as determined in the Credit Agreement) depending on our total net leverage ratio. See Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for a schedule of the principal payments due under our financings.

We intend to fulfill our debt service obligations from existing cash and cash from operations. A substantial portion of our cash balances and cash generated from operations are held by our foreign subsidiaries. If we decide to distribute or use such cash and cash equivalents outside those foreign jurisdictions, including a distribution to the U.S. we may be subject to additional taxes or costs. In the future, if we are unable to generate or raise additional cash sufficient to meet our debt service obligations and need to use more of our existing cash than planned or to liquidate investments in order to fund these obligations, we may have to delay or curtail the development and/or the sales and marketing of new payment systems and reduce the amount of expected cash flow available for other purposes, including capital expenditures, investments, acquisitions and dividends. If we are unable to generate sufficient cash flows or other sources of liquidity to meet our debt service requirements, our lenders may declare a default on the Credit Agreement which could result in the termination of commitments under the Credit Agreement, the declaration that all outstanding loans are immediately due and payable in whole or in part, and the requirement of cash collateral deposits in respect of outstanding letters of credit.

Interest rates applicable to our debt are expected to fluctuate based on economic and market factors that are beyond our control. In particular, all of the outstanding debt under our Credit Agreement has a floating interest rate. Although we have entered into a swap arrangement that converted the floating interest rate to a fixed interest rate for an aggregate principal amount of \$500.0 million under the Credit Agreement through March 2015, any significant increase in market interest rates, and in particular the short-term LIBOR rates, could result in a significant increase in interest expense on the portion of our debt not covered by such swap arrangement and during periods after the expiration of such swap arrangement, which could negatively impact our net income and cash flows.

Our indebtedness could have significant additional negative consequences, including, without limitation:

- increasing our vulnerability to general adverse economic conditions;
- limiting our ability to obtain additional financing on acceptable terms; and
- placing us at a possible competitive disadvantage to less-leveraged competitors and competitors that have better access to capital resources.

The conditions of the U.S. and international capital markets may have an adverse effect on other financial transactions.

Deterioration in the U.S. and international capital markets has in the past had an adverse effect on certain of our financial transactions, and the credit crisis in the U.S. that began in 2008 continues to result in some softness in the U.S. credit markets. If financial institutions that have extended credit commitments to us, including under the Credit Agreement, or have entered into hedge, insurance or similar transactions with us, are adversely affected by the conditions of the U.S. and international capital markets, they may become unable to fund borrowings under their credit commitments to us or otherwise fulfill their obligations under the relevant transactions, which could have a material and adverse impact on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions, and other corporate purposes.

Some provisions of our certificate of incorporation and bylaws may delay or prevent transactions that many stockholders may favor.

Some provisions of our certificate of incorporation and bylaws may have the effect of delaying, discouraging or preventing a merger or acquisition that our stockholders may consider favorable, including transactions in which stockholders might receive a premium for their shares. These provisions include:

- authorization of the issuance of "blank check" preferred stock without the need for action by stockholders;
- the amendment of our organizational documents only by the affirmative vote of the holders of twothirds of the shares of our capital stock entitled to vote at an election of directors;
- provision that any vacancy on the board of directors, however occurring, including a vacancy resulting from an enlargement of the board, may only be filled by vote of the directors then in office;
- inability of stockholders to call special meetings of stockholders; and
- advance notice requirements for board nominations and proposing matters to be acted on by stockholders at annual stockholder meetings.

Our share price has been volatile and we expect that the price of our stock may continue to fluctuate substantially.

Our stock price has fluctuated substantially since our initial public offering in 2005, for example, due to the announcement of our restatement in December 2007, during the recent turmoil in the worldwide financial markets, and due to the announcement of our preliminary results for the first fiscal quarter of 2013. In addition to

fluctuations related to VeriFone-specific factors, broad market and industry factors may adversely affect the market price of our stock, regardless of our actual operating performance. Factors that could cause fluctuations in our stock price may include, among other things:

- actual or anticipated variations in quarterly operating results;
- changes in our financial guidance or financial estimates by any securities analysts who might cover our stock, or our failure to meet our financial guidance or the estimates made by securities analysts;
- uncertainty about current global economic conditions;
- changes in the market valuations of other companies operating in our industry;
- announcements by us or our competitors related to significant acquisitions, strategic partnerships, or divestitures;
- business disruptions, costs and future events related to shareholder activism;
- · additions or departures of key personnel; and
- sales or purchases of our stock, including sales or purchases of our stock by our directors and officers or by significant stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in San Jose, California. We have material warehouse and distribution facilities located in the U.S., Brazil, France, Sweden and Australia.

In the U.S., we maintain material sales and administrative offices and research facilities in Clearwater, Florida; Scottsdale, Arizona; Rocklin, California; Alpharetta, Georgia; Washington D.C; and Long Island City, New York. Outside the U.S., we maintain material sales and administrative offices, and research facilities in France, India, Brazil, Israel, Sweden, Philippines, New Zealand, Taiwan, China, Germany, Denmark, Norway, Singapore, Australia, Poland, Finland, South Africa, the U.K. and Latvia. In addition to these material locations, we also have smaller offices globally.

We own the office buildings at two of our locations, while the rest of our locations are leased. We are using substantially all of our currently available productive space to develop, store, market, sell, and distribute our products and services. We believe our facilities are in good operating condition, suitable for their respective uses, and adequate for our current needs.

Location	Approximate Square Footage
Americas	656,545
EMEA	583,017
Asia-Pacific	266,961
Total	1,506,523

ITEM 3. LEGAL PROCEEDINGS

Information with respect to legal proceedings may be found in Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, which section is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been quoted on the New York Stock Exchange ("NYSE") under the symbol "PAY" since April 29, 2005. Prior to that time, there was no public market for our stock.

The following table sets forth for the indicated periods, the high and low sale prices of our common stock.

	Fiscal Year 2014 Quarter Ended				Fiscal Year 2013 Quarter Ended			
	Oct. 31 2014	Jul. 31 2014	Apr. 30 2014	Jan. 31 2014	Oct. 31 2013	Jul. 31 2013	Apr. 30 2013	Jan. 31 2013
High	\$37.53	\$37.19	\$34.85	\$29.96	\$23.82	\$23.72	\$35.24	\$35.94
Low	\$29.16	\$31.75	\$27.77	\$22.41	\$18.89	\$15.75	\$18.24	\$28.45

The closing sale price of our common stock on the NYSE was \$34.79 and \$37.26 on December 1, 2014 and October 31, 2014, respectively. As of December 1, 2014, there were approximately 102 stockholders of record. Because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these holders of record.

Dividend Policy

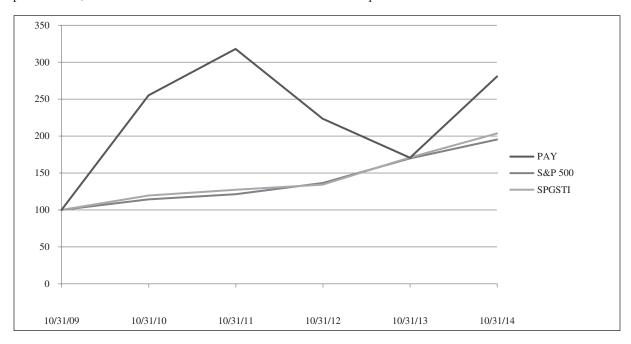
We have not declared or paid cash dividends on our capital stock since our common stock has been listed on the NYSE. We do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain any future earnings to finance our operations, growth, and to repay our debt. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, and will be dependent on earnings, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our Board of Directors deems relevant. In addition, our amended and restated credit agreement contains limitations on the ability of our principal operating subsidiary, VeriFone, Inc., to declare and pay cash dividends. Because we conduct our business through our subsidiaries, as a practical matter these restrictions similarly limit our ability to pay dividends on our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

Information with respect to Securities Authorized for Issuance Under Equity Compensation may be found in Item 12, Security Ownership of Certain Beneficial Owners and Management, and Related Stockholder Matters—Equity Compensation Plan Information, of this Annual Report on Form 10-K, which section is incorporated herein by reference.

Performance Graph

The following graph and table compares the performance of an investment in our common stock over the period of November 1, 2009 through October 31, 2014, beginning with an investment at the closing market price on October 31, 2009, and thereafter, based on the closing price of our common stock on the market, with the S&P 500 Index and the S&P North American Technology Index ("SPGSTI"). The graph and table assume \$100 was invested on the start date at the price indicated, and that dividends, if any, were reinvested on the date of payment without payment of any commissions. The performance shown in the graph and table represents past performance, and should not be considered an indication of future performance.



	October 31, 2009	October 31, 2010	October 31, 2011		,	October 31, 2014
VeriFone Systems, Inc.	\$100.00	\$254.36	\$317.37	\$222.86	\$170.38	\$280.15
S&P 500 Index	\$100.00	\$114.19	\$120.95	\$136.28	\$169.52	\$194.76
S&P North American Technology Index	\$100.00	\$119.11	\$127.10	\$134.21	\$170.52	\$203.29

The information provided above under the heading "Performance Graph" shall not be considered "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and the accompanying notes appearing in Item 8, *Financial Statements and Supplementary Data*, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included elsewhere in this Annual Report on Form 10-K. The selected data in this section is not intended to replace our Consolidated Statements of Operations and Consolidated Balance Sheets.

	Years Ended October 31,						
	2014 (1)(2)(3)	2013 (4)(5)	2012 (6)	2011 (7)	2010		
		(In thousa	nds, except per	share data)			
Consolidated Statement of Operations Data:							
Net revenues	\$1,868,874	\$1,702,221	\$1,865,971	\$1,303,866	\$1,001,537		
Operating income (loss)	\$ 5,885	\$ (66,354)	\$ 147,545	\$ 105,710	\$ 102,424		
Net income (loss) attributable to VeriFone							
Systems, Inc. stockholders	\$ (38,130)	\$ (296,055)	\$ 65,033	\$ 282,404	\$ 98,827		
Net income (loss) per share attributable to	, , ,	,					
VeriFone Systems, Inc. stockholders:							
Basic	\$ (0.34)	\$ (2.73)	\$ 0.61	\$ 3.06	\$ 1.16		
Diluted	\$ (0.34)			\$ 2.92	\$ 1.13		
	As of October 31,						
	2014 (3)(4)	2013 (5)	2012 (6)	2011 (7)	2010		
			(In thousands)				
Consolidated Balance Sheet Data:							
Cash and cash equivalents	\$ 250,187	\$ 268,220	\$ 454,072	\$ 594,562	\$ 445,137		
Total assets	\$2,702,243	\$2,993,720	\$3,490,607	\$2,313,561	\$1,075,326		
Current and long-term debt and capital							
leases	\$ 883,171	\$1,035,861	\$1,307,617	\$ 483,811	\$ 473,511		

- (1) In fiscal year 2014 we recorded an \$18.1 million restructuring charge as part of cost optimization and corporate transformation initiatives. For further information, see Note 10, *Restructurings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (2) In fiscal year 2014 we released a \$19.9 million litigation loss contingency expense, plus estimated potential ongoing royalties and interest, related to a favorable ruling in a patent infringement litigation captioned *Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC v. VeriFone Holdings, Inc. et al.* For further information, see Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (3) In fiscal year 2014 we made early payments against, and then amended and restated the 2011 Credit Agreement. As part of the amendment and restatement, amounts borrowed, together with cash on hand, were used to repay the \$938.6 million outstanding balance on the credit agreement as well as the costs associated with the amendment and restatement. In connection with these transactions we expensed \$4.1 million of debt amendment costs and accelerated \$5.2 million of interest expense on previously capitalized debt issuance costs associated with extinguished debt. For further information, see Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (4) In fiscal year 2013 we recorded a \$64.4 million litigation loss contingency expense primarily related to the then pending securities class action captioned, *In re VeriFone Holdings, Inc. Securities Litigation*, and the related Israel class action. In fiscal year 2014 we paid \$61.2 million into an escrow account to fund the uninsured portion of the settlement in this securities class action. For further information, see Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (5) In fiscal year 2013 we recorded a \$245.0 million valuation allowance against a significant portion of our deferred tax assets. For further information, see Note 5, *Income Taxes*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

- (6) In fiscal year 2012 we entered into the 2011 Credit Agreement and borrowed \$1.45 billion. The proceeds were used to acquire Point for \$1.02 billion and, along with the available cash, pay off \$496.0 million of prior debt. For further information, see Note 2, *Business Combinations*, Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, and *Liquidity and Capital Resources* in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.
- (7) In fiscal year 2011 we acquired Hypercom Corporation. In addition, we recorded a \$210.5 million tax benefit as a result of recognizing a portion of our deferred tax assets in the United States.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section and other parts of this Annual Report on Form 10-K and certain information incorporated by reference herein contain forward-looking statements that involve risks and uncertainties. In some cases, forwardlooking statements can be identified by words such as "may," "should, "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of such terms, or comparable terminology. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, and management's beliefs and assumptions, and do not reflect the potential impact of any mergers, acquisitions, or other business combinations or divestitures that have not been completed. Forward-looking statements are not guarantees of future performance, and our actual results may differ materially from the results expressed or implied in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Item 1A, Risk Factors above, and elsewhere in this report, including our disclosures of Critical Accounting Policies and Estimates in Item 7, our disclosures in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, as well as in our Consolidated Financial Statements and accompanying notes included elsewhere in this Form 10-K. We are under no duty to update any of the forward-looking statements after the date of this Annual Report on Form 10-K to conform such statements to actual results or to changes in expectations. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is provided in addition to our Consolidated Financial Statements and accompanying notes to assist readers in understanding our results of operations, financial condition, and cash flows. This section is organized as follows:

Overview: Discussion of our business and overall financial results, and other highlights related to our results of operations for the periods presented.

Results of Operations:

- Consolidated Results of Operations: An analysis and discussion of our financial results comparing our consolidated results of operations for the fiscal year ended October 31, 2014 to the fiscal year ended October 31, 2013, and the fiscal year ended October 31, 2013 to the fiscal year ended October 31, 2012.
- **Segment Results of Operations**: An analysis and discussion of our financial results comparing the results of operations for each of our three reportable segments, Americas, EMEA, and Asia-Pacific, for the fiscal year ended October 31, 2014 to the fiscal year ended October 31, 2013, and the fiscal year ended October 31, 2013 to the fiscal year ended October 31, 2012.

Financial Outlook: A discussion of our expectations regarding certain trends that may affect our financial condition and results of operations.

Liquidity and Capital Resources: An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.

Contractual Obligations and Off-Balance Sheet Arrangements: Disclosures related to our contractual obligations, contingent liabilities, commitments, and off-balance-sheet arrangements, as of October 31, 2014.

Critical Accounting Policies and Estimates: A discussion of the accounting policies and estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts, as well as recent accounting pronouncements that have had or are expected to have a material impact on our results of operations.

Overview

Our Business

We are a global leader in secure electronic payment solutions at the point of sale ("POS"). We provide expertise, solutions and services that add value at the POS and enable innovative forms of commerce. For over 30 years, we have been a leader in designing, manufacturing, marketing and supplying a broad range of innovative payment solutions and complementary services that enable secure electronic payment transactions and value-added services at the POS. We focus on delivering value to our clients at the POS where merchant and consumer requirements drive increasingly innovative POS payment capabilities, value-added services that increase merchant revenues and consumer experience and solutions that enrich the interaction between merchant and consumers. Key industries in which we operate include financial services, retail, petroleum, restaurant, hospitality, taxi, transportation, and healthcare.

We operate in three business segments: Americas, EMEA, and Asia-Pacific. Our Americas segment includes our operations in North America, South America, Central America, and the Caribbean. Our EMEA segment is comprised of our operations in Europe, Russia, the Middle East, and Africa. Our Asia-Pacific segment consists of our operations in Australia, New Zealand, China, India and throughout the rest of Greater Asia, including other Asia-Pacific Rim countries. We determine our operating segments based on the discrete financial information used by our Chief Executive Officer, who is our chief operating decision maker, to assess performance, allocate resources, and make decisions regarding VeriFone's operations. Our Chief Executive Officer is evaluating using global product line financial information to manage the business in the future. If our Chief Executive Officer is provided different financial information to assess performance, allocate resources and make decisions regarding VeriFone's operations, we will reassess our operating segment presentation.

Our Sources of Revenue

Sales of our point of sale electronic payment devices and systems continue to be a significant source of revenues. These system solutions consist of point of sale electronic payment devices that run our unique operating systems, security and encryption software, and certified payment software, and that are designed to suit our clients' needs in a variety of environments, including traditional multilane and countertop implementations, self-service or unattended environments, as well as in-vehicle and portable deployments. Our system solutions can securely process a wide range of payment types including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification, or RFID, cards, smart cards, pre-paid gift and other stored-value cards, electronic bill payment, check authorization and conversion, signature capture and electronic benefits transfer, or EBT. Our unique architecture enables multiple value-added applications, including third-party applications, such as gift card and loyalty card programs, healthcare insurance eligibility, and time and attendance tracking, and allows these services to reside on the same system without requiring recertification upon the addition of new applications. Security continues to be an important factor for our clients and we have experienced increasing demand for EMV capable terminal solutions.

We continue to invest in developing a broad portfolio of service solutions complementary to our systems solutions and designed to meet a wide range of merchant and partner needs, including removing complexity from payments, increasing ease of use, adding value by enriching the consumer experience at the POS and helping our clients grow their businesses and strengthening their relationships with consumers. Services are an increasingly important part of our business and revenues, accounting for approximately 37.8% of our total net revenues in our fiscal year ended October 31, 2014. Our service offerings include our Payment-as-a-Service solutions, managed services and terminal management solutions, payment-enabled media, in-taxi payment solutions, security solutions, and other value-added services at the point of sale. We also offer a host of support services, including software development, installation and deployment, warranty, post-sale support, repairs, and training.

Timing of Revenue

The timing of our customer orders may cause our revenue to vary from period to period. Specifically, revenues recognized in our fiscal quarters can vary significantly when larger customers or our distributors delay

orders due to regulatory and industry standards compliance, budget considerations, product feature availability, dual vendor sourcing requirements, technology refresh cycles, economic conditions or other concerns that impact their business or purchase decisions. For example, the timing of customer orders is often impacted by the timing of technology refreshes or the timing of completed product certifications by a particular customer or in a particular market. Customer purchases have also been impacted by the impact of regulatory factors such as new or pending banking regulations and government initiatives to drive cashless transactions.

In addition, revenues can be back-end weighted when we receive sales orders and deliver a higher proportion of our System solutions toward the end of our fiscal quarters. This variability and back-end weighting of orders may adversely affect our results of operations in a number of ways, and could negatively impact revenues and profits. First, the product mix of orders may not align with manufacturing forecasts, which could result in a shortage of the components needed for production. Second, existing manufacturing capacity may not be sufficient to deliver the desired volume of orders in a concentrated time when they are received. Third, backend weighted demand could negatively impact gross margins through higher labor, delivery, and other manufacturing and distribution costs. If, on the other hand, we were to seek to manage the fulfillment of backend weighted orders through holding increased inventory levels, we would risk higher inventory obsolescence charges if our sales fall short of our expectations.

Because our revenue recognition depends on, among other things, the timing of product shipments, decisions we make about product shipments, particularly toward the end of a fiscal quarter, may impact our reported revenues. The timing of product shipments may depend on a number of factors, including price discussions with our customers, operating costs, including costs of air shipments if required, the delivery date requested by customers, and our operating capacity to fill orders and ship products, as well as our own long and short-term business planning and supply chain management. These factors may affect timing of shipments and consequently revenues recognized for a particular period.

Significant Matters

Transformation Initiatives

During December 2013 we launched a transformation program that focuses on three initiatives: portfolio management, research and development re-engineering, and cost optimization. Savings from the cost optimization initiative are being re-invested in the first two initiatives, as we focus on our future product roadmap and efforts to improve product quality and time-to-market. As part of this transformation program, our management has approved restructuring plans to reduce headcount, and consolidate facilities and data centers. We have incurred \$18.1 million in restructuring charges during fiscal year 2014 and we expect to incur additional charges totaling approximately \$2.4 million during fiscal year 2015. See Note 10, *Restructurings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for further information on these restructuring plans.

Credit Agreement

On December 28, 2011, we entered into an agreement for a \$1.50 billion credit facility, against which we borrowed \$1.45 billion to fund the acquisition of Point, repay previously outstanding debt, and fund the financing costs of this credit agreement.

On December 24, 2013, we paid in full the \$48.4 million then outstanding balance of the term B loan under this credit agreement. This payment was partially funded through \$47.0 million of additional borrowings under the revolving loan that is part of the same credit agreement. During April 2014, we made \$35.0 million of additional voluntary pre-payments on the revolving loan facility that was part of this credit agreement.

On July 8, 2014, we amended and restated the credit agreement to extend the maturity dates, provide more favorable interest rates, and make certain changes to the covenants and other terms of this credit agreement. As part of the amendment and restatement, the outstanding loan balances were repaid in full, and new debt was

issued. The amended and restated credit agreement provides for an aggregate amount of up to \$1.3 billion of debt consisting of a \$600.0 million term A loan, \$200.0 million term B loan and \$500.0 million revolving loan commitment. The initial amounts borrowed, together with cash on hand, were used to repay the \$938.6 million outstanding balance on the original credit agreement as well as the costs associated with the amendment and restatement.

Key terms of the amended and restated credit agreement are described in Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Litigation Related Matters

On October 17, 2014, we received a favorable appellate court ruling whereby a previous unfavorable district court judgment in a patent infringement litigation captioned *Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC v. VeriFone Holdings, Inc. et al.*, was reversed and a ruling of non-infringement issued on appeal. Prior to the favorable ruling, we had accrued a total of \$19.9 million for potential damages, estimated potential ongoing royalties, and associated interest related to this matter. In October 2014, we reversed the total estimated amounts accrued for this matter after we determined that it was unlikely that the Federal Circuit's ruling would be reversed.

On May 27, 2014, we entered into a confidential settlement agreement to settle an action against us alleging breach of contract and related claims captioned, *Creative Mobile Technologies*, *LLC v. VeriFone Systems, Inc. et al.* for a total consideration of \$9.0 million. On June 5, 2014, the court dismissed the case based on the parties agreement to settle this matter.

On November 5, 2013, we paid \$61.2 million into an escrow account to fund the uninsured portion of the settlement pursuant to preliminary court approval of a securities class action filed against us captioned, *In re VeriFone Holdings, Inc. Securities Litigation*. This amount was funded from cash on hand and available credit under the revolving loan of our 2011 Credit Agreement. Our insurance carriers paid the remaining \$33.8 million settlement amount into that escrow account. The settlement has been finally approved by the district court and, on June 2, 2014, the U.S. Court of Appeals for the Ninth Circuit issued its order and mandate dismissing the appeal with prejudice.

See Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for further information on these litigation related matters.

Valuation Allowance on Deferred Tax Assets

During fiscal year 2013, we recorded a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, primarily in the U.S., because our three year cumulative U.S. pretax losses raised uncertainty about the likelihood of realization of those deferred tax assets. This accounting treatment has no effect on our actual ability to utilize deferred tax assets such as loss carryforwards and tax credits to reduce future cash tax payments. See *Critical Accounting Policies and Estimates* included within this Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 5, Income *Taxes*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information related to our tax valuation allowances.

Point Acquisition

On December 30, 2011, we completed our acquisition of Point, Northern Europe's largest provider of payment and gateway services and solutions for retailers, for a total cash purchase price of €793.3 million, (approximately USD \$1.02 billion at foreign exchange rates on the acquisition date.) We acquired Point to,

among other things, provide a broader set of product and service offerings to customers globally, including expansion in the Northern European markets. The results of operations of Point have been included in our financial results effective December 30, 2011. See Note 2, *Business Combinations*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for further information on this acquisition.

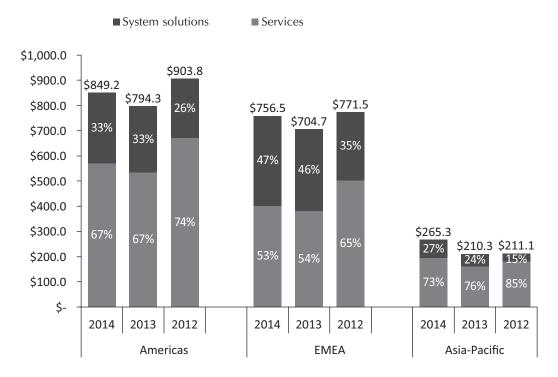
Financial Results Highlights

Overall

- Our net revenues for the fiscal year ended October 31, 2014 were \$1.9 billion, an increase of 9.8% year over year.
- Operating income in the fiscal year ended October 31, 2014 totaled \$5.9 million, up from a loss of \$66.4 million for the prior fiscal year.
- Net cash provided by operating activities for the fiscal year ended October 31, 2014 totaled \$199.1 million.

Segment Revenues

The following chart summarizes our total net revenues by segment for the fiscal years 2014, 2013 and 2012 (in millions), as well as our System solutions and Services net revenues in each segment as a percentage of total net revenues for that segment in each period.



Consolidated Results of Operations

	Years Ended October 31,							
	2014	% of Net revenues (1)	2013	% of Net revenues (1)	2012	% of Net revenues (1)		
		(in	thousands, exc	ept percentag	ges)			
Net revenues:								
System solutions	\$1,162,226	62.2%	\$1,068,444	62.8%	\$1,339,024	71.8%		
Services	706,648	37.8%	633,777	37.2%	526,947	28.2%		
Total net revenues	1,868,874	100.0%	1,702,221	100.0%	1,865,971	100.0%		
Gross margin:								
System solutions	429,183	36.9%	373,185	34.9%	527,383	39.4%		
Services	295,534	41.8%	272,004	42.9%	228,458	43.4%		
Total gross margin	724,717	38.8%	645,189	37.9%	755,841	40.5%		
Operating expenses:								
Research and development	203,737	10.9%	173,318	10.2%	152,001	8.1%		
Sales and marketing	217,453	11.6%	196,594	11.5%	179,694	9.6%		
General and administrative	208,694	11.2%	181,100	10.6%	175,174	9.4%		
Litigation settlement and loss								
contingency expense (benefit)	(8,632)	(0.5)%	64,371	3.8%	17,632	0.9%		
Amortization of purchased								
intangible assets	97,580	5.2%	96,160	5.6%	83,795	4.5%		
Total operating expenses	718,832	38.5%	711,543	41.8%	608,296	32.6%		
Operating income (loss)	5,885	0.3%	(66,354)	(3.9)%	147,545	7.9%		
Interest, net	(42,472)	(2.3)%	(44,344)	(2.6)%	(58,431)	(3.1)%		
Other income (expense), net	(3,297)	(0.2)%	3,740	0.2%	(20,761)	(1.1)%		
Income (loss) before income taxes	(39,884)	(2.1)%	(106,958)	(6.3)%	68,353	3.7%		
Income tax provision (benefit)	(3,442)	(0.2)%	188,043	11.0%	2,050	0.1%		
Consolidated net income (loss)	\$ (36,442)	(1.9)%	\$ (295,001)	(17.3)%	\$ 66,303	3.6%		

⁽¹⁾ System solutions and Services gross margin as a percentage of total net revenues is computed as a percentage of the corresponding System solutions and Services net revenues.

Fiscal Year 2014 compared to Fiscal Year 2013

System solutions net revenues for the fiscal year ended October 31, 2014 were \$1.16 billion, compared to \$1.07 billion for the fiscal year ended October 31, 2013, up \$93.8 million or 8.8%, due to increases in all our segments primarily driven by timing of customer purchase decisions, technology refreshes by some of our large customers and government sponsored initiatives to expand cashless payments in some regions. System solutions net revenues increased by \$37.0 million in our Americas segment, \$20.5 million in EMEA, and \$33.5 million in Asia-Pacific. See further discussion under Segment Results of Operations below.

Services net revenues for the fiscal year ended October 31, 2014 were \$706.6 million, compared to \$633.8 million for the fiscal year ended October 31, 2013, up \$72.9 million or 11.5%, primarily as a result of growth in Services net revenues in all of our segments as discussed further under Segment Results of Operations below. Of this increase, \$24.0 million was due to our fiscal year 2013 acquisitions.

Total gross margin for the fiscal year ended October 31, 2014 was \$724.7 million, or 38.8% of total net revenues, compared to \$645.2 million, or 37.9% of total net revenues, for the fiscal year ended October 31, 2013, up \$79.5 million or 0.9 percentage point. Gross margin in dollars increased primarily due to the increase in total net revenues. In addition, Gross margin in dollars increased in fiscal year 2014 due to a \$14.7 million decrease in

costs for obsolete inventory, scrap, and purchase commitments for excess components at contract manufacturers. Gross margin in percentage of total net revenues increased primarily due to changes in customer and product mix, partially offset by pricing pressures.

Research and development for the fiscal year ended October 31, 2014 was \$203.7 million compared to \$173.3 million for the fiscal year ended October 31, 2013, up \$30.4 million or 17.6%, primarily due to an increase in personnel and outside contractor expense as we increased investment in corporate research and development, including re-investment of savings from transformation initiatives, as we continued to focus on our future product road map, platform development efforts and shortening of our product development life-cycle and time to market. The increase includes a \$5.6 million increase in restructuring expense.

Sales and marketing for the fiscal year ended October 31, 2014 was \$217.5 million, compared to \$196.6 million for the fiscal year ended October 31, 2013, up \$20.9 million or 10.6% primarily due to additional investment in resources associated with the expansion of our Services offerings into new geographies and enhanced client service. The increase includes restructuring expense totaling \$4.7 million.

General and administrative for the fiscal year ended October 31, 2014 was \$208.7 million compared to \$181.1 million for the fiscal year ended October 31, 2013, up \$27.6 million or 15.2%, primarily due to costs of our transformation initiatives. The increase includes \$11.2 million of increased professional service fees, a \$7.3 million increase in personnel related expenses, \$4.7 million of restructuring expense, and a \$3.6 million increase in debt amendment costs.

Litigation settlement and loss contingency expense (benefit) for the fiscal year ended October 31, 2014 was a benefit of \$8.6 million due to the \$17.6 million litigation loss contingency benefit related to a favorable ruling in a patent infringement litigation captioned *Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC v. VeriFone Holdings, Inc. et al.* during October 2014, which was partially offset by a \$9.0 million accrual related to the settlement in the then pending action captioned, *Creative Mobile Technologies, LLC v. VeriFone Systems, Inc. et al.* during April 2014. Litigation settlement and loss contingency expense for the fiscal year ended October 31, 2013 was \$64.4 million primarily due to the net accruals related to the then pending securities class action captioned, *In re VeriFone Holdings, Inc. Securities Litigation*, and the related Israel class action. See Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for disclosures related to our legal proceedings.

Amortization of purchased intangible assets for the fiscal year ended October 31, 2014 was \$97.6 million compared to \$96.2 million for the fiscal year ended October 31, 2013, up only \$1.4 million or 1.5%, primarily because we did not enter into significant new acquisitions in fiscal year 2014 or 2013.

Interest, net for the fiscal year ended October 31, 2014 was \$42.5 million compared to \$44.3 million for the fiscal year ended October 31, 2013, down \$1.9 million or 4.2%, primarily due to a reduction in interest expense due to lower loan balances and lower interest rates during fiscal year 2014, which was partially offset by \$5.2 million of accelerated amortization of debt issuance costs related to the amendment and restatement of the 2011 Credit Agreement.

Other income (expense), net for the fiscal year ended October 31, 2014 was a net other expense of \$3.3 million compared to a net other income of \$3.7 million for the fiscal year ended October 31, 2013, a change of \$7.0 million. The Other expense, net, incurred during the fiscal year ended October 31, 2014 is primarily related to accruals associated with certain Brazilian federal tax assessments that we enrolled in the Brazilian Federal Tax Amnesty Program during December 2013. See further discussion in Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. The Other income, net, during the fiscal year ended October 31, 2013 is primarily related to the gain on the divestiture of certain assets and business operations related to our SAIL mobile payment product.

Income tax provision (benefit) was a \$3.4 million benefit for the fiscal year ended October 31, 2014, compared to an \$188.0 million income tax provision for the fiscal year ended October 31, 2013, a \$191.5 million change. The income tax provision for the fiscal year ended October 31, 2013 was primarily due to a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, primarily in the U.S., due to uncertainty about the likelihood of realization partially offset by \$10.1 million tax benefit related to the statutory tax rates impact on deferred taxes.

Fiscal Year 2013 compared to Fiscal Year 2012

System solutions net revenues for the fiscal year ended October 31, 2013 were \$1.07 billion, compared to \$1.34 billion for the fiscal year ended October 31, 2012, down \$270.6 million or 20.2% year over year. System solutions net revenues decreased due to distribution changes, the timing of demand from some of our large customers, increased competition and, in certain markets, delays of some of our new product releases and certifications. In particular, System solutions net revenues in our Middle East and Africa markets declined \$91.2 million primarily due to distribution changes and lower demand in Africa. System solutions net revenues in the U.S. and Brazil decreased a total of \$104.7 million primarily due to the timing of technology refreshes by our customers, including one large Brazil customer and some of our large U.S. retail customers that completed technology refreshes in the prior fiscal year. Additionally, System solutions net revenues in Europe decreased \$36.1 million primarily due to the impact of delays of some of our new product releases and certifications. See further discussion under Segment Results of Operations below.

Services net revenues for the fiscal year ended October 31, 2013 were \$633.8 million, compared to \$526.9 million for the fiscal year ended October 31, 2012, up \$106.8 million or 20.3% year over year, primarily due to our global emphasis on expansion of our Services offerings. In particular, Services net revenues increased \$47.2 million due to our acquisitions of Services businesses in Europe and Asia, \$25.5 million in Northern Europe primarily due to increases in our All-in-One Services net revenues, and \$25.2 million in the Americas due to the launch of new services and the growth of existing service businesses. See further discussion under Segment Results of Operations below.

Total gross margin for the fiscal year ended October 31, 2013 was \$645.2 million, or 37.9% of total net revenues, compared to \$755.8 million, or 40.5% of total net revenues, for the fiscal year ended October 31, 2012, down \$110.6 million or 2.6 percentage points year over year. Gross margin in dollars decreased primarily due to the decline in System solutions net revenues, which was partially offset by increased Services net revenues that have relatively higher margins. System solutions net revenues are also down as a percentage of net revenues due primarily to a change in customer mix. In addition, we incurred costs for obsolete inventory, scrap, and purchase commitments for excess components at contract manufacturers of \$26.5 million for the fiscal year ended October 31, 2013, an increase of \$13.7 million compared to the fiscal year ended October 31, 2012, due to lower-than-anticipated system solutions sales volumes and estimated obsolescence resulting from the expiration of PCI 1.3 standards in April 2014.

Research and development for the fiscal year ended October 31, 2013 was \$173.3 million compared to \$152.0 million for the fiscal year ended October 31, 2012, up \$21.3 million or 14.0% year over year, primarily due to an increase in personnel and outside contractor expenses as we invested in additional resources to focus on new product releases and product certifications.

Sales and marketing for the fiscal year ended October 31, 2013 was \$196.6 million compared to \$179.7 million for the fiscal year ended October 31, 2012, up \$16.9 million or 9.4% year over year, primarily due to additional personnel costs, that relate to the expansion of our Services offerings into new geographies, as well as the impact of the personnel costs from Point for the full reporting period and our fiscal year 2013 business acquisitions since their respective acquisition dates.

General and Administrative for the fiscal year ended October 31, 2013 was \$181.1 million compared to \$175.2 million for the fiscal year ended October 31, 2012, up \$5.9 million or 3.4% year over year, primarily due

to a \$9.9 million increase in personnel costs related to increased headcount and our executive management changes, partially offset by a \$7.3 million decrease in acquisition-related costs.

Litigation settlement and loss contingency expense for the fiscal year ended October 31, 2013 was \$64.4 million compared to \$17.6 million for the fiscal year ended October 31, 2012, up \$46.8 million year over year. During fiscal year 2013, we recorded litigation loss contingency expense totaling \$64.4 million primarily related to our then pending settlement of the securities class action captioned *In re VeriFone Holdings, Inc.*Securities Litigation, and the related Israel class action. During fiscal year 2012, we recorded a \$17.6 million litigation loss contingency expense as a result of a partially unfavorable jury verdict issued on June 8, 2012 against VeriFone and Hypercom in an ongoing patent infringement action. See Note 11, Commitments and Contingencies, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for disclosures related to our legal proceedings.

Amortization of purchased intangible assets for the fiscal year ended October 31, 2013 was \$96.2 million compared to \$83.8 million for the fiscal year ended October 31, 2012, up \$12.4 million or 14.8% year over year, primarily due to \$10.8 million of additional amortization of intangible assets reflected as operating expenses related to the Point acquisition for the full reporting period.

Interest, net for the fiscal year ended October 31, 2013 was \$44.3 million compared to \$58.4 million for the fiscal year ended October 31, 2012, down \$14.1 million or 24.1% year over year, primarily due to a \$12.6 million decrease in interest expense related to our senior convertible notes, which matured on June 15, 2012, and lower outstanding balances under our 2011 Credit Agreement in fiscal year 2013.

Other income (expense), net for the fiscal year ended October 31, 2013 was a net other income of \$3.7 million compared to a net other expense of \$20.8 million for the fiscal year ended October 31, 2012, a change of \$24.4 million year over year, primarily due to the impact of a foreign currency loss in fiscal year 2012 that did not recur. Specifically, for the fiscal year ended October 31, 2012, Other income (expense), net consisted primarily of a \$22.5 million foreign currency loss related to the difference between the forward rate on contracts purchased to lock in the U.S. dollar equivalent purchase price for our Point acquisition and the actual rate on the date of derivative settlement.

Income tax provision for the fiscal year ended October 31, 2013 was \$188.0 million compared to \$2.1 million for the fiscal year ended October 31, 2012, a \$185.9 million increase year over year. This increase is primarily due to our fiscal year 2013 pretax losses and because we recorded a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, primarily in the U.S., due to uncertainty about the likelihood of realization. This provision is partially offset by a \$10.1 million tax benefit related to changes in the statutory tax rates' impact on deferred taxes. The income tax provision for the fiscal year ended October 31, 2012 included \$8.5 million of tax benefits related to the \$22.5 million foreign currency loss described above. As of October 31, 2013 and 2012, the valuation allowance for deferred tax assets was \$418.2 million and \$173.2 million, respectively. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances.

We had a Singapore Pioneer Tax Holiday through our fiscal year 2012. Following the expiration of the tax holiday, our income in Singapore is subject to the statutory rate of 17% instead of the agreed Pioneer Tax Holiday rate of zero. The tax benefit of the tax holiday for the fiscal year ended October 31, 2012 was \$19.2 million (\$0.17 per diluted share).

Segment Results of Operations

Net revenues and operating income of each segment reflect net revenues and expenses that are directly attributable to that segment. Net revenues and expenses not allocated to segment net revenues and segment operating income include amortization of purchased intangible assets, adjustments to contingent consideration,

increase to fair value (step-up) of inventory at acquisition, fair value decrease (step-down) in deferred revenue at acquisition, some inventory reserves, asset impairments, restructuring expenses, stock-based compensation, costs of debt amendments, as well as corporate research and development, sales and marketing, general and administrative, and litigation settlement, cost of transformation initiatives, and loss contingency expense (benefits).

Americas Net Revenues and Operating Income

Our Americas segment includes our operations in North America, South America, Central America, and the Caribbean. Americas customers are diverse, and include traditional and specialty merchants, financial institutions, payment processors, and distributors, among others. Americas net revenues in some markets are dependent upon a limited number of customers, and the timing of purchase decisions and size of orders from those customers can significantly impact Americas net revenues from period to period. For example, our net revenues can increase in periods when larger financial institutions or tier 1 retailers undertake an upgrade or other change, and decrease in periods when such projects are completed. In addition, the timing of when our customers choose to adopt new technology is influenced by factors such as the timing or expected timing of new standards and regulations, and the timing of our new product releases and certifications of those products. Our business transactions in Americas are denominated predominately in U.S. dollars and Brazilian reais.

	Years Ended October 31,						
	2014	% of Net revenues	2013	% of Net revenues	2012	% of Net revenues	
		(in t	housands, exc	ept percenta	ges)		
Net revenues:							
System solutions	\$567,677	66.9%	\$530,701	66.8%	\$665,396	73.6%	
Services	281,486	33.1%	263,560	33.2%	238,368	26.4%	
Total net revenues	\$849,163	100.0%	\$794,261	100.0%	\$903,764	100.0%	
Operating income	\$219,077	25.8%	\$219,199	27.6%	\$287,690	31.8%	

Fiscal Year 2014 compared to Fiscal Year 2013

System solutions net revenues for the fiscal year ended October 31, 2014 were \$567.7 million compared to \$530.7 million for the fiscal year ended October 31, 2013, up \$37.0 million or 7.0%. System solutions net revenues in North America increased by \$18.6 million primarily because some of our large customers and new customers rolled out next generation terminals with EMV capabilities in late fiscal year 2014. We also experienced a \$39.0 million increase in Brazil and a \$20.6 million decrease in the rest of Latin America, due to the timing of purchase decisions by our customers, which were primarily driven by the timing of technology refreshes and continued growth in that market. Latin America System solutions net revenues also experienced a \$21.0 million unfavorable foreign currency impact, primarily due to a decrease in the value of the Brazilian real as compared to the U.S. dollar year over year. Systems solutions net revenues were negatively impacted by continued pricing pressures in the region.

Services net revenues for the fiscal year ended October 31, 2014 were \$281.5 million compared to \$263.6 million for the fiscal year ended October 31, 2013, up \$17.9 million or 6.8%, primarily due to a \$14.8 million increase in Services net revenues from our North America taxi solutions business as a result of a larger installed base and increased transaction volumes.

Operating income for the fiscal year ended October 31, 2014 was \$219.1 million or 25.8% of total net revenues, compared to \$219.2 million or 27.6% of total net revenues for the fiscal year ended October 31, 2013, down \$0.1 million or 1.8 percentage points, primarily due to changes in product and customer mix as well as pricing pressures throughout the region.

Fiscal Year 2013 compared to Fiscal Year 2012

System solutions net revenues for the fiscal year ended October 31, 2013 were \$530.7 million compared to \$665.4 million for the fiscal year ended October 31, 2012, down \$134.7 million or 20.2% year over year, primarily due to the timing of technology refreshes by our customers, including some of our large customers that completed a technology refresh in the prior fiscal year, and reduced purchases by some of our customers because some of our new products were not certified, as well as increased competitive pressure in some markets. System solutions net revenues from one customer in Brazil declined \$63.6 million primarily because they completed a large technology refresh in fiscal year 2012 that did not recur and they have begun utilizing some of our Services offerings, which has shifted the timing of some of our System solutions net revenues to later periods when the associated services are delivered. In addition, System solutions net revenues declined \$11.1 million in Canada primarily as a result of certification delays on some of our products and \$9.3 million in Venezuela due to currency controls and political uncertainty in that country.

Services net revenues for the fiscal year ended October 31, 2013 were \$263.6 million compared to \$238.4 million for the fiscal year ended October 31, 2012, up \$25.2 million or 10.6% year over year, primarily due to our continued emphasis on expanding our Services offerings, such as our electronic payment solutions in taxis and managed services related to our System solutions. In particular Brazil Services net revenues increased \$9.7 million as we have experienced increased demand for our Services offerings from one of our larger customers.

Foreign currency fluctuations had a \$16.9 million unfavorable impact on net revenues, primarily due to a decrease in the value of the Brazilian real as compared to the U.S. dollar year over year.

Operating income for the fiscal year ended October 31, 2013 was \$219.2 million compared to \$287.7 million for the fiscal year ended October 31, 2012, down \$68.5 million or 23.8% year over year, primarily due to the decline in total net revenues and an associated change in customer and product mix.

EMEA Net Revenues and Operating Income

Our EMEA segment is comprised of our operations in Europe, Russia, the Middle East, and Africa. Our EMEA customers include financial institutions, retailers, distributors, and individual merchants. Net revenues in this segment are primarily influenced by market-wide factors such as standards and regulations, competition, and the timing of our new product releases and certifications of those products and, to a lesser extent, the timing of customer orders. In addition, in emerging markets such as the Middle East, Africa, and parts of Eastern Europe, net revenues are dependent on the adoption by such markets of our products and solutions, competitive pressures, and the timing of local electronic payments initiatives that may create demand for our products and solutions. Our business transactions in EMEA are denominated predominately in U.S. dollars, Euros, British pounds, and Swedish kronor.

	Years Ended October 31,						
	2014	% of Net revenues	2013	% of Net revenues	2012	% of Net revenues	
		(in t	housands, exc	ept percenta	ges)		
Net revenues:							
System solutions	\$401,176	53.0%	\$380,667	54.0%	\$501,866	65.1%	
Services	355,365	47.0%	323,990	46.0%	269,603	34.9%	
Total net revenues	\$756,541	100.0%	\$704,657	100.0%	\$771,469	100.0%	
Operating income	\$208,294	27.5%	\$188,443	26.7%	\$221,683	28.7%	

Fiscal Year 2014 compared to Fiscal Year 2013

System solutions net revenues for the fiscal year ended October 31, 2014 were \$401.2 million compared to \$380.7 million for the fiscal year ended October 31, 2013, up \$20.5 million or 5.4%, primarily due to a \$27.6

million increase in the Middle East and Africa, which was primarily due to the expansion of a government sponsored initiative to drive cashless payments in Nigeria in fiscal year 2014. System solutions net revenues increased by \$13.0 million in Europe due to increased purchases by some of our large distributors primarily as a result of increased demand by their customers who were upgrading to new products with desired functionality or expanding their terminal base. These increases were partially offset by a \$20.1 million decrease in the rest of EMEA primarily as a result of lower purchases in Russia due to changes in local banking regulations that impacted demand in the first half of fiscal year 2014. In addition, System solutions net revenues were negatively impacted in certain countries of this region by competitive pressures.

Services net revenues for the fiscal year ended October 31, 2014 were \$355.4 million compared to \$324.0 million for the fiscal year ended October 31, 2013, up \$31.4 million or 9.7%, which is primarily due to increased adoption of our services offerings, primarily our Payment-as-a-Service solutions.

Foreign currency fluctuations had an \$8.2 million favorable impact on total net revenues in EMEA for the fiscal year ended October 31, 2014, primarily due to an increase in the value of the Euro as compared to the U.S. dollar year over year.

Operating income for the fiscal year ended October 31, 2014 was \$208.3 million or 27.5% of total net revenues, compared to \$188.4 million, or 26.7% of total net revenues, for the fiscal year ended October 31, 2013, up \$19.9 million or 0.8 percentage points, primarily due to increase in total net revenues and changes in product mix. The increase in operating income as a percentage of total net revenues is primarily due to growth in Services net revenues that had relatively higher margins.

Fiscal Year 2013 compared to Fiscal Year 2012

System solutions net revenues for the fiscal year ended October 31, 2013 were \$380.7 million compared to \$501.9 million for the fiscal year ended October 31, 2012, down \$121.2 million or 24.1% year over year. System solutions net revenues in our Middle East and Africa markets declined \$91.2 million primarily due to changes in distribution in that region and also due to a government sponsored initiative in Nigeria that resulted in \$17.8 million of fiscal year 2012 System solutions net revenues that did not recur. System solutions net revenues in Europe declined \$36.1 million primarily due to delays in some of our new product releases and certifications as well as increased competition and lower customer orders, of which \$13.2 million relates to one customer. These decreases were partially offset by a \$20.2 million increase in System solutions net revenues in Russia related primarily to one large customer. System solutions net revenues in EMEA were also negatively impacted by the shift of some customers to our All-in-One service model, which results in lower up front System solutions revenue, but new recurring Services net revenues from existing customers.

Services net revenues for the fiscal year ended October 31, 2013 were \$324.0 million compared to \$269.6 million for the fiscal year ended October 31, 2012, up \$54.4 million or 20.2% year over year, primarily because Point contributed \$33.8 million of additional Services net revenues due to its inclusion for the full reporting period in fiscal year 2013. In addition, Northern Europe Services net revenues increased \$25.5 million primarily due to growth in Payment-as-a-Service offerings.

Operating income for the fiscal year ended October 31, 2013 was \$188.4 million compared to \$221.7 million for the fiscal year ended October 31, 2012, down \$33.2 million or 15.0% year over year, primarily due to a \$13.5 million increase in operating expenses related to the additional two months of Point operations in fiscal year 2013. In addition, the decrease in operating income was due to lower System solutions net revenues, partially offset by an increase in higher margin Services net revenues.

Asia-Pacific Net Revenues and Operating Income

Our Asia-Pacific segment consists of our operations in Australia, New Zealand, China, India and throughout the rest of Greater Asia, including other Asia-Pacific Rim countries. Our Asia-Pacific customers are comprised

primarily of financial institutions, distributors, and individual merchants. Our Asia-Pacific business is relatively concentrated in terms of customer base and, as a result, our net revenues may vary significantly from period to period. Asia-Pacific net revenues are impacted by standards and regulations, the timing of our new product releases and certifications of those products in the various regulatory environments, as well as increasing competitive pressure, particularly in some markets where local vendors are offering terminals at substantially lower prices. Asia-Pacific business transactions are denominated predominately in U.S. dollars, Australian dollars, and Chinese renminbi.

	Years Ended October 31,						
	2014	% of Net revenues	2013	% of Net revenues	2012	% of Net revenues	
		(in t	housands, exc	ept percenta	ges)		
Net revenues:							
System solutions	\$193,373	72.9%	\$159,902	76.0%	\$178,344	84.5%	
Services	71,911	27.1%	50,431	24.0%	32,763	15.5%	
Total net revenues	\$265,284	100.0%	\$210,333	100.0%	\$211,107	100.0%	
Operating income	\$ 57,151	21.5%	\$ 38,569	18.3%	\$ 50,148	23.8%	

Fiscal Year 2014 compared to Fiscal Year 2013

System solutions net revenues for the fiscal year ended October 31, 2014 were \$193.4 million compared to \$159.9 million for the fiscal year ended October 31, 2013, up \$33.5 million or 20.9%. System solutions net revenues increased \$19.2 million in Australia and New Zealand, primarily due to increased demand from some of our large banking customers in Australia upgrading and expanding terminals at their merchant customers. System solutions net revenues also increased by \$14.3 million, primarily from the addition of a large new channel partner for the region. We continued to experience competition and pricing pressures in this segment.

Services net revenues for the fiscal year ended October 31, 2014 were \$71.9 million compared to \$50.4 million for the fiscal year ended October 31, 2013, up \$21.5 million or 42.6%, primarily due to Services net revenues from the EFTPOS New Zealand Limited business that we acquired on May 31, 2013.

Foreign currency fluctuations had a \$6.7 million unfavorable impact on total net revenues in Asia-Pacific for the fiscal year ended October 31, 2014, primarily due to a decrease in the value of the Australian dollar as compared to the U.S. dollar year over year.

Operating income for the fiscal year ended October 31, 2014 was \$57.2 million or 21.5% of total net revenues, compared to \$38.6 million or 18.3% of total net revenues for the fiscal year ended October 31, 2013, up \$18.6 million or 3.2 percentage points. The increase in operating income in dollars was primarily due to an increase in total net revenues. The increase in operating income as a percentage of total net revenues is primarily due to the acquisition of EFTPOS New Zealand Limited during fiscal year 2013.

Fiscal Year 2013 compared to Fiscal Year 2012

System solutions net revenues for the fiscal year ended October 31, 2013 were \$159.9 million compared to \$178.3 million for the fiscal year ended October 31, 2012, down \$18.4 million or 10.3% year over year, primarily due to increased competition and because of delays in release of certain product features that were in demand in certain markets. In addition, our results for this segment were negatively impacted by continued pricing pressure in some markets.

Services net revenues for the fiscal year ended October 31, 2013 were \$50.4 million compared to \$32.8 million for the fiscal year ended October 31, 2012, up \$17.7 million or 53.9% year over year, primarily due to \$13.4 million additional Services net revenues from the acquired EFTPOS New Zealand Limited business.

Operating income for the fiscal year ended October 31, 2013 was \$38.6 million compared to \$50.1 million for the fiscal year ended October 31, 2012, down \$11.6 million or 23.1% year over year, primarily due to \$5.9 million of additional operating expenses from businesses we acquired during the fiscal year ended October 31, 2013. In addition, the decrease in operating income was due to lower System solutions net revenues, partially offset by an increase in higher margin Services net revenues.

Financial Outlook

We expect the timing and amount of overall revenue growth to continue to be impacted by factors such as the timing of new product releases and certifications, the timing of our customers' technology refresh cycles (particularly by our large customers), increased competition and pricing pressure, changes in distribution and distributor inventory levels, foreign currency fluctuations, and continued uncertain political conditions in certain markets.

We expect the timing of new product releases to continue to have a significant impact on our net revenues. Net revenues can vary significantly when larger customers or distributors cancel or delay orders due to changes in regulatory and industry standards, budget considerations, product feature availability, dual vendor sourcing requirements, technology refresh cycles, economic conditions or other concerns that impact their business or purchase decisions. Also, demand for electronic payment systems may eventually reach a saturation point, at which time customers might slow or end expansion projects. We expect to generate additional net revenues in the U.S. related to the continued adoption of EMV standards over the next several years, although the timing of any related revenues will depend on the timing of decisions by merchants. We expect demand for our NFC enabled devices to increase as a result of retailers adopting Apple Pay. We expect growth in emerging markets as economic conditions improve and those markets make efforts to modernize to cashless payment systems. We expect that continued uncertain political conditions in certain markets will have a negative impact on our ability to do business or operate at a desired level.

We expect that the markets in which we conduct our business will remain highly competitive, characterized by changing technologies, evolving industry standards and government regulations that may favor one product or technology over others, pricing pressures, and increased demand for new functionality, premium services, mobility, and security. Market disruptions caused by new technologies, the entry of new competitors or the presence of strong local competition, consolidations among our customers and competitors, changes in regulatory requirements, timing of electronic payments initiatives that create demand for our products in emerging markets, and other factors, can introduce volatility into our business.

We continue to focus on expanding our Services offerings globally. We are investing in select markets in order to expand our Payment-as-a-Service offering in new countries and to improve the functionality of our Payment-as-a-Service offering in existing markets. We continue to focus on digital media expansion and on commerce enablement solutions, using our consumer-facing point of sale terminals to offer services complementary to our payment solutions that facilitate commerce between merchants and consumers. Our strategy to expand our commerce enablement reach includes strategic investments that grow our network of digital media screens, including screens at the pump and inside the convenience store. We expect continued growth in Services net revenues as a result of these efforts. As we transition to service oriented arrangements, we may experience a shift in the timing of System solutions net revenues as revenue recognition will depend on when all of our performance obligations are complete.

As part of our transformation initiatives, we have increased our level of spending on research and development activities and expect to continue at that increased level as we focus on platform development efforts and gateway consolidation in order to increase standardization, and shorten our product development life-cycle and time to market.

We plan to continue efforts to improve our cost structure, including rationalizing our product portfolio and streamlining all aspects of our business. In connection with these transformation efforts in 2014, we have

approved restructuring plans under which we have reduced headcount and closed facilities. We expect to incur additional costs under these plans and expect that these plans will generate ongoing savings which will continue to be reinvested into growth initiatives as part of our transformation program. Spending may increase further depending on the costs of any future restructuring plans, costs associated with ongoing integration of past acquisitions, and costs related to resolving legal matters.

We expect there may be future shifts in the mix of pretax profits and losses by tax jurisdiction that will impact our effective tax rate and tax provision (benefit) in the future.

Liquidity and Capital Resources

Our primary liquidity and capital resource needs are to finance working capital, pay for contractual commitments, service our debt, and make capital expenditures and investments. As of October 31, 2014, our primary sources of liquidity were \$250.2 million of cash and cash equivalents, as well as amounts available to us under the revolving loan that is part of our amended and restated credit agreement.

Cash and cash equivalents as of October 31, 2014 included \$216.4 million held by our foreign subsidiaries. If we decide to distribute or use the cash and cash equivalents held by our foreign subsidiaries outside those foreign jurisdictions, including a distribution to the U.S., we may be subject to additional taxes or costs.

We also held \$8.8 million in restricted cash as of October 31, 2014, which was mainly comprised of pledged deposits and deposits to Brazilian courts related to tax proceedings pending adjudication.

On December 24, 2013, we paid in full the \$48.4 million remaining outstanding balance of the term B loan under our then outstanding credit agreement. This payment was partially funded through \$47.0 million of additional borrowings under the revolving loan that was part of the same credit agreement.

On July 8, 2014, we amended and restated our credit agreement to extend the maturity dates, provide more favorable interest rates, and make certain changes to the covenants and other terms of the agreement. As part of this amendment and restatement we repaid the \$938.6 million outstanding balance on the existing credit agreement. We incurred \$13.2 million of costs in connection with the amendment and restatement.

As of October 31, 2014, our outstanding borrowings under the amended and restated credit agreement consisted of a \$592.5 million term A loan, \$199.5 million term B loan and \$95.0 million drawn against the revolving loan commitment. In addition, \$405.0 million was available for draw on the revolving loan commitment, subject to covenant requirements. See Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information regarding our borrowings. We were in compliance with all financial covenants under the amended and restated credit agreement as of October 31, 2014.

We entered into an agreement in principle on April 25, 2014 and a confidential settlement agreement on May 27, 2014, to settle the then pending action captioned, *Creative Mobile Technologies*, *LLC v. VeriFone Systems, Inc. et al.* for \$9.0 million of consideration consisting of a \$7.5 million one-time cash payment and a \$1.5 million credit that may be applied by Creative Mobile Technologies, LLC against future accounts receivable related to purchases of certain VeriFone electronic payment terminals at fair value within 24 months. The cash portion of the settlement payment was paid from cash on hand during June 2014. See Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information regarding this matter.

On November 5, 2013, we paid \$61.2 million into an escrow account to fund the uninsured portion of the settlement pursuant to the preliminary court approval dated October 15, 2013 in the then pending securities class action captioned, *In re VeriFone Holdings, Inc. Securities Litigation*. This amount was funded from cash on hand and available credit under the revolving loan. Our insurance carriers paid the remaining \$33.8 million settlement amount into that escrow account. On February 25, 2014, the court in such class action issued a final order

approving the settlement. One of the objectors to the settlement filed a notice of appeal to the court's February 25, 2014 judgment and orders, but subsequently filed a motion for voluntary dismissal of the appeal, with prejudice. On June 2, 2014, the U.S. Court of Appeals for the Ninth Circuit issued an order and mandate, dismissing the appeal with prejudice. See Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information regarding this matter.

As part of cost optimization and corporate transformation initiatives, we have approved restructuring plans under which we made \$11.3 million of cash payments during fiscal year 2014. We expect to make additional cash payments totaling approximately \$9.7 million under this plan in fiscal year 2015 and may approve additional restructuring plans as our transformation initiatives continue.

Our future capital requirements may vary significantly from prior periods as well as from those capital requirements we have currently planned. These requirements will depend on a number of factors, including operating factors such as our terms and payment experience with customers, the timing of annual recurring billings in some markets, the resolution of any legal proceedings against us or settlement of litigation in an amount in excess of our insurance coverage, costs related to acquisitions, restructuring expenses and investments we may make in infrastructure, product or market development, as well as timing and availability of financing. Based upon our current level of operations, we believe that we have the financial resources to meet our business requirements for the next year, including capital expenditures, working capital requirements, future strategic investments and debt servicing costs, and to maintain compliance with our financial covenants.

Statement of Cash Flows

The net increases (decreases) in cash and cash equivalents are summarized in the following table (in thousands):

	Years Ended October 31,						
	2014	Change	2013	Change	2012		
Net cash provided by (used in):							
Operating activities	\$ 199,067	\$ (37,403)	\$ 236,470	\$ 18,507	\$ 217,963		
Investing activities	(77,893)	66,837	(144,730)	973,304	(1,118,034)		
Financing activities	(128,071)	149,361	(277,432)	(1,045,578)	768,146		
Effect of foreign currency exchange rate							
changes on cash	(11,136)	(10,976)	(160)	8,405	(8,565)		
Net increase (decrease) in cash and cash							
equivalents	<u>\$ (18,033)</u>	\$167,819	<u>\$(185,852)</u>	\$ (45,362)	<u>\$ (140,490)</u>		

Fiscal Year 2014 vs. Fiscal Year 2013

Operating Activities

Net cash provided by operating activities for the fiscal year ended October 31, 2014 was \$199.1 million, compared to \$236.5 million cash provided during the fiscal year ended October 31, 2013, down \$37.4 million primarily due to a \$61.2 million payment during fiscal year 2014 related to the securities class action litigation settlement that had been accrued during fiscal year 2013, which was partially offset by the benefit from increased operating margins due to increased net revenues.

Investing Activities

Net cash used in investing activities for the fiscal year ended October 31, 2014 was \$77.9 million, compared to \$144.7 million for the fiscal year ended October 31, 2013 down \$66.8 million as we made no significant cash acquisition payments during the fiscal year ended October 31, 2014, compared to \$75.9 million paid for acquisitions in fiscal year 2013.

Financing Activities

Net cash used in financing activities for the fiscal year ended October 31, 2014 was \$128.1 million, compared to \$277.4 million for the fiscal year ended October 31, 2013, down \$149.4 million, primarily due to a \$114.5 million decrease in net payments with respect to our credit agreements as we made fewer discretionary payments in fiscal year 2014, and a \$24.3 million increase in proceeds from employee stock option exercises.

Fiscal Year 2013 vs. Fiscal Year 2012

Operating Activities

Net cash provided by operating activities for the fiscal year ended October 31, 2013 was \$236.5 million, compared to \$218.0 million for the fiscal year ended October 31, 2012, up \$18.5 million year over year, primarily due to changes in operating assets and liabilities. Specifically, a \$180.0 million increase in cash flows from changes in operating assets and liabilities was partially offset by a \$161.5 million decrease in net cash provided by operating activities before changes in operating assets and liabilities. The increase in cash flows from changes in operating assets and liabilities is primarily comprised of a \$138.2 million increase in cash from collection of accounts receivable, a \$46.1 million increase in cash from a reduction in inventory, which are primarily due to an emphasis on collections and inventory management as net revenues have decreased in fiscal year 2013. The decrease in net cash provided by operating activities before changes in operating assets and liabilities is primarily the result of the \$213.9 million decrease in our operating margins, partially offset by an approximately \$34.9 million increase in non-cash operating expenses, which was primarily related to the full year of amortization of intangible assets from the Point acquisition and depreciation on increased revenue generating assets.

Investing Activities

Net cash used in investing activities for the fiscal year ended October 31, 2013 was \$144.7 million, compared to \$1.12 billion for the fiscal year ended October 31, 2012, down \$973.3 million year over year, as we paid \$75.9 million in fiscal year 2013 to acquire businesses, compared with \$1.07 billion in fiscal year 2012 primarily related to the Point acquisition.

Financing Activities

Net cash used in financing activities for the fiscal year ended October 31, 2013 was \$277.4 million, compared to \$768.1 million provided during the fiscal year ended October 31, 2012, down \$1.05 billion year over year, primarily because we did not incur any significant new debt during the fiscal year ended October 31, 2013. During the fiscal year ended October 31, 2012 we entered into a new credit agreement, under which we initially borrowed \$1.45 billion, of which \$279.2 million was used to redeem the Senior Convertible Notes, including interest, upon their maturity in June 2012, and \$216.8 million was used to repay prior debt in December 2011. During the fiscal year ended October 31, 2013, we paid down \$275.9 million, net under all of our borrowings.

Financing proceeds also decreased \$19.2 million year over year because we issued fewer shares of common stock under our equity incentive plans in fiscal year 2013, since fewer employees exercised their stock options in fiscal year 2013. The decrease was partially offset by a \$13.6 million decrease in payments for acquisition-related contingent consideration and hold-back amounts in fiscal year 2013 compared to fiscal year 2012. See Note 2, *Business Combinations*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for additional information regarding our acquisition related contingent consideration.

Contractual Commitments

Contractual Obligations

The following table summarizes our contractual obligations as of October 31, 2014 (in thousands):

		Years					
	2015	2016	2017	2018	2019	Thereafter	Total
Amended and restated credit agreement (1)	\$ 55,551	\$62,258	\$ 83,785	\$82,269	\$517,740	\$201,107	\$1,002,710
Capital lease obligations and	,	,	,	,	,	,	
other loans	365	39	39	39	39	387	908
Operating leases (2)	33,252	27,808	24,337	15,755	15,744	27,514	144,410
Brazilian federal tax amnesty							
obligations (3)	1,450	880	210	210	210	434	3,394
Minimum purchase							
obligations	150,288						150,288
Total	\$240,906	\$90,985	\$108,371	\$98,273	\$533,733	\$229,442	\$1,301,710

- (1) Contractual obligations for the amended and restated credit agreement include interest calculated using the rate in effect as of October 31, 2014 applied to the expected outstanding debt balance considering the minimum principal payments due each year.
- (2) Operating leases include \$86.4 million of minimum contractual obligations on leases for our taxi solutions business where payments are based upon the number of operational taxicabs with our advertising displays as of October 31, 2014.
- (3) Installment payments under the Brazilian Federal Tax Amnesty Program are described further in Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

As of October 31, 2014, the amount payable for unrecognized tax benefits was \$62.2 million, including accrued interest and penalties, none of which is expected to be paid within one year. This amount is included in Other long-term liabilities in our Consolidated Balance Sheets as of October 31, 2014. We are unable to make a reasonably reliable estimate as to when cash settlement with the applicable taxing authorities may occur; therefore, such amounts are not included in the above contractual obligations table.

We expect that we will be able to fund our remaining obligations and commitments with future cash flows from our ongoing operations, and our \$250.2 million of cash and cash equivalents held as of October 31, 2014. To the extent we are unable to fund these obligations and commitments with existing cash and cash flows from operations, we can draw upon amounts available under our amended and restated credit agreement or future debt or equity financings.

Bank Guarantees

We have issued bank guarantees with maturities ranging from two months to six years to certain of our customers and vendors as required in some countries to support certain performance obligations under our service or other agreements with those parties. As of October 31, 2014, the maximum amount that may become payable under these guarantees was \$12.3 million, of which \$1.9 million was collateralized by restricted cash deposits.

Letters of Credit

We provide standby letters of credit in the ordinary course of business to third parties as required. As of October 31, 2014, the maximum amounts that may become payable under these letters of credit was \$8.1 million, of which \$1.0 million was collateralized by restricted cash deposits.

Manufacturing Agreements

We work on a purchase order basis with our contract manufacturers, which are located in China, Singapore, Malaysia, Brazil, Germany, and Romania, and component suppliers located throughout the world, to supply nearly all of our finished goods inventories, spare parts, and accessories. We provide each such supplier with a purchase order to cover the manufacturing requirements, which generally constitutes a binding commitment by us to purchase materials and finished goods produced by the manufacturer as specified in the purchase order. Most of these purchase orders are considered to be non-cancelable, and are expected to be paid within one year of the issuance date. As of October 31, 2014, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$150.3 million. Of this amount, \$12.8 million has been recorded in Accruals and other current liabilities in our Consolidated Balance Sheets because these commitments are not expected to have future value to us.

We utilize a limited number of third parties to manufacture our products, and rely upon these contract manufacturers to produce and deliver products on a timely basis and at an acceptable cost. Furthermore, a majority of our manufacturing activities are concentrated in China and Brazil. As a result, disruptions to the business or operations of the contract manufacturers or to their ability to produce the required products in a timely manner, and particularly disruptions to the manufacturing facilities located in China and Brazil, could significantly impact our business and operations. In addition, a number of components that are necessary to manufacture and assemble our systems are specifically customized for use in our products and are obtained from sole source suppliers on a purchase order basis. Because of the customized nature of these components and the limited number of available suppliers, if we were to experience a supply disruption, it would be difficult and costly to find alternative sources in a timely manner or at all.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Polices and Estimates

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. Our significant accounting policies are more fully described in Note 1, *Principles of Consolidation and Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. On an ongoing basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our Consolidated Financial Statements. We believe that the following discussion addresses our most critical accounting policies.

Business Combinations

We are required to estimate the fair values assigned to assets acquired and liabilities assumed of acquired companies. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing intangible assets include but are not limited to: future expected cash flows from customer contracts, customer lists, distribution agreements, acquired developed technologies, and patents;

expected costs to complete development of in process research and development into commercially viable products and estimating the cash flows from those projects when completed; brand awareness and market position, as well as assumptions about the period of time the brand will continue to be used in our product portfolio; customer attrition rates and discount rates.

Future expected cash flow to be generated from an acquired business is estimated based on the current financial performance of the business, then adjusted for expected market participant synergies that can be realized, the expected timing of future cash flows of all of the acquired business' products and services, the expected customer attrition rates, and the future growth rates. The higher the projected cash flows, the higher the value of intangible assets.

Discount rates reflect the nature of our investment and the perceived risk of the underlying cash flows.

Goodwill

We review the goodwill of our reporting units for impairment annually on August 1 and whenever events or changes in circumstances indicate its carrying amount may not be recoverable. Our reporting units are North America, Latin America, EMEA, Australia-New Zealand, China, India, Greater Asia and Taxi Solutions. Our North America reporting unit is defined as our operations in the U.S. and Canada. Our Latin America reporting unit is defined as our operations in South and Central America. Our Greater Asia reporting unit is defined as Asia-Pacific excluding, Australia, New Zealand, China and India. Our Taxi Solutions reporting unit consists of our taxi media and payment solutions businesses. Our EMEA reporting unit includes the same operations as our reportable segment.

When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a two-step impairment test. If we conclude otherwise, then no further action is taken. We also have the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In the two-step impairment test, we measure the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit.

We generally select the income approach, specifically the discounted cash flow ("DCF") method, to determine the fair value of each reporting unit. The DCF method calculates fair value by discounting estimated after-tax cash flows to a present value, using a risk-adjusted discount rate. We believe this method is the most meaningful in conducting our goodwill assessments because we believe it most appropriately measures our income-producing assets.

In applying the income approach to our accounting for goodwill, we make certain assumptions as to the amount and timing of future expected cash flows, terminal value growth rates, and appropriate discount rates. The amount and timing of future cash flows used in our DCF analysis is based on our most recent long-term forecasts and the expected future financial performance of each reporting unit, including projections of net revenues, costs of net revenues, operating expenses, income taxes, working capital requirements, and capital expenditures. A terminal value growth rate is used to calculate the value of the cash flows beyond the last projected period in our DCF analysis. The terminal value growth rate reflects our best estimates for stable, perpetual growth of our reporting units. We use the weighted average cost of capital ("WACC") as a basis for determining the discount rates to apply to our reporting units' future expected cash flows.

In addition, we make judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. Different judgments or assumptions could result in different carrying values.

For our fiscal year 2014 annual impairment review, we compared the carrying amount of each of our reporting units as of August 1, 2014 to their estimated fair value, and determined that the estimated fair value of each reporting unit exceeded its carrying amount by amounts ranging from 14.0% to 2,243.9%. Changes in circumstances, such as adverse changes in our operating results, in particular the operating results of an individual reporting unit, changes in management's business strategy, macroeconomic conditions or declines in our stock price can impact the fair value of our reporting units. For example, our EMEA reporting unit, which was allocated \$952.4 million of goodwill at August 1, 2014, had a fair value that is 72.5% over carrying value as of August 1, 2014, but 26.9% over carrying value as of August 1, 2013. The increased excess fair value for our EMEA reporting unit in fiscal year 2014 relates to improved EMEA operating results and continued amortization of acquired intangible assets that have reduced the carrying value of that reporting unit. As of August 1, 2014, our China reporting unit, which was allocated \$8.0 million of goodwill, had the lowest excess of fair value over carrying value and our Taxi Solutions reporting unit, which was allocated \$33.8 million of goodwill, had a fair value that is 42.7% over carrying value.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. In evaluating our ability to recover our deferred tax assets we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in past fiscal years, and our forecast of future taxable income in the jurisdictions in which we have operations.

We have placed a valuation allowance on the U.S. deferred tax assets and certain non-U.S. deferred tax assets, because realization of these tax benefits through future taxable income does not meet the more-likely-than-not threshold. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances. An increase in the valuation allowance would result in additional tax expense in the period in which the increase is recognized. We make estimates and judgments about our future taxable income that are based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from the estimates, the amount of the valuation allowance could be materially impacted.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is based on detailed facts and circumstances of each issue. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial condition.

During December 2014 the Internal Revenue Service issued a Notice of Proposed Adjustment indicating the denial of our worthless stock deduction, related to the insolvency of one of our UK subsidiaries, recorded on our 2010 tax return. We plan on protesting the notice and believe the Internal Revenue Service position for the denial is without merit. Additionally, during the fourth quarter of fiscal 2014, the Israel Tax Authority issued a tax assessment for 2008 or 2009 claiming there was a business restructuring that resulted in a transfer of some functions, assets and risks from Israel to the US parent company treated as an equity sale. We are appealing the tax assessment and believe the Israel Tax Authority's assessment position is without merit. We intend to continue to challenge both the Internal Revenue Service and Israel Tax Authority positions vigorously. If these matters are litigated and the Internal Revenue Service or Israel Tax Authority are able to successfully sustain their positions,

our results of operations and financial condition could be materially and adversely affected. See further discussion in Note 5, *Income Taxes*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Revenue Recognition

While the majority of our sales transactions contain standard business terms and conditions, there are some transactions that contain non-standard business terms and conditions, and, as a result, significant contract interpretation is sometimes required to determine whether an arrangement exists and what is included in the arrangement. In addition, our revenue recognition policy requires an assessment as to whether collection is probable, which inherently requires us to evaluate the creditworthiness of our customers.

We enter into arrangements with customers that include multiple deliverables. Significant judgment is required to determine the appropriate accounting for multiple element arrangements including: (1) whether elements represent separate deliverables; (2) the estimated selling price ("ESP") for each deliverable; (3) the arrangement consideration to be allocated among the deliverables; (4) when to recognize net revenues on the deliverables; and (5) whether undelivered elements are essential to the functionality of delivered elements. Further, our determination of ESP involves assessing factors such as the cost to produce the deliverable, the anticipated margin on that deliverable, the economic conditions and trends, the selling price and profit margin for similar parts, and our ongoing pricing strategy and policies.

Warranty Costs

We accrue for estimated warranty obligations at the time that revenue is recognized, and base those accruals on an estimate of future warranty costs for the delivered product. Our warranty obligation generally extends from one to three years from the date of shipment. We estimate such obligations based on the size of the installed base of products subject to warranty protection, historical and projected warranty claim rates, historical and projected costs associated with claims, and knowledge of specific product failures that are outside of our typical experience. Our estimates and judgments are affected by actual product failure rates and actual costs to repair. These estimates and judgments are more subjective for new product introductions as these estimates and judgments are based on our experience for similar products because we do not yet have actual history or experience for new products.

From time to time we encounter situations where our costs of warranty on a product vary significantly from expectations due to factors including defective parts, defective workmanship, or other unanticipated environmental or usage patterns. When encountered, a specific reserve is established for these situations on a case-by-case basis, and best available estimates are used to quantify the potential exposure.

Stock-Based Compensation

We account for stock-based employee compensation plans using fair value recognition and measurement principles, and recognize compensation over the requisite service period for awards expected to vest. The

estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results differ from our estimates, such amounts will be recorded in the period the awards are forfeited. In valuing stock-based awards, significant judgment is required in determining the expected volatility and the expected term individuals will hold their stock-based awards prior to exercising. Expected volatility of the stock is based on a blend of factors, such as the implied volatility of our options and the historical volatility of our own stock. The expected term of options granted is derived from the historical actual term of option grants and an estimate of future exercises during the remaining contractual period of the option. In the future, our expected volatility and expected term may change, which could substantially change the grant-date fair value of future awards of stock options and ultimately the expense we record.

Restructuring

We accrue for the expected costs of formally approved one-time and on-going benefit arrangements as applicable for each type of benefit arrangement. When determining our restructuring charges we make significant estimates related to the costs and timing of future severance and other employee involuntary termination benefits, the costs to terminate lease obligations, including potential sublease income, and the realizable values of assets we may dispose. The amounts we accrue are subject to change due to various factors including employee attrition rates, the outcome of negotiations with third parties and market conditions.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to pay their invoices to us in full. We regularly review the adequacy of our allowance for doubtful accounts, considering the size of each customer's accounts receivable balance, their expected ability to pay, aging of their accounts receivable balances, and our collection history with them. An appropriate provision is made taking into account these factors. The level of reserves for our customer accounts receivable fluctuates depending upon all of the factors mentioned above, and could change significantly if our customers' financial condition changes or the economy in general deteriorates.

Inventory Valuation and Liability for Purchase Commitments with Contract Manufacturers and Suppliers

The valuation of inventories requires us to determine obsolete or excess inventory, and inventory that is not of salable quality. The determination of obsolete or excess inventories requires us to estimate the future demand for our products within specific time horizons, generally six months. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to record additional inventory write-offs, which would have a negative impact on our gross margin percentage.

We review the adequacy of our inventory valuation on a quarterly basis. For production inventory, our methodology involves an assessment of the marketability of the product based on a combination of shipment history and future demand. We then evaluate the inventory found to be in excess and take appropriate writedowns to reflect the risk of obsolescence. Our evaluation depends on the accuracy of our sales estimates. If actual demand was substantially lower than estimated, additional inventory write-downs for excess or obsolete inventories may be required.

We record accruals for estimated cancellation fees related to orders placed with our suppliers that have been canceled or are expected to be canceled. Consistent with industry practice, we acquire inventory through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. These commitments typically cover our requirements for periods ranging from one to five months. If there is an abrupt and substantial decline in demand for one or more of our products or an unanticipated change in technological requirements for any of our products, we may be required to record additional accruals for cancellation fees that would negatively affect our results of operations in the period when the cancellation fees are identified and recorded.

Long-Lived Assets

We make judgments about the recoverability of long-lived assets, including fixed assets and purchased finite-lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. Each period we evaluate the estimated remaining useful lives of long-lived assets and whether events or changes in circumstances warrant a revision to the remaining periods of depreciation or amortization. If circumstances arise that indicate an impairment may exist, we use an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying amount of the assets over the fair value of such assets, with the fair value generally determined using the DCF method. Application of the DCF method for long-lived assets requires judgment and assumptions related to the amount and timing of future expected cash flows, terminal value growth rates, and appropriate discount rates. Different judgments or assumptions could result in materially different fair value estimates.

Contingencies and Litigation

The outcome of litigation is inherently uncertain and subject to numerous factors outside of our control. Significant judgment is required when we assess the likelihood of any adverse judgments or outcomes to a potential claim or legal proceeding, as well as potential ranges of probable losses, and when the outcomes of the claims or proceedings are probable and reasonably estimable. A determination of the amount of accrued liabilities required, if any, for these contingencies is made after the analysis of each matter. Because of uncertainties related to these matters, we base our estimates on the information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation, and may revise our estimates. Any revisions in the estimates of potential liabilities could have a material impact on our results of operations and financial position.

Recent Accounting Pronouncements

Information with respect to recent accounting pronouncements may be found in Note 1, *Principles of Consolidation and Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, which section is incorporated herein by reference. We do not expect the pronouncements adopted during fiscal year 2014 to have a material impact on our consolidated financial position or results of operations in future periods. We are currently evaluating the impact that adoption of ASU 2014-09, *Revenue from Contracts with Customers*, will have on our future consolidated financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. These exposures may change over time as business practices evolve, and could have a material adverse impact on our financial results.

Interest Rate Risk

We are exposed to interest rate risk related to our borrowings. These borrowings generally bear interest based upon the one-month LIBOR rate. As of October 31, 2014, a 25 basis point increase in interest rates on our borrowings subject to variable interest rate fluctuations would increase our interest expense by approximately \$1.7 million annually.

We have outstanding a number of interest rate swap agreements to effectively convert \$500.0 million of the term A loan from a floating rate to a 0.71% fixed rate plus applicable margin. The interest rate swaps qualify for hedge accounting treatment as cash flow hedges and are effective through March 31, 2015.

We generally hold most of our cash in non-interest bearing bank accounts. However, some of the funds are placed in overnight and short-term instruments, which would earn more interest income if market interest rates rise and less interest income if market interest rates fall.

Foreign Currency Transaction Risk

A substantial majority of our sales are made to customers outside the U.S. A substantial portion of the net revenues we generate from international sales is denominated in currencies other than the U.S. dollar. Additionally, portions of our cost of net revenues and operating expenses are incurred by our international operations and are denominated in currencies other than the U.S. dollar, particularly the Euro, Brazilian real, British Pound, and Swedish Krona. For consolidated reporting, net revenues and expenses denominated in currencies other than the U.S. dollar, which we refer to as Income Statement Exposures, are translated to the U.S. dollar at average currency exchange rates for the period. Thus, even if foreign operating results were stable, fluctuating currency rates may produce volatile reported results. We have from time to time made efforts to mitigate Income Statement Exposures by hedging with currency derivatives. As of October 31, 2014 and 2013, we had no derivatives designated as cash flow hedges related to Income Statement Exposures. We may in the future use foreign exchange forward contracts or other derivatives to hedge Income Statement Exposures, depending upon the risks of the exposures, the costs of hedging, and other considerations. However, hedges of Income Statement Exposures will only mitigate a portion of our risk and only for a short period.

The balance sheets of our subsidiaries may have monetary assets and liabilities denominated in currencies other than the primary currency of such business, which we refer to as Balance Sheet Exposures. For example, Balance Sheet Exposures would include Canadian dollar receivables held in a subsidiary where the Canadian dollar is not the primary currency, such as our U.S. business, or U.S. dollar payables held by our U.K. subsidiary. As exchange rates fluctuate, Balance Sheet Exposures generate foreign currency transaction gains and losses, which are included in Other income (expense), net in our Consolidated Statements of Operations. Most Balance Sheet Exposures will settle in local currency or convert from a foreign currency to a local currency in the foreseeable future, at which time the impact of rate fluctuations will be realized and we will receive or dispense more or less cash than the value originally recorded. We refer to such exposures as Near-Term Balance Sheet Exposures. Some Balance Sheet Exposures may not be settled in the foreseeable future in management's estimation and thus the cash impact of their currency gains or losses is not expected to be realized in the foreseeable future.

We have in the past and expect to continue to enter into foreign exchange forward contracts to mitigate the risk of Near-Term Balance Sheet Exposures. Our objective is to have gains or losses from the foreign exchange forward contracts largely offset the losses or gains of the Near-Term Balance Sheet Exposures. On a monthly basis, we recognize the gains or losses based on the changes in fair value of these contracts in Other income

(expense), net in our Consolidated Statements of Operations. In some instances, we may seek to hedge transactions that are expected to become Near-Term Balance Sheet Exposures in the very short-term, generally within one month. We do not use foreign exchange forward contracts or other derivatives for speculative or trading purposes.

Our outstanding foreign exchange forward contracts as of October 31, 2014 are presented in the table below (in thousands). The fair market value of the contracts represents the difference between the spot currency rate at October 31, 2014 and the contracted rate. All of these forward contracts mature within 30 days of October 31, 2014.

Fair

	Currency	Local Currency Contract Amount	Currency	Contracted Amount	Fair Market Value at October 31, 2014
Contracts to (buy) sell non-USD currencies:					
Argentine peso	ARS	(32,000)	USD	3,678	\$ (39)
Australian dollar	AUD	(12,000)	USD	10,658	_
Brazilian real	BRL	(8,000)	USD	3,204	(47)
British Pound	GBP	(25,000)	USD	40,367	54
Canadian dollar	CAD	(6,500)	USD	5,829	(6)
Chinese renminbi	CNY	(80,000)	USD	13,027	(58)
Danish krone	DKK	14,000	USD	(2,400)	(4)
Euro	EUR	(59,000)	USD	75,295	102
Indian rupee	INR	150,000	USD	(2,442)	(2)
Israeli new shekel	ILS	(5,000)	USD	1,337	2
Mexican peso	MXN	(75,000)	USD	5,578	(4)
New Zealand dollar	NZD	(48,000)	USD	38,102	36
Polish zloty	PLN	(6,000)	USD	1,811	
Singapore dollar	SGD	(3,000)	USD	2,359	1
South African rand	ZAR	(30,000)	USD	2,753	(2)
South Korean won	KRW	(2,500,000)	USD	2,384	(1)
Swedish Krona	SEK	205,000	USD	(28,080)	(1)
Turkish Lira	TRY	(4,000)	USD	1,813	
Total fair market value					\$ 31

As of October 31, 2014, our Balance Sheet Exposures, which is the sum of the absolute value of the net assets or net liabilities for each of our foreign subsidiaries with a functional currency other than the U.S. dollar, amounted to \$275.3 million. These Balance Sheet Exposures were partially offset by foreign exchange forward contracts with a notional amount of \$241.1 million. Based on our net exposures as of October 31, 2014, a 10% fluctuation in currency exchange rates would result in a gain or loss of approximately \$3.4 million.

As of October 31, 2014, we had one Balance Sheet Exposure not expected to be paid in the near term, an Israeli shekel payable equivalent to \$47.5 million. Excluding this exposure from the Israeli subsidiary's net liability exposure of \$45.6 million results in a \$1.9 million net asset position. Deducting the \$43.7 million absolute value difference from our total Balance Sheet Exposures of \$275.3 million results in a total Near-Term Balance Sheet Exposure of \$231.6 million. A 10% movement in currency exchange rates would result in a gain or loss of approximately \$1.0 million that we would expect to be realized in the foreseeable future.

Our efforts to mitigate the risk of foreign currency fluctuations in our Balance Sheet Exposures through the use of foreign exchange forward contracts may not always be effective in protecting us against currency exchange rate fluctuations, particularly in the event of imprecise forecasts of non-U.S. denominated assets and liabilities. In addition, at times we have not fully offset our Balance Sheet Exposures, leaving us at risk for

foreign exchange gains and losses on amounts not offset by forward contracts. Furthermore, historically we have not consistently hedged our Income Statement Exposures. Accordingly, if there were an adverse movement in exchange rates, we might suffer significant losses.

Equity Price Risk

Information on the share price of our common stock may be found under Part II, Item 5, *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*, of this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of VeriFone Systems, Inc.

We have audited the accompanying consolidated balance sheets of VeriFone Systems, Inc. as of October 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended October 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VeriFone Systems, Inc. at October 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VeriFone Systems, Inc.'s internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated December 17, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California December 17, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of VeriFone Systems, Inc.

We have audited VeriFone Systems, Inc.'s internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). VeriFone Systems, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In our opinion, VeriFone Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of October 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VeriFone Systems, Inc. as of October 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended October 31, 2014 and our report dated December 17, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California December 17, 2014

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended October 31,		
	2014	2013	2012
	(In thousan	nds, except per s	hare data)
Net revenues:	¢1.162.226	Φ1 OCO 444	Ф1 220 024
System solutions	\$1,162,226	\$1,068,444	\$1,339,024
Services	706,648	633,777	526,947
Total net revenues	1,868,874	1,702,221	1,865,971
Cost of net revenues:			0.1
System solutions	733,043	695,259	811,641
Services	411,114	361,773	298,489
Total cost of net revenues	1,144,157	1,057,032	1,110,130
Total gross margin Operating expenses:	724,717	645,189	755,841
Research and development	203,737	173,318	152,001
Sales and marketing	217,453	196,594	179,694
General and administrative	208,694	181,100	175,174
Litigation settlement and loss contingency expense (benefit)	(8,632)	64,371	17,632
Amortization of purchased intangible assets	97,580	96,160	83,795
Total operating expenses	718,832	711,543	608,296
Operating income (loss)	5,885	(66,354)	147,545
Interest, net	(42,472)	(44,344)	(58,431)
Other income (expense), net	(3,297)	3,740	(20,761)
Income (loss) before income taxes	(39,884)	(106,958)	68,353
Income tax provision (benefit)	(3,442)	188,043	2,050
Consolidated net income (loss)	(36,442)	(295,001)	66,303
Net income attributable to noncontrolling interests	(1,688)	(1,054)	(1,270)
Net income (loss) attributable to VeriFone Systems, Inc.			
stockholders	\$ (38,130)	\$ (296,055)	\$ 65,033
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:			
Basic	\$ (0.34)	\$ (2.73)	\$ 0.61
Diluted	\$ (0.34)	\$ (2.73)	\$ 0.59
Weighted average number of shares used in computing net income (loss) per share:			
Basic	111,586	108,609	107,006
Diluted	111,586	108,609	110,315

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended October 31,		
	2014	2013	2012
	(in thousands)	
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	\$ (38,130)	\$(296,055)	\$ 65,033
Other comprehensive income (loss):			
Net change in:			
Foreign currency translation	(121,068)	46,358	(22,105)
Unrealized gain (loss) on derivatives, net of tax	1,294	660	(2,686)
Other	97	219	(928)
Comprehensive income (loss) attributable to VeriFone Systems, Inc.			
stockholders	<u>\$(157,807)</u>	<u>\$(248,818)</u>	\$ 39,314

CONSOLIDATED BALANCE SHEETS

	Octob	oer 31,
	2014	2013
	(in thousands, e	xcept par value)
ASSETS		
Current assets:		* ***
Cash and cash equivalents	\$ 250,187	\$ 268,220
Accounts receivable, net of allowances of \$9,880 and \$12,652	305,500	284,020
Inventories, net	124,275	138,695
Prepaid expenses and other current assets	105,610	134,057
Total current assets	785,572	824,992
Fixed assets, net	177,753	172,187
Purchased intangible assets, net	457,595	642,890
Goodwill	1,185,892	1,252,472
Deferred tax assets, net	30,394	23,897
Other long-term assets	65,037	77,282
Total assets	\$2,702,243	\$2,993,720
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 161,226	\$ 116,533
Accruals and other current liabilities	206,982	292,019
Deferred revenue, net	92,075	86,576
Short-term debt	32,131	92,536
Total current liabilities	492,414	587,664
Long-term deferred revenue, net	50,968	42,622
Long-term deferred tax liabilities	136,057	175,945
Long-term debt	851,040	943,325
Other long-term liabilities	101,092	92,510
Total liabilities	1,631,571	1,842,066
Commitments and contingencies	-,,-	-,- :_,- :
Redeemable noncontrolling interest in subsidiary	774	593
Stockholders' equity:		
Preferred stock: \$0.01 par value, 10,000 shares authorized, no shares issued		
and outstanding as of October 31, 2014 and 2013, respectively	_	_
Common stock: \$0.01 par value, 200,000 shares authorized, 113,314 and		
110,160 shares issued and outstanding as of October 31, 2014 and 2013,		
respectively	1,133	1,102
Additional paid-in capital	1,675,695	1,598,735
Accumulated deficit	(538,208)	(500,078)
Accumulated other comprehensive income (loss)	(104,830)	14,847
Total stockholders' equity	1,033,790	1,114,606
Noncontrolling interest in subsidiaries	36,108	36,455
Total liabilities and equity	\$2,702,243	\$2,993,720

CONSOLIDATED STATEMENTS OF EQUITY

	Commo	n Stock ting	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders	Non- controlling interest in	Total
	Shares	Amount	Capital	Deficit	Income (Loss)	Equity	subsidiaries	Equity
D. 1	105.026	#1 OF0	Φ1 460 06 2	Φ(260 056)	(In thous		Φ. 445	Φ1 104 C20
Balance as of October 31, 2011 Issuance of common stock, net of	105,826	\$1,058	\$1,468,862	\$(269,056)	\$ (6,671)	\$1,194,193	\$ 445	\$1,194,638
issuance costs	2,248	23	30,281	_	_	30,304	_	30,304
stock units	_	_	(2,676)	_	_	(2,676)	_	(2,676)
from business acquisition Stock-based compensation	_	_	_	_	_	_	36,781	36,781
expense	_	_	44,554	_	_	44,554	_	44,554
compensation	_	_	2,106	_	_	2,106	_	2,106
interest shareholders Total comprehensive income	_	_	_	_	_	_	(1,673)	(1,673)
(loss)			_	65,033	(25,719)	39,314	1,268	40,582
Balance as of October 31, 2012 Issuance of common stock, net of	108,074	1,081	1,543,127	(204,023)	(32,390)	1,307,795	36,821	1,344,616
issuance costs	2,230	22	11,103	_	_	11,125	_	11,125
stock units	_	_	(3,823)	_	_	(3,823)	_	(3,823)
Treasury shares retired Stock-based compensation	(144)	(1)	_	_	_	(1)	_	(1)
expense Tax effects of stock-based	_	_	48,851	_	_	48,851	_	48,851
compensation Dividends paid to noncontrolling	_	_	(523)	_	_	(523)	_	(523)
interest shareholders Total comprehensive income	_	_	_	_	_	_	(1,690)	(1,690)
(loss)				(296,055)	47,237	(248,818)	1,324	(247,494)
Balance as of October 31, 2013 Issuance of common stock, net of	110,160	1,102	1,598,735	(500,078)	14,847	1,114,606	36,455	1,151,061
issuance of common stock, net of issuance costs	3,154	31	35,722	_	_	35,753	_	35,753
stock units	_	_	(12,907)	_	_	(12,907)	_	(12,907)
expense	_	_	53,897	_	_	53,897	_	53,897
compensation	_	_	248	_	_	248	_	248
interest shareholders	_	_	_	_	_	_	(1,854)	(1,854)
(loss)	_	_	_	(38,130)	(119,677)	(157,807)	1,507	(156,300)
Balance as of October 31, 2014		\$1,133	\$1,675,695	\$(538,208)	\$(104,830)	\$1,033,790	\$36,108	\$1,069,898

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended October 31,		
	2014	2013	2012
		(in thousands)	
Cash flows from operating activities	¢ (26.442)	¢(205 001)	¢ ((202
Consolidated net income (loss)	\$ (36,442)	\$(295,001)	\$ 66,303
operating activities:			
Depreciation and amortization, net	213,641	207,798	177,832
Stock-based compensation expense	53,897	48,851	44,554
Non-cash interest expense	_		10,290
Deferred income taxes, net	(37,975)	142,904	(22,030)
Write-off of debt issuance cost upon extinguishment	7,153	_	5,268
Other	16,811	5,107	(11,064)
Net cash provided by operating activities before changes in operating assets and liabilities	217,085	109,659	271,153
Changes in operating assets and liabilities, net of effects of business	217,003	100,000	271,133
acquisitions:			
Accounts receivable, net	(29,518)	84,299	(53,945)
Inventories, net	9,454	26,784	(19,274)
Prepaid expenses and other assets	10,154	(8,462)	(19,854)
Accounts payable	47,389	(77,004)	31,802
Deferred revenue, net	20,042	22	27,316
Other current and long-term liabilities	(75,539)	101,172	(19,235)
Net change in operating assets and liabilities	(18,018)	126,811	(53,190)
Net cash provided by operating activities	199,067	236,470	217,963
Cash flows from investing activities			
Capital expenditures	(85,011)	(77,535)	(63,181)
Acquisition of businesses, net of cash and cash equivalents acquired		(75,908)	(1,069,412)
Other investing activities, net	7,118	8,713	14,559
Net cash used in investing activities	(77,893)	(144,730)	(1,118,034)
Cash flows from financing activities			
Proceeds from debt, net of issuance costs	1,099,434	123,174	1,660,577
Repayments of debt	(1,260,794)	(399,043)	(619,336)
Repayments of senior convertible notes, including interest	_	_	(279,159)
plans	35,384	11,126	30,308
Payments of acquisition-related contingent consideration	(524)	(10,999)	(24,605)
Other financing activities, net	(1,571)	(1,690)	361
Net cash provided by (used in) financing activities	(128,071)	(277,432)	768,146
Effect of foreign currency exchange rate changes on cash and cash equivalents	(11,136)	(160)	(8,565)
Net decrease in cash and cash equivalents	(18,033)	(185,852)	(140,490)
Cash and cash equivalents, beginning of period	268,220	454,072	594,562
Cash and cash equivalents, end of period	\$ 250,187	\$ 268,220	\$ 454,072
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 32,253	\$ 37,383	\$ 42,261
Cash paid for income taxes	\$ 27,333	\$ 26,454	\$ 36,753

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Principles of Consolidation and Summary of Significant Accounting Policies

Business Description

We are a leading global provider of secure electronic payment solutions at the point of sale. We provide expertise, solutions and services that add value at the point of sale. We focus on delivering value to our customers at the point of sale where merchant and consumer requirements drive increasingly innovative point of sale payment capabilities, value-added services that increase merchant revenues and consumer experience solutions that enrich the interaction between merchant and consumers. Today we are an industry leader in multi-application payment systems deployments. Key industries in which we operate include financial services, retail, petroleum, restaurant, hospitality, taxi, transportation and healthcare.

VeriFone Systems, Inc. was incorporated in the state of Delaware on June 13, 2002 in order to acquire VeriFone, Inc. on July 1, 2002. VeriFone, Inc. was incorporated in 1981 and became our principal operating subsidiary on July 1, 2002. Effective May 18, 2010, we changed our corporate name from VeriFone Holdings, Inc. to VeriFone Systems, Inc. Shares of VeriFone Systems, Inc. are listed on the New York Stock Exchange under the trading symbol PAY.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of VeriFone and our wholly-owned and majority-owned subsidiaries. Amounts pertaining to the noncontrolling ownership interests held by third parties in the operating results and financial position of our majority-owned subsidiaries are reported as noncontrolling interests. All inter-company accounts and transactions have been eliminated. The Consolidated Financial Statements also include the results of companies acquired by us from the date of each acquisition.

We operate in three business segments: Americas, EMEA, and Asia-Pacific. Our Americas segment is defined as our operations in North America, South America, Central America, and the Caribbean. Our EMEA segment is defined as our operations in Europe, Russia, the Middle East, and Africa. Our Asia-Pacific segment consists of our operations in Australia, New Zealand, China, India and throughout the rest of Greater Asia, including other Asia-Pacific Rim countries. Our reportable segments are the same as our operating segments. We determine our operating segments based on the discrete financial information used by our Chief Executive Officer, who is our chief operating decision maker, to assess performance, allocate resources, and make decisions regarding VeriFone's operations. Our Chief Executive Officer is evaluating using global product line financial information to manage the business in the future. If our Chief Executive Officer is provided different financial information to assess performance, allocate resources and make decisions regarding VeriFone's operations, we will reassess our operating segment presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. We evaluate our estimates on an ongoing basis when updated information related to such estimates becomes available. We base our estimates on historical experience and information available to us at the time these estimates are made. Actual results could differ materially from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Significant Accounting Policies

Foreign Currency

We determine the functional currency for VeriFone and our subsidiaries by reviewing the currencies in which their respective operating activities occur. We translate assets and liabilities of our non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect as of the applicable balance sheet dates. Revenue and expenses for these subsidiaries are translated using average rates which approximate those in effect during the period. Foreign currency translation gains and losses are included in stockholders' equity as a component of Accumulated other comprehensive income (loss) in our Consolidated Balance Sheets.

Subsidiaries that use the U.S. dollar as their functional currency remeasure their non-U.S. dollar monetary assets and liabilities using exchange rates in effect as of the applicable balance sheet dates, and nonmonetary assets and liabilities using historical rates. Gains and losses from these remeasurements are recorded as Other income (expense), net in our Consolidated Statement of Operations.

Revenue Recognition

System solutions net revenues include net revenues from the sale of products and associated perpetual software licenses and accessories. Services net revenues include net revenues from services such as our "All-in-One" payment services, installation, customer support, repair services related to our System solutions, transaction processing, custom software development, and extended warranties, as well as from advertising in and on taxis and displays at petroleum dispensers, leases of our products, and term software licenses.

We recognize revenues net of sales taxes and value-added taxes when title and risk of loss have passed to the customer and all of the following criteria are met: (i) there is persuasive evidence that an arrangement exists; (ii) delivery of the products or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collection is reasonably assured and not contingent upon future performance.

Net revenues from sales to end-users, resellers, value-added resellers, and distributors are generally recognized upon shipment of the product. End-users, resellers, value-added resellers, and distributors generally have no rights of return, stock rotation rights, or price protection.

We recognize revenue from operating lease arrangements over the term of the applicable lease arrangements. Net revenues from operating lease arrangements represent less than 10% of our total net revenues and are classified as Services net revenues.

Net revenues from services obligations to be provided over a period of time are initially deferred and then recognized on a straight-line basis over the period during which the services are provided. Net revenues from services billed on a per incident basis are recognized as the services are rendered. Net revenues from fees for payment services are recognized when the payment services are complete. Advertising revenues are recognized as the related services are performed.

We periodically enter into software development contracts with our customers that we recognize as net revenues on a completed contract basis. During the period of performance of such contracts, billings and costs are accumulated on the balance sheet, but no profit is recorded before completion or substantial completion of the project or milestone. We generally use customers' acceptance as the specific criteria to determine when such contracts are substantially completed. Provisions for losses on software development contracts are recorded in the period they become evident. Net revenues from software development contracts comprise less than 1% of our total net revenues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net revenues from term licenses for the use of our software are recognized over the service period and classified as Services net revenues. Net revenues from software licenses comprise less than 10% of our total net revenues.

Revenue Recognition for Multiple-Element Arrangements

When an arrangement includes multiple deliverables, such as our All-in-One payment services, we allocate the arrangement consideration to each deliverable qualifying as a separate unit of accounting based on its relative selling price at the inception of the arrangement. We determine the relative selling price based on the estimated selling price ("ESP") using vendor specific objective evidence ("VSOE"), if it exists, and otherwise third-party evidence ("TPE"). If neither VSOE nor TPE exists for a unit of accounting, we use best estimated selling price ("BESP").

VSOE is limited to the price charged when the same or similar product or service is sold separately. We define VSOE as substantial standalone transactions that are priced within a narrow range, as defined by us. In addition, we consider the geographies in which the products or services are sold, as well as the class of customers to which the products or services are sold. If a product or service is seldom sold separately, it is unlikely that we can determine VSOE for the product or service.

TPE is determined based on the prices charged by our competitors for a similar deliverable when sold separately to similarly situated customers.

When we are unable to establish selling price using VSOE or TPE, we use BESP when allocating the arrangement consideration. BESP is the price at which management estimates that we would enter into a transaction with the customer if the product or service was to be sold by us regularly on a standalone basis. Our determination of BESP involves a weighting of several factors based on the specific facts and circumstances of the arrangement. The factors we consider include the geographies in which the products or services are sold, the anticipated gross margin on that deliverable, the cost to produce the deliverable, economic conditions and market trends, the selling price and gross margin for similar deliverables, and our ongoing pricing strategy and policies.

We analyze ESP at least annually or on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

In multiple element arrangements that include software, we first evaluate if a tangible product includes software. If a tangible product includes software and if both the tangible product and software components function together to deliver the tangible product's essential functionality, then we will treat the entire product as a non-software element. If the arrangement is deemed to have a software element, we first allocate the total arrangement consideration between the software group of elements as a whole and the non-software elements as a whole based on their relative selling prices, and then to the elements within those groups.

Shipping and Handling Costs

Shipping and handling costs incurred for delivery to customers are expensed as incurred, and are included in Cost of net revenues in our Consolidated Statements of Operations. In those instances where we bill shipping and handling costs to customers, the amounts billed are classified as Net revenues in our Consolidated Statements of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Warranty Costs

We accrue for estimated warranty obligations when revenue is recognized based on an estimate of future warranty costs for delivered products. Such estimates are based on historical experience and expectations of future costs. At least annually or whenever circumstances warrant, we evaluate and adjust the accrued warranty costs to the extent actual warranty costs vary from the original estimates. Our warranty period typically extends from one to three years from the date of shipment. Actual warranty costs may differ materially from management's estimates.

Costs associated with maintenance contracts, including extended warranty contracts, are expensed when they are incurred.

Stock-Based Compensation

We measure stock-based compensation cost at the grant date, based on the estimated fair value of the award and the estimated number of shares we ultimately expect will vest. Stock-based compensation cost is recognized as expense on a straight-line basis over the requisite service period. Cash flows resulting from the tax benefits due to tax deductions in excess of the compensation cost recognized for those awards are classified as financing cash flows.

Advertising Costs

Advertising costs are expensed as incurred, and were immaterial for all periods presented in our Consolidated Statements of Operations.

Research and Software Development Costs

Research and development costs are generally expensed when incurred.

Software development costs incurred to develop software products for resale, including the costs of software components of our products, are subject to capitalization beginning when a product's technological feasibility has been established and ending when a software or product is available for general release to customers. Capitalized costs of software for resale are amortized on a straight-line basis over the estimated life of the software or associated product, generally three to five years, commencing when the respective software or product is available to customers.

Software development costs for internal use software are subject to capitalization beginning when a project, that will result in additional functionality, is approved and ending when the software is put into productive use. Capitalized internal use software costs are amortized on a straight-line basis over the estimated life of the software, generally three to six years, commencing when the respective software is put into productive use.

Total amortization related to capitalized software development costs were \$4.6 million, \$3.3 million, and \$2.2 million for the fiscal years ended October 31, 2014, 2013, and 2012, respectively. Unamortized capitalized software development costs as of October 31, 2014 and 2013 of \$23.3 million and \$19.5 million, respectively, are recorded as a component of Other long-term assets in our Consolidated Balance Sheets.

Restructuring

The determination of when we accrue for employee involuntary termination benefits depends on whether the termination benefits are provided under a one-time benefit arrangement or under an on-going benefit

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

arrangement. We record charges for one-time benefit arrangements in accordance with ASC 420 *Exit or Disposal Cost Obligations* and charges for on-going benefit arrangements in accordance with ASC 712 *Nonretirement Postemployment Benefits*.

We recognize a liability for costs associated with the closure of facilities when the liability is incurred. We measure these liabilities at fair value. Costs to terminate a contract before the end of its term are recognized when we terminate the contract in accordance with the contract terms. Costs that will continue to be incurred under a contract for its remaining term without economic benefit are recognized at the facility cease-use date.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities, and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. In evaluating our ability to recover our deferred tax assets management considers all available positive and negative evidence including the past operating results, the existence of cumulative losses in past fiscal years, and the forecasted future taxable income in the jurisdictions in which we have operations.

We have placed a valuation allowance on U.S. deferred tax assets and certain non-U.S. deferred tax assets because realization of these tax benefits through future taxable income is not more likely than not as of October 31, 2014 and 2013. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances. An increase in the valuation allowance would result in additional tax expense in such period. We make estimates and judgments about our future taxable income that are based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from the estimates, the amount of the valuation allowance could be materially impacted.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is based on detailed facts and circumstances of each issue. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial condition.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and time deposits with maturities of three months or less when purchased.

Allowance for doubtful accounts

An allowance for doubtful accounts is established with respect to those amounts that we determine to be doubtful of collection using specific identification of doubtful accounts and an aging of receivables analysis based on invoice due dates. Actual collection losses may differ materially from management's estimates. Uncollectible receivables are written off against the allowance for doubtful accounts when all efforts to collect them have been exhausted. Accounts receivable payment terms are generally net 30 days, unless special payment terms are arranged.

Inventories

Inventories are stated at the lower of standard cost or market. We compute inventory cost using standard costs, primarily on a FIFO method. Standard costs approximate actual costs, including materials, manufacturing costs, in-bound freight costs, and inbound-related supply chain costs. We regularly monitor inventory quantities on hand and committed orders with contract manufacturers, and record write-downs for excess and obsolete inventories based primarily on the shipment history and our estimated forecast of product demand. Such write-downs establish a new cost basis of accounting for the related inventory.

Consigned inventories from our contract manufacturers where title has not been transferred to us are excluded from our inventories. In certain circumstances, we are obligated to prepay deposits to our contract manufacturers based on a percentage of the value of the inventories consigned to us, and after a certain period of time has elapsed, we may be required to prepay the full amount if we have not taken title to the inventory. Prepayments for consigned inventory are included in Prepaid expenses and other current assets in our Consolidated Balance Sheets.

Generally, we take title to consigned inventories when we ship to our customers, and record the full cost of the inventories as Cost of net revenues at that time. We must purchase the consigned inventories from our contract manufacturers after a certain agreed-upon period of time, ranging from 30 days to one year. Consigned inventories are included in our calculation of minimum order commitments from our contract manufacturers.

Fair Value Measurements

Our financial assets and liabilities consist principally of cash, money market funds, short-term time deposits, accounts receivable, investments, accounts payable, debt, foreign exchange forward contracts, and interest rate swaps. We measure and record certain of our financial assets and liabilities at fair value on a recurring basis. The estimated fair value of cash, accounts receivable, and accounts payable approximates their carrying value. The estimated fair value of our debt approximates the carrying value because the interest rate on such debt adjusts to market rates on a periodic basis. Money market funds, short-term time deposits, investments, foreign exchange forward contracts, interest rate swaps, and contingent consideration payable are recorded at estimated fair value.

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When estimating fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, credit risk, and risk of non-performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In measuring fair value, we follow a three-level hierarchy based on the inputs used:

Level 1—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Other inputs that are directly or indirectly observable in the marketplace, such as similar instruments in an active market, or computations using, among other inputs, forward pricing curves, credit default spreads, or the Black-Scholes-Merton valuation model.

Level 3—Unobservable inputs that are supported by little or no market activity.

Our non-financial assets, such as goodwill, purchased intangible assets, and property, plant and equipment are carried at cost until there are indicators of impairment, and are recorded at fair value only when an impairment charge is recognized.

Derivative Financial Instruments

We use derivative financial instruments to manage certain exposures to foreign currency exchange rate and interest rate risks. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. Our Board of Directors has approved our qualification for and election of the Commodity Futures Trading Commission's End User Exception to the mandatory requirement under the Dodd-Frank Wall Street Reform and Consumer Protection Act to clear derivative transactions through a registered derivatives clearing organization.

We do not use derivative financial instruments for speculative or trading purposes, nor do we hold or issue leveraged derivative financial instruments. Our derivative financial instruments do not include a right of offset, and we do not offset derivative financial assets against derivative financial liabilities.

Our derivative financial instruments consist primarily of foreign exchange forward contracts, which we use to hedge certain existing and anticipated foreign currency denominated transactions, and interest rate swaps, which we use to hedge a portion of the variability in cash flows related to our interest payments. We recognize the estimated fair value of our outstanding derivative financial instruments on our Consolidated Balance Sheets at the end of each reporting period as either assets or liabilities. Foreign exchange forward contracts generally mature within 90 days of inception. The interest rate swaps mature on March 31, 2015.

Gains and losses arising from the effective portion of derivative financial instruments that are designated as cash flow hedges are recorded in Accumulated other comprehensive income (loss), and are subsequently reclassified into earnings in the period or periods during which the underlying transactions affect earnings. Gains and losses on derivative financial instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in Other income (expense), net or Interest, net, respectively.

We formally document relationships between hedging instruments and associated hedged items, and formally assess hedge effectiveness, both at hedge inception and on an ongoing basis. When an anticipated transaction is no longer likely to occur, the corresponding derivative instrument is ineffective as a hedge, and changes in fair value of the instrument are recognized in Other income (expense), net.

Gains and losses arising from changes in the fair values of derivative financial instruments that are not designated as hedging instruments are recognized in Other income (expense), net.

Long-Lived Assets

Fixed assets are stated at cost, net of accumulated depreciation and amortization. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, generally ranging from three to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ten years, except buildings which are depreciated from 40 to 50 years. Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful life of the asset.

Revenue generating assets are comprised of tangible assets that we have placed at third party locations for the purpose of generating revenues, such as in taxi cabs, at gas stations and at merchant locations, under rental or service based arrangements. Revenue generating assets are stated at cost, net of accumulated depreciation, and are generally depreciated on a straight-line basis over the estimated useful lives of the assets, generally five years. Payments to acquire revenue generating assets are included in Capital expenditures as a cash flow from investing activities on our Consolidated Statements of Cash Flows.

Equipment under capital leases is recorded at the lesser of the present value of the minimum lease payments at the beginning of the lease term or the fair value of such equipment. Leased equipment is amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of such equipment.

Purchased intangible assets that have finite useful lives are amortized on a straight-line basis over their estimated period of benefit, generally ranging from one to 20 years.

If the estimated period of benefit for any of our long-lived assets is determined to have changed, we amortize the remaining net book values over the revised period of benefit.

We periodically evaluate whether changes have occurred that would render our long-lived assets not recoverable. If such circumstances arise, we use an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying amount of the assets over the fair value of such assets, with the fair value generally determined based on an estimate of discounted future cash flows.

Goodwill

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is not amortized for accounting purposes.

We review the goodwill allocated to each of our reporting units for possible impairment annually on August 1 and whenever events or changes in circumstances indicate its carrying amount may not be recoverable. Our reporting units are North America, EMEA, Latin America, Taxi Solutions, Australia-New Zealand, China, India, and Greater Asia. Our North America reporting unit is defined as our operations in the U.S. and Canada. Our Latin America reporting unit is defined as our operations in South and Central America. Our Taxi Solutions reporting unit consists of our taxi media and payment solutions businesses. Our Greater Asia reporting unit is defined as Asia-Pacific excluding, Australia, New Zealand, China and India. Our EMEA reporting unit includes the same operations as our reportable segment.

When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a two-step impairment test. If, we conclude otherwise, then no further action is taken. We also have the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In the two-step impairment test, we measure the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In assessing the qualitative factors, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances, and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry, and market considerations, cost factors, overall financial performance, VeriFone-specific events, and share price trends, and making the assessment as to whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, we allocate, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where we have had an acquisition that benefited more than one reporting unit, we have assigned the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

The estimated fair value of the reporting units is determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows.

In order to assess the reasonableness of the calculated fair values of its reporting units, we compare the sum of the reporting units' fair values to our market capitalization and calculate an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). We evaluate the control premium by comparing it to control premiums of recent comparable transactions. If the implied control premium is not reasonable in light of these recent transactions, we will reevaluate our fair value estimates of the reporting units by adjusting the discount rates or other assumptions.

If the carrying amount of a reporting unit is in excess of its fair value, an impairment may exist, and we must perform the second step of the impairment analysis to measure the amount of the impairment loss, by allocating the reporting unit's fair value to its assets and liabilities other than goodwill, comparing the carrying amount to the resulting implied fair value of the goodwill, and recording an impairment charge for any excess.

Debt Issuance Costs and Original Issue Discounts

Costs incurred in connection with the issuance of new debt are generally capitalized and amounts paid in connection with the modification of existing debt are generally expensed as incurred. Capitalized debt issuance costs are stated at cost, net of accumulated amortization. Capitalizable amounts paid to third parties are included in Prepaid expenses and other current assets, and Other long-term assets on our Consolidated Balance Sheets. Capitalizable amounts paid to creditors are included as original issue discounts that offset the associated Short-term and Long-term debt on our Consolidated Balance Sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization expense on capitalized debt issuance costs and original issue discounts related to loans with fixed payment terms is calculated using the effective interest method over the term of the associated loans. Amortization expense on capitalized debt issuance costs and original issue discounts related to revolving loans are calculated using the straight-line method over the term of the revolving loan commitment. Amortization expense is recorded in Interest, net in our Consolidated Statements of Operations. When debt is extinguished prior to the maturity date, any remaining associated debt issuance costs or original issue discounts are expensed to Interest, net in our Consolidated Statements of Operations.

Business Combinations

In a business combination, we recognize separately from goodwill the assets acquired and the liabilities assumed, generally at their acquisition date fair value. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to adjustment. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

For a given acquisition, we generally identify certain pre-acquisition contingencies as of the acquisition date, and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition non-income tax related contingency is probable in nature and estimable as of the acquisition date, we record our best estimate for such contingency as a part of the preliminary purchase price allocation. We often continue to gather related information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase accounting during the measurement period.

In addition, uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly with any adjustments to our preliminary estimates being recorded to goodwill provided that we are within the measurement period, and we continue to collect information in order to determine their estimated values. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, changes to these uncertain tax positions and tax-related valuation allowances will affect our Income tax provision (benefit) in our Consolidated Statements of Operations and could have a material impact on our results of operations and financial position.

Acquisition-related costs are expensed as incurred.

Redeemable Noncontrolling Interest in Subsidiary

The redeemable noncontrolling interest in subsidiary is recognized at the greater of the initial carrying amount increased or decreased for the noncontrolling interest's share of net income or loss, or its redemption value

Comprehensive Income (Loss)

Comprehensive income (loss) consists of Net income (loss) attributable to VeriFone Systems, Inc. stockholders and Other comprehensive income (loss). Other comprehensive income (loss) includes certain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

changes in equity that are excluded from results of operations. Specifically, foreign currency translation adjustments, changes in the fair value of derivatives designated as cash flow hedges, mark-to-market adjustments of available-for-sale securities, and adjustments to pension plan obligations.

Concentrations of Credit Risk

Cash is placed on deposit in major financial institutions primarily in the U.S., Labuan, Malaysia and Brazil. Such deposits may be in excess of insured limits. We believe that the financial institutions that hold our cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

We invest cash not required for use in operations in high credit quality securities based on our investment policy. The investment policy has limits based on credit quality, investment concentration, investment type, and maturity that we believe reduce the risk of loss. Investments are of a short-term nature and include investments in money market funds and time deposits.

Our derivative financial instruments expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement when we have an unrealized gain on the instrument. We believe the counterparties for our outstanding contracts are large, financially sound institutions, and thus we do not anticipate nonperformance by these counterparties. However, given the high debt levels of many countries and institutions worldwide, the failure of the counterparties is possible. We have not experienced any investment losses due to institutional failure or bankruptcy.

Our accounts receivable are derived from sales to a large number of direct customers, resellers, and distributors globally. We perform ongoing evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary, but generally require no collateral. As of October 31, 2014 and 2013 no single customer accounted for more than 10% of our total Accounts receivable, net.

For fiscal years 2014, 2013, and 2012, no single customer accounted for more than 10% of our total net revenues. In fiscal year 2014, one customer accounted for approximately 11.4% of total net revenues in our Americas reportable segment, and no single customer accounted for more than 10% of net revenues in our other segments. In fiscal year 2013, one customer accounted for approximately 10.5% of net revenues in our EMEA segment, and no single customer accounted for more than 10% of net revenues in our other segments. In fiscal year 2012, one customer accounted for approximately 13.7% of net revenues in our Americas segment, one customer accounted for approximately 12.5% of net revenues in our Asia-Pacific segment, and no single customer accounted for more than 10% of net revenues in our EMEA segment.

We utilize a limited number of third parties to manufacture our products, and rely upon these contract manufacturers to produce and deliver products on a timely basis and at an acceptable cost. Furthermore, a majority of our manufacturing activities are concentrated in China and Brazil. As a result, disruptions to the business or operations of the contract manufacturers or to their ability to produce the required products in a timely manner, and particularly disruptions to the manufacturing facilities located in China and Brazil, could significantly impact our business and operations. In addition, a number of components that are necessary to manufacture and assemble our systems are specifically customized for use in our products and are obtained from sole source suppliers on a purchase order basis. Because of the customized nature of these components and the limited number of available suppliers, if we were to experience a supply disruption, it would be difficult and costly to find alternative sources in a timely manner.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recent Accounting Pronouncements

We adopted ASU 2013-02, *Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income*, effective November 1, 2013. ASU 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component and by net income line item. Adoption of ASU 2013-02 had no impact on our consolidated financial position, or results of operations.

During July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* ASU 2013-11 provides presentation requirements for unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. ASU 2013-11 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. ASU 2013-11 may impact the asset or liability financial statement presentation of certain unrecognized tax benefits, but will not change our assessment of the realizability of our deferred tax assets, and will not have a material impact on our consolidated results of operations. We plan to adopt ASU 2013-11 in our first quarter of fiscal year 2015.

During April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements and Property*, *Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinued operations. ASU 2014-08 is effective for all disposals of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. We adopted ASU 2014-08 effective April 30, 2014, and adoption had no impact on our financial statement presentation, financial position or results of operations.

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides new guidance on the recognition of revenue and states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this accounting standard update on our consolidated financial position or results of operations.

During August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern*. ASU 2014-15 requires management to assess an entity's ability to continue as a going concern every reporting period including interim periods. ASU 2014-15 is effective for the annual period ending after December 15, 2016. Early adoption is permitted. We adopted ASU 2014-15 effective October 31, 2014 and adoption had no impact on our financial statement presentation, financial position or results of operations.

Note 2. Business Combinations

Fiscal Year 2014 Acquisitions

In August 2014, we acquired certain assets of Outcast Media LLC in a transaction that we accounted for using the acquisition method of accounting. Outcast delivers advertising to screens at petroleum dispensers in the United States. In consideration for these assets, we agreed to pay a revenue share on specified advertising revenues. The contingent consideration fair value at the acquisition date was \$11.6 million. Purchased intangible

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

assets, which principally related to customer relationships, totaled \$4.8 million and goodwill totaled \$6.8 million at the acquisition date. Goodwill was assigned to our North America reportable segment. The goodwill recognized will be deductible for income tax purposes.

Fiscal Year 2013 Acquisitions

We completed the acquisitions of EFTPOS New Zealand Limited ("EFTPOS"), which holds the switching and terminal business of ANZ Bank New Zealand Limited, and Sektor Payments Limited, which was our main distributor in New Zealand, during the fiscal year ended October 31, 2013. The aggregate cash consideration paid totaled \$62.8 million. We acquired all outstanding equity of EFTPOS. The Sektor acquisition was an acquisition of assets and assumption of certain liabilities. Each acquisition was accounted for using the acquisition method of accounting.

The following table summarizes the fair values assigned to the assets acquired and liabilities assumed (in thousands) at the acquisition date of each transaction.

	EFTPOS	Sektor	Total
Acquisition date	May 31, 2013	April 2, 2013	
Assets acquired, net of liabilities assumed	\$ 5,111	\$ 441	\$ 5,552
Purchased intangible assets (1)	20,374	3,956	24,330
Goodwill (2)	29,042	3,851	32,893
Total purchase price	\$ 54,527	\$ 8,248	\$62,775

⁽¹⁾ Purchased intangible assets included primarily customer relationships valued at \$21.2 million, which will be amortized over their estimated useful lives of two to nine years.

Fiscal Year 2012 Acquisitions

Point Acquisition

On December 30, 2011, we completed our acquisition of Electronic Transaction Group Nordic Holding AB ("Point"), a Swedish company operating the Point International business, Northern Europe's largest provider of payment and gateway services and solutions for retailers. The purchase price was approximately €600.0 million (approximately USD \$774.3 million at foreign exchange rates on the acquisition date), plus repayment of Point's outstanding multi-currency debt of €193.3 million (approximately \$250.2 million at exchange rates on the acquisition date), for a total cash purchase price of \$1.02 billion, based on the exchange rates on the acquisition date. The source of funds for the cash consideration was the 2011 Credit Agreement that is described further in Note 9, *Financings*.

We acquired Point to, among other things, provide a broader set of product and service offerings to customers globally, including expansion in the Northern European markets.

As a result of the acquisition, Point became our wholly-owned subsidiary. One subsidiary of Point, Babs Paylink AB, is owned 51% by us and 49% by a third party that has a noncontrolling interest. The acquisition of Point was accounted for using the acquisition method of accounting. For fiscal year ended October 31, 2012, we estimated that our total net revenues increased by approximately \$170.4 million, due to the sale of products and

⁽²⁾ Goodwill represents the expected benefits of combining the acquisitions' operations with our operations, as well as the assembled workforce of EFTPOS and Sektor. Goodwill was assigned to our Asia-Pacific reportable segment. The goodwill recognized is not deductible for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

services by Point entities, and the acquired Point business negatively impacted our Operating income (loss) by approximately \$25.3 million, including charges associated with the step-down (fair value decrease) in deferred revenue, amortization, integration and acquisition-related expenses.

Recording of Assets Acquired and Liabilities Assumed

The assets acquired and liabilities assumed as part of our acquisition of Point were recognized at their fair values as of the acquisition date, December 30, 2011. The following table summarizes the fair values assigned to the assets acquired and liabilities assumed (in thousands):

	F	air Value
Cash and cash equivalents	\$	25,314
Accounts receivable, net (gross contractual value of \$24.5 million, of which \$1.8 million was not		
expected to be collected)		22,691
Inventories		25,543
Deferred tax assets		13,109
Prepaid expenses and other current assets		10,445
Fixed assets		47,794
Purchased intangible assets		567,007
Accounts payable and other liabilities		(51,448)
Contingent consideration payable		(20,363)
Deferred tax liabilities		(154,500)
Noncontrolling interest in subsidiary		(36,764)
Total identifiable net assets		448,828
Goodwill		575,704
Total consideration transferred	\$1	,024,532

Goodwill represents the expected benefits of combining Point's operations with our operations, as well as the assembled workforce of Point. Goodwill was assigned only to our EMEA reportable segment. The goodwill recognized is not deductible for income tax purposes.

The following table sets forth the components of intangible assets acquired in connection with the Point acquisition as of the acquisition date:

	Fair Value (in thousands)	Estimated Useful Life (Years)
Customer relationships (1)	\$498,503	9.5
Developed software technology (2)	54,783	4.4
Trade names (3)	13,721	4.0
Total	\$567,007	

Customer relationships represent the fair value of the underlying relationship and agreements with Point customers.

⁽²⁾ Developed software technology represents the fair values of Point's proprietary technologies, processes, and trade secrets related to the design of Point's payment solutions.

⁽³⁾ Trade names represent the fair value of the Point and other trademarks owned by Point.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Some of the more significant estimates and assumptions inherent in the estimates of the fair values of identifiable intangible assets include all assumptions associated with forecasting product profitability from the perspective of a market participant. Specifically:

- Revenue—we use historical, forecast, and industry or other sources of market data, including the number of units to be sold, selling prices, market penetration, market share, and year-over-year growth rates over the product life cycles.
- Cost of sales, research and development expenses, sales and marketing expenses and general administrative expenses—we use historical, forecast, industry, or other sources of market data, including any expected synergies that can be realized by a market participant.
- Estimated life of the asset—we assess the asset's life cycle by considering the impact of technology changes and applicable payment security compliance and regulatory requirements.
- Discount rates—we use a discount rate that is based on the weighted average cost of capital with adjustments to reflect the risks associated with the specific intangible assets, such as country risks and commercial risks.
- Customer attrition rates—we use historical and forecast data to determine the customer attrition rates and the expected customer life.

The discount rates used in the intangible asset valuations ranged from 14% to 20% depending on the relative risk profile of the intangible assets. The customer attrition rates used in our valuation of customer relationship intangible assets ranged from zero to 7% depending on the country. The estimated life of developed software technology intangible assets ranged from 2 years to 10 years. The royalty rate used in the valuation of the trade names intangible asset ranged from 1% to 2%. All of these judgments and estimates can materially impact the fair values of intangible assets.

The estimated fair value of acquired contingent consideration owed by Point related to its prior acquisitions was \$20.4 million as of the acquisition date. This contingent consideration was payable in cash if certain operating and financial targets were achieved in the two years following the dates of those acquisitions. The payout criteria for the contingent consideration contained provisions for prorated payouts if the target criteria were not met, provided that certain minimum thresholds were achieved. Subsequent to the acquisition of Point, we have paid the full \$20.4 million that was originally accrued, plus imputed interest, and no further obligation remains under these contingent consideration arrangements.

The fair value of the noncontrolling interest of Babs Paylink AB of \$36.8 million was estimated by employing an income approach based on an assumed discount rate of 17% and an estimated terminal value derived from terminal stabilized cash flow multiples ranging from 8 to 9.

Other Fiscal Year 2012 Acquisitions

During fiscal year 2012, in addition to Point, we completed acquisitions of other businesses and net assets described in the table below for an aggregate purchase price of \$81.5 million. No VeriFone equity was issued, and in each transaction all the outstanding equity of the applicable business was acquired, except for Show Media, which was an acquisition of assets and assumption of certain liabilities. Each acquisition was accounted for using the acquisition method of accounting.

The aggregate purchase price includes \$6.4 million of holdback payments that will be paid between 12 to 15 months after the date the respective acquisitions closed, unless the general representations and warranties made

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

by the sellers as of the acquisition date were untrue. The aggregate purchase consideration also includes contingent consideration having a fair value as of the respective acquisition dates totaling \$3.8 million. The maximum contingent consideration payable for these transactions, if all operating and financial targets were met, totaled \$19.0 million. To date, we have not paid any amounts under the contingent consideration arrangements although some measurement dates have passed. We decreased the acquisition earn-out payables to zero, excluding imputed interest, during the fiscal year ended October 31, 2013, as we do not expect to pay any remaining amounts. As a result, there is no accrual remaining for these contingent consideration arrangements. If all remaining operating and financial targets were to be met, the remaining maximum payouts for this contingent consideration as of October 31, 2014 would total \$3.0 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed (in thousands) at the acquisition date of each transaction.

	LiftRetail	ChargeSmart	Show Media	Global Bay	Total
Acquisition date	March 1, 2012	January 3, 2012	November 1, 2011	November 1, 2011	
Assets acquired (liabilities					
assumed), net	\$ 477	\$ (4,225)	\$ 1,593	\$ (4,608)	\$ (6,763)
Purchased intangible					
assets (1)	1,600	9,770	6,660	14,490	32,520
Goodwill (2)	4,417	13,829	19,871	17,630	55,747
Total purchase price	\$ 6,494	\$ 19,374	\$ 28,124	\$ 27,512	\$81,504

- (1) Purchased intangible assets included developed technology and customer relationships valued at \$21.3 million and \$6.5 million, respectively, which are amortized over their estimated useful lives of one to seven years.
- (2) Goodwill represents the expected benefits of combining the acquisitions' operations with our operations. Goodwill of the LiftRetail, ChargeSmart, and Show Media acquisitions was assigned to our Americas reportable segment. The goodwill of the Global Bay acquisition was primarily assigned to our Americas reportable segment, with a nominal amount of goodwill assigned to our EMEA reportable segment. The goodwill associated with the Show Media acquisition is deductible for income tax purposes and the goodwill recognized on the other fiscal year 2012 acquisitions is not deductible for income tax purposes.

Pro Forma Financial Information (Unaudited)

The supplemental pro forma financial information below was prepared using the acquisition method of accounting and is based on the historical financial information of VeriFone, Point, and other acquired businesses, reflecting results of operations for fiscal years 2012 as though these companies had been acquired as of the beginning of the fiscal year prior to the fiscal year in which they were actually acquired. The acquisitions completed in fiscal year 2013, both individually and in the aggregate, were not significant to our consolidated operations, accordingly, supplemental pro forma financial information for the fiscal year 2013 has not been presented.

The supplemental pro forma financial information for fiscal year 2012 combines the historical results of VeriFone for fiscal year 2012, and the historical results for fiscal year 2012 of Point, ChargeSmart, and LiftRetail as if they had all been acquired as of November 1, 2010.

The supplemental pro forma net income for fiscal year 2012 includes pre-acquisition net income from the acquired entities of \$1.4 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The pro forma financial information also includes adjustments to reflect one-time charges and amortization of fair value adjustments in the appropriate pro forma periods. These adjustments include:

- Net adjustments to amortization expense related to the fair value of acquired identifiable intangible assets totaling \$6.2 million for fiscal year 2012.
- Additional interest expense of \$4.1 million for fiscal year 2012 that would be incurred on additional
 borrowings made to fund the acquisitions, offset by elimination of acquired business interest expense
 on borrowings that were settled as part of the acquisitions. No adjustment is included for interest after
 December 2011 as the additional interest is reflected in our operating results following the date the
 borrowings actually occurred.
- Adjustments for other (charges) benefits, such as closing costs, one time professional fees, foreign currency losses related to deal consideration, amortization of fair market value adjustments and net tax effect of all of these, totaling \$42.5 million for fiscal year 2012.

The following table presents the unaudited supplemental pro forma financial information as described above (in thousands except per share data):

		ar Ended tober 31, 2012
Total net revenues	\$1,	,915,671
Net income	\$	98,570
Net income per share attributable to VeriFone Systems, Inc. stockholders—basic	\$	0.92
Net income per share attributable to VeriFone Systems, Inc. stockholders—diluted	\$	0.89

Acquisition-Related Costs

Acquisition-related costs were recorded as expenses in our Consolidated Statements of Operations, and include expenditures for professional services such as banking, legal, and accounting. Acquisition-related costs totaled \$0.1 million, \$1.2 million, and \$8.6 million in fiscal years 2014, 2013, and 2012, respectively. Acquisition-related costs were primarily recorded in General and administrative expenses. Amounts recorded in Cost of net revenues, Research and development expense and Sales and marketing expense were nominal.

Note 3. Net Income (Loss) per Share of Common Stock

Basic net income (loss) per share of common stock is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per share of common stock is computed using the weighted average number of shares of common stock outstanding plus the effect of common stock equivalents, unless the common stock equivalents are anti-dilutive. The potential dilutive shares of our common stock resulting from assumed exercises of equity related instruments are determined using the treasury stock method. Under the treasury stock method, an increase in the fair market value of our common stock will result in a greater number of dilutive securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the computation of net income (loss) per share of common stock (in thousands, except per share data):

	Years Ended October 31,		
	2014	2013	2012
Basic and diluted net income (loss) per share attributable to VeriFone Systems, Inc. stockholders: Numerator:			
Net income (loss) attributable to VeriFone Systems, Inc. stockholders	\$ (38,130)	<u>\$(296,055)</u>	\$ 65,033
Denominator:			
Weighted average shares attributable to VeriFone Systems, Inc. stockholders—basic	111,586	108,609	107,006
Stock options, RSUs and RSAs	_	_	3,123
Senior convertible notes (1)			186
Weighted average shares attributable to VeriFone Systems, Inc. stockholders—diluted	111,586	108,609	110,315
Net income (loss) per share attributable to VeriFone Systems, Inc. stockholders:			
Basic	\$ (0.34)	\$ (2.73)	\$ 0.61
Diluted	\$ (0.34)	\$ (2.73)	\$ 0.59

⁽¹⁾ The diluted shares from the senior convertible notes do not include the effects of note hedge transactions on those notes that would have reduced the dilution attributable to outstanding senior convertible notes by 50% if and when those notes had been converted and the note hedge transactions exercised. These outstanding note hedge transactions expired unused in June 2012.

For the fiscal years ended October 31, 2014 and 2013, equity incentive awards representing 7.6 million, and 6.3 million shares of common stock, respectively, were anti-dilutive because we incurred a net loss for the period. For the fiscal year ended October 31, 2012, equity incentive awards to purchase 4.0 million shares of common stock, respectively, were excluded from the calculation of weighted average shares for diluted net income (loss) per share as they were anti-dilutive. Anti-dilutive awards could impact future calculations of diluted net income per share if the fair market value of our common stock increases.

The senior convertible notes were repaid in full in June 2012 without any conversion rights having been exercised. These notes were considered to be Instrument C securities, and therefore, only the conversion spread relating to the notes would be included in our diluted earnings per share calculation, if dilutive. The conversion spread of the notes had a dilutive effect when the average share price of our common stock during any period exceeded \$44.02.

Warrants to purchase 7.2 million shares of our common stock were outstanding at October 31, 2013 and expired unexercised in equal amounts on each trading day from December 19, 2013 to February 3, 2014. The warrants were anti-dilutive in all periods presented because the warrants' \$62.356 exercise price was greater than the average share price of our common stock during each of those periods when they were outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 4. Employee Benefit Plans

Retirement and Post-employment Plans

We maintain defined contribution retirement plans in certain countries, including a 401(k) plan for our U.S. employees. During fiscal years 2014, 2013, and 2012, we contributed \$15.4 million, \$13.5 million and \$8.2 million, respectively, to these plans.

We have defined benefit pension plans, as required by local laws, for our employees in certain countries, primarily Germany, France, and Taiwan, and non-retirement post-employment benefit plans for our employees in certain other countries, primarily Israel. These plans are not considered material to our financial position or results of operations.

Equity Incentive Plans

We have granted stock awards, including stock options, restricted stock units ("RSUs") and restricted stock awards ("RSAs") pursuant to stockholder-approved equity incentive plans. Our stock awards include vesting provisions that are based on either time, performance or market conditions. Shares issued to employees upon the exercise or vesting of equity incentive awards are issued from authorized unissued common stock.

We have a total of 4.5 million stock options and 3.1 million RSUs outstanding as of October 31, 2014.

2006 Equity Incentive Plan

In March 2006, our stockholders approved the 2006 Equity Incentive Plan for our officers, directors, employees, and consultants. Under this equity incentive plan, we have granted stock options, RSUs, and RSAs. Stock option awards are granted with an exercise price equal to the market price of our common stock at the date of grant, and have a maximum term of seven years. Awards under this plan are generally time-based awards with vesting over a period of 1 to 4 years from the date of grant, or performance-based awards with vesting based on achievement of specified criteria over a period of 1 to 3 years from the date of grant. The vesting conditions of all awards were set by the compensation committee of the Board of Directors at the time of the grant.

As of October 31, 2014, 4.4 million shares remained available for future grants under this plan. For purposes of the number of shares issuable under this plan, any awards granted as stock options are counted as one share for every award granted; RSUs or RSAs granted on or after June 29, 2011 are counted as 2.0 shares for every RSU or RSA granted; and RSUs or RSAs granted prior to June 29, 2011 are counted as 1.75 shares for every RSU or RSA granted.

Other Equity Incentive Plans

Stock options remain outstanding under several other equity incentive plans, including plans assumed in connection with our acquisitions of Hypercom and Lipman. We no longer grant stock options under any of these plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Equity Incentive Plan Activity

The following table provides a summary of stock option activity for the fiscal year ended October 31, 2014:

*** * 1 4 1

	Number of Shares (thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (thousands)
Outstanding at beginning of period	6,697	\$24.50		
Granted	380	\$27.52		
Exercised	(2,063)	\$17.33		
Canceled	(161)	\$33.56		
Expired	(378)	\$38.17		
Outstanding at end of period	4,475	\$26.58	4.0	\$54,361
Vested or expected to vest at October 31, 2014	4,309	\$26.57	3.9	\$52,532
Exercisable at October 31, 2014	3,070	\$25.46	3.3	\$41,353

The weighted-average grant-date fair value per share for stock options granted during the fiscal years ended October 31, 2014, 2013, and 2012 was \$10.76, \$9.25, and \$17.28, respectively. The total intrinsic value of options exercised during the fiscal years ended October 31, 2014, 2013, and 2012 was \$32.4 million, \$15.2 million, and \$64.1 million, respectively.

The following table provides a summary of RSU and RSA activity for the fiscal year ended October 31, 2014 (in thousands):

	Number of Shares	Aggregate Intrinsic Value
Outstanding at beginning of period	4,160	
Granted	1,415	
Released	(1,691)	
Canceled	(760)	
Outstanding at end of period	3,124	\$116,402
Vested or expected to vest at October 31, 2014	2,688	\$100,144
Vested and deferred at October 31, 2014	<u>96</u>	\$ 3,508

During the fiscal year ended October 31, 2014 we granted 1.2 million RSUs with time-based vesting conditions and 0.2 million RSUs with performance-based vesting conditions contingent upon meeting certain financial and operational targets.

The weighted-average grant-date fair value per share for RSUs granted during the years ended October 31, 2014, 2013, and 2012 was \$34.93, \$21.81, and \$39.94, respectively. The weighted-average grant-date fair value per share for RSAs granted during the fiscal year ended October 31, 2013 was \$21.81. There were no RSAs granted during the fiscal years ended October 31, 2014 and 2012.

The total fair value of RSUs and RSAs that vested during the fiscal years ended October 31, 2014, 2013, and 2012 was \$53.4 million, \$26.1 million, and \$12.3 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Equity Incentive Award Valuation

The grant-date fair value of RSUs and RSAs that have time- or performance-based vesting conditions contingent upon meeting financial and operational targets are equal to the closing market price of our common stock on the grant date. During the fiscal year ended October 31, 2013, we granted 0.2 million RSUs which vest based on market conditions. We estimated the grant date fair value of these RSUs using the Monte Carlo simulation method assuming the following: (i) expected term of the award of 3 years, (ii) risk free interest rate of 0.66%, (iii) expected dividend rate of zero, and (iv) expected stock price volatility over the expected term of the grant of 56.22%.

We estimate the grant-date fair value of stock options using the Black-Scholes-Merton valuation model, using the following weighted-average assumptions:

	Years Ended October 31,		
	2014	2013	2012
Expected term (in years)	3.4	3.5	3.6
Risk-free interest rate	1.1%	0.9%	0.7%
Expected dividend rate	0.0%	0.0%	0.0%
Expected stock price volatility	54.9%	54.4%	67.9%

These assumptions used to value our awards are determined as follows:

- The expected term of options is derived from the historical actual term of previous grants and an estimate of future exercises during the remaining contractual period of the awards, and represents the period of time that awards granted are expected to be outstanding.
- The average risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the awards.
- The dividend yield assumption is based on our dividend history and future expectations of dividend payouts.
- The expected stock price volatility considers the historical volatility of common stock and traded stock
 options for the expected term of the awards, and is adjusted for volatility related to non-recurring and
 unusual factors.

To determine expected stock price volatility for awards issued during fiscal years 2014 and 2013 and the second half of fiscal year 2012, we weighted the historical volatility of our common stock at 95% and the implied volatility of our traded stock options at 5%. We placed the greatest weighting on the historic volatility of our common stock because we believe that, in general, it is representative of our expected volatility. We included the implied volatility of our traded stock options to capture market expectations regarding our stock price. We accorded less weighting to our implied volatility because there is a relatively low volume of trades and the terms of the traded options are shorter than the expected term of our share awards.

To determine expected volatility for stock options issued during the first half of fiscal year 2012 we weighted the historical volatility of our common stock at 75%, the historical volatility of comparable companies' common stock at 20%, and the implied volatility of our traded stock options at 5%. We included data from comparable companies during these periods in an effort to capture a broader view of the marketplace over the expected term of the awards, because during these periods the historic volatility of our common stock over the then-expected term of the awards included volatility that we do not believe is representative of our expected volatility. In particular, our stock price during the second half of calendar year 2007 and most of calendar year 2008 was significantly impacted by our announcement on December 3, 2007 of a restatement of certain of our

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

financial statements. Our restated financial statements were filed on August 19, 2008. Therefore, beginning with our fiscal quarter ended July 31, 2012, we have historical volatility data for our common stock for a period of time that covers the expected term of the awards and that we believe provides a reasonable basis for an estimation of our expected volatility. Accordingly, as of the fiscal quarter ended July 31, 2012, we ceased using historic volatility of comparable companies' common stock in our weighting percentages.

Stock-Based Compensation Expense

The following table presents the stock-based compensation expense recognized in our Consolidated Statements of Operations (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Cost of net revenues	\$ 1,994	\$ 2,450	\$ 2,103
Research and development	10,720	6,116	6,140
Sales and marketing	19,151	16,660	15,781
General and administrative	22,032	23,625	20,530
Total stock-based compensation	\$53,897	\$48,851	\$44,554

Our computation of stock-based compensation expense includes an estimate of award forfeitures based on historical experience. We record compensation expense only for those awards that are expected to vest.

As of October 31, 2014, total unrecognized stock-based compensation expense was \$14.3 million related to unvested stock options and \$51.8 million related to unvested RSUs. These amounts are expected to be recognized over the remaining weighted-average vesting periods of 2.1 years for stock options and 1.9 years for RSUs.

Note 5. Income Taxes

Income(loss) before income taxes consisted of the following (in thousands):

	Years Ended October 31,		
	2014	2013	2012
United States	\$(89,764)	\$ (92,243)	\$16,094
Foreign	49,880	(14,715)	52,259
Income (loss) before income taxes	\$(39,884)	\$(106,958)	\$68,353

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended October 31,			
	2014	2014 2013		
Current:				
Federal	\$ 6,568	\$ 2,164	\$ 2,924	
State	351	376	113	
Foreign	25,306	32,694	27,255	
Total current provision for income taxes	32,225	35,234	30,292	
Deferred:				
Federal	(395)	176,190	6,443	
State	(18)	15,346	911	
Foreign	(35,254)	(38,727)	(35,596)	
Total deferred provision for (benefit from) income taxes	(35,667)	152,809	(28,242)	
Income tax provision (benefit)	\$ (3,442)	\$188,043	\$ 2,050	

The income tax provision for the fiscal year ended October 31, 2013 was primarily attributable to establishing a valuation allowance against U.S. federal and state deferred tax assets, as well as certain U.K. deferred tax assets.

A reconciliation of taxes computed at the federal statutory income tax rate to the provision for (benefit from) income taxes is as follows (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Provision for (benefit from) income taxes computed at the federal statutory			
rate	\$(13,960)	\$ (37,379)	\$ 23,923
State income tax, net of federal tax benefit	210	15,616	984
Foreign income taxes at other than U.S. rates	(22,726)	(9,963)	(53,155)
Valuation allowance, net	41,096	226,318	13,903
Impact of tax rate changes	(4,279)	(10,147)	_
Investment write-off	(9,612)	_	_
Unrealized inter-company profits	5,559	3,596	7
Foreign exchange	(832)	2,186	9,616
Stock compensation	1,244	18	4,462
Research credit	(577)	(1,719)	(356)
Acquisition costs	_	25	2,753
Other	435	(508)	(87)
Income tax provision (benefit)	\$ (3,442)	\$188,043	\$ 2,050

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of our deferred tax assets and liabilities were as follows (in thousands):

	October 31,	
	2014	2013
Deferred tax assets:		
Loss carry forwards	\$ 149,166	\$ 112,541
Basis differences in deductible goodwill and purchased intangibles	79,430	92,940
Foreign tax credit carry forwards	93,183	83,989
Foreign taxes on basis differences	58,633	65,876
Accrued expenses and reserves	53,361	55,756
Deferred revenue	38,978	32,369
Stock based compensation	20,697	21,883
Unrealized foreign currency losses (gains)	12,966	12,524
Inventories	9,718	10,382
Other deferred tax assets	24,079	25,060
Total deferred tax assets	540,211	513,320
Valuation allowance	(451,275)	(418,169)
Deferred tax liabilities:		
Basis differences on purchased intangibles	(97,632)	(148,383)
Basis differences in investments in foreign subsidiaries	(57,731)	(61,857)
Other deferred tax liabilities	(12,802)	(8,725)
Total deferred tax liabilities	(168,165)	(218,965)
Net deferred tax assets (liabilities)	\$ (79,229)	\$(123,814)

Other deferred tax assets and liabilities are primarily comprised of the tax effects of depreciation, basis differences on purchased inventory and amortized debt issuance costs.

The realization of deferred tax assets is primarily dependent on generating sufficient U.S. and foreign taxable income in future fiscal years. We regularly assess the need for a valuation allowance against deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we consider the cumulative loss in the U.S. as a significant piece of negative evidence. Therefore, in fiscal 2013, we established a \$245.0 million valuation allowance against a significant portion of our deferred tax assets, including U.S. federal and state deferred tax assets, as well as certain U.K. and other foreign deferred tax assets. We will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward and adjust the valuation allowance accordingly. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances.

The tax loss carry forwards as of October 31, 2014 were primarily related to tax losses of \$399.5 million in the U.S., \$140.0 million in Ireland, \$56.5 million in Brazil, \$23.9 million in Norway, \$17.3 million in the United Kingdom, \$12.3 million in Sweden, and \$61.0 million in various other non-U.S. countries. Approximately \$270.0 million of foreign tax losses may be carried forward indefinitely. The remaining approximately \$440.5 million of tax losses is subject to limited carry forward terms of 5 to 20 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The excess tax benefits associated with stock option exercises are recorded directly to stockholders' equity only when realized. As a result, the excess tax benefits included in net operating loss carryforwards but not reflected in deferred tax assets at October 31, 2014 is \$125.7 million.

The U.S. net operating loss carryforward includes acquired net operating losses of \$183.0 million. The utilization of the US and the acquired net operating losses may be restricted due to change in ownership provisions of Section 382 of the Internal Revenue Code.

As of October 31, 2014, we have recorded U.S. foreign tax credit carry forwards of \$93.2 million which will expire at various dates beginning in 2015, if not utilized. In addition we have recorded U.S. research and development tax credit carry forwards of \$12.7 million which will expire at various dates beginning in 2019, if not utilized.

We recognize deferred tax liabilities associated with outside basis differences on investments in foreign subsidiaries unless the difference is considered essentially permanent in duration. As of October 31, 2014, we have recorded a deferred tax liability of \$57.7 million associated with \$144.0 million of taxable outside basis differences which are not considered permanently reinvested. We have not recorded deferred taxes on approximately \$738.1 million of undistributed earnings as they are considered permanently reinvested. As of October 31, 2014, the determination of the unrecorded deferred tax liability related to these earnings is not practicable. If circumstances change and it becomes apparent that some or all of the undistributed earnings will not be invested indefinitely, or will be remitted in the foreseeable future, an additional deferred tax liability will be recorded for some or all of the outside basis difference.

We had a Singapore Pioneer Tax Holiday for fiscal years 2006 through 2012. Following the expiration of the tax holiday, our income in Singapore is subject to the statutory rate of 17% instead of the agreed Pioneer Tax Holiday rate of zero. The tax benefit of the tax holiday for the fiscal year ended October 31, 2012 was \$19.2 million, or \$0.17 per diluted share.

Additionally, we have a Tax Holiday in Uruguay. The Tax Holiday in Uruguay does not have an expiration date provided that we comply with the local tax law requirements. The Tax Holiday benefit for this country was not significant and had an insignificant impact on earnings per share for the fiscal years ended October 31, 2014, 2013, and 2012.

We are currently under audit by the Internal Revenue Service for fiscal years 2005-2010 related to our 5 year net operating loss carry back for fiscal 2010. We have received a Notice of Proposed Adjustment indicating the denial of our worthless stock deduction of \$154.3 million, related to the insolvency of one of our UK subsidiaries, recorded on our 2010 tax return. The impact of the Notice of Proposed Adjustment is the denial of the loss carryback to 2005 and 2006 which resulted in approximately \$25.0 million cash refund and the disallowance of approximately \$29.0 million of future tax benefits residing in the NOL carryover which are offset with a valuation allowance. We plan on protesting the notice and believe the Internal Revenue Service position for the denial is without merit.

We are also currently under audit by the Israel Tax Authority for fiscal years 2008-2012. The Israel Tax Authority has issued a tax assessment for 2008 or 2009 claiming there was a business restructuring that resulted in a transfer of some functions, assets and risks from Israel to the US parent company treated as an equity sale of 1.36 billion Israeli new shekels (approximately \$364.3 million at the foreign exchange rate as of October 31, 2014) resulting in an assessment of 421.1 million Israeli new shekels (approximately \$112.5 million at the foreign exchange rate as of October 31, 2014) including tax, interest and penalties. We are appealing the tax assessment and believe the Israel Tax Authority assessment position is without merit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We have certain other foreign subsidiaries under audit by foreign tax authorities, including Denmark for fiscal year 2013, India for fiscal years 2006 to 2013, and South Africa for fiscal years 2008 to 2012. Although we believe we have properly provided for income taxes for the years subject to audit, the Denmark, India, Israel, South Africa and US taxing authorities may adopt different interpretations. We have not yet received any final determinations with respect to these audits. We have accrued tax liabilities associated with these audits. With few exceptions, we are no longer subject to tax examination for periods prior to 2005.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Balance at beginning of period	\$114,528	\$ 95,399	\$95,776
Lapse of statute of limitations	(2,072)	(690)	(2,539)
Increases in balances related to tax positions taken during prior periods	358	1,096	1,913
Decreases in balances related to tax positions taken during prior periods	(2,551)	(812)	(2,603)
Increases in balances related to tax positions taken during current period	739	19,535	1,813
Increases in balances related to business combinations	_	_	4,060
Settlements			(3,021)
Balance at end of period	\$111,002	\$114,528	\$95,399

The total gross unrecognized tax benefits, if recognized, will affect our effective tax rate. The amount of unrecognized tax benefits could be reduced upon closure of tax examinations or if the statute of limitations on certain tax filings expires without assessment from the tax authorities. We believe that it is reasonably possible that there could be an immaterial reduction in unrecognized tax benefits due to statute of limitation expirations in multiple tax jurisdictions during the next 12 months. Interest and penalties accrued on these uncertain tax positions will also be released upon the expiration of statutes of limitations. Interest and penalties recognized in each statement of operations were not material.

Note 6. Balance Sheet and Statement of Operations Details

Cash and Cash Equivalents

As of October 31, 2014 and 2013, \$216.4 million and \$206.2 million, respectively, of our cash and cash equivalents were held by our foreign subsidiaries. If we decide to distribute or use such cash and cash equivalents outside those foreign jurisdictions, including a distribution to the U.S., we may be subject to additional taxes or costs.

As of October 31, 2014 and 2013, Prepaid expenses and other current assets included \$6.2 million and \$5.6 million, respectively, of restricted cash, and Other long-term assets included \$2.6 million and \$8.6 million, respectively, of restricted cash. Restricted cash was mainly comprised of pledged deposits and deposits to Brazilian courts related to tax proceedings pending adjudication.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Allowance for doubtful accounts

Activity related to the allowance for doubtful accounts consisted of the following (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Balance at beginning of period	\$10,463	\$ 6,872	\$4,690
Charges to bad debt expense	2,339	4,673	2,074
Write-offs, recoveries and adjustments	(4,292)	(1,082)	108
Balance at end of period	\$ 8,510	\$10,463	\$6,872

Our general revenue reserve was \$1.4 million, \$2.2 million and \$1.6 million as of October 31, 2014, 2013 and 2012, respectively, with no material activity for the fiscal years presented.

Inventories, net

Inventories, net consisted of the following (in thousands):

	October 31,	
	2014	2013
Raw materials	\$ 36,264	\$ 35,247
Work-in-process	1,662	2,030
Finished goods	86,349	101,418
Total inventories, net	\$124,275	\$138,695

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	October 31,		
	2014	2013	
Prepaid expenses	\$ 43,862	\$ 42,837	
Prepaid taxes	15,676	23,427	
Deferred income taxes	26,844	30,162	
Other current assets	19,228	37,631	
Total prepaid expenses and other current assets	\$105,610	\$134,057	

Other current assets were primarily comprised of restricted cash, other receivables and customer related bankers acceptances receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fixed Assets, Net

Fixed assets, net consisted of the following (in thousands):

		Octob	er 31,
	Estimated Useful Life (Years)	2014	2013
Revenue generating assets	5	\$ 180,706	\$ 147,017
Computer hardware and software	3-5	90,750	82,069
Machinery and equipment	3-10	53,214	43,987
	Lesser of the term of the lease or the		
Leasehold improvements	estimated useful life	24,955	22,464
Office equipment, furniture, and fixtures	3-5	14,504	13,694
Buildings	40-50	6,736	6,827
Total depreciable fixed assets, at cost		370,865	316,058
Accumulated depreciation		(202,243)	(152,989)
Depreciable fixed assets, net		168,622	163,069
Construction in progress		7,922	7,968
Land		1,209	1,150
Total fixed assets, net		\$ 177,753	\$ 172,187

Total depreciation expense for the fiscal years ended October 31, 2014, 2013 and 2012 was \$59.7 million, \$54.8 million and \$45.9 million, respectively.

Accruals and Other Current Liabilities

Accruals and other current liabilities consisted of the following (in thousands):

	October 31,	
	2014	2013
Accrued legal loss contingencies, including interest (Note 11)	\$ 5,728	\$ 96,781
Accrued expenses	72,250	73,522
Accrued compensation	66,281	60,175
Other current liabilities	62,723	61,541
Total accruals and other current liabilities	\$206,982	\$292,019

Other current liabilities were primarily comprised of sales and value-added taxes payable, accrued warranty, accrued restructurings, income taxes payable, and accrued liabilities for contingencies related to tax assessments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accrued Warranty

Activity related to Accrued warranty consisted of the following (in thousands):

	Years Ended October 31,		
	2014	2013	
Balance at beginning of period	\$ 13,352	\$ 12,775	
Warranty charged to Cost of net revenues	14,700	14,345	
Utilization of warranty accrual	(12,282)	(12,471)	
Other	(359)	(1,297)	
Balance at end of period	15,411	13,352	
Less: current portion	(13,816)	(12,391)	
Long-term portion	\$ 1,595	\$ 961	

Deferred Revenue, Net

Deferred revenue, net of related costs consisted of the following (in thousands):

	October 31,		
	2014	2013	
Deferred revenue	\$168,712	\$144,181	
Deferred cost of revenue	(25,669)	(14,983)	
Deferred revenue, net	143,043	129,198	
Less: current portion	(92,075)	(86,576)	
Long-term portion	\$ 50,968	\$ 42,622	

Accumulated Other Comprehensive Income (Loss)

Activity related to Accumulated other comprehensive income (loss), net of tax, consisted of the following (in thousands):

	Foreign currency translation adjustments	Unrealized loss on derivatives designated as cash flow hedges (1)	Other (2)	Total
Balance at October 31, 2012	\$ (28,057)	\$(2,674)	\$(1,659)	\$ (32,390)
Gains (losses) before reclassifications, net of tax	46,358	2,618	478	49,454
Amounts reclassified from Accumulated other comprehensive				
income (loss), net of tax		(1,958)	(259)	(2,217)
Other comprehensive gain (loss)	46,358	660	219	47,237
Balance at October 31, 2013	18,301	(2,014)	(1,440)	14,847
Gains (losses) before reclassifications, net of tax	(121,068)	4,088	393	(116,587)
Amounts reclassified from Accumulated other comprehensive				
income (loss), net of tax		(2,794)	(296)	(3,090)
Other comprehensive gain (loss)	(121,068)	1,294	97	(119,677)
Balance at October 31, 2014	\$(102,767)	\$ (720)	\$(1,343)	\$(104,830)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (1) Amounts reclassified from Accumulated other comprehensive income (loss), net of tax, were recorded in Interest, net in the Consolidated Statements of Operations. The related tax impacts were insignificant.
- (2) Amounts reclassified from Accumulated other comprehensive income (loss), net of tax, were recorded in Other income (expense), net in the Consolidated Statements of Operations. The related tax impacts were insignificant.

Other Income (Expense), Net

Other income (expense), net consisted of the following (in thousands):

	Years Ended October 31,			
	2014	2013	2012	
Foreign currency exchange losses, net	\$(1,456)	\$ (9,795)	\$(23,455)	
Other income (expense), net	(1,841)	13,535	2,694	
Total other income (expense), net	\$(3,297)	\$ 3,740	\$(20,761)	

We recorded a \$22.5 million foreign currency loss during the fiscal year ended October 31, 2012 related to the difference between the forward rate on contracts purchased to fix the U.S. dollar equivalent of the purchase price for our Point acquisition, and the actual rate on the date of derivative settlement.

Other income (expense), net for fiscal year 2013 primarily includes adjustments of acquisition-related earnout payables and gains (losses) on the sales of assets. Other income (expense), net for fiscal year 2012 primarily includes a reversal of a pre-acquisition contingency and an other-than-temporary loss on an investment.

Note 7. Financial Instruments

Fair Value Measurements

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The following tables present our significant assets and liabilities that are measured at fair value on a recurring basis and their classification within the fair value hierarchy (in thousands). There were no transfers between levels of fair value hierarchy in the fiscal years ended October 31, 2014 and 2013.

	October 31, 2014			October 31, 2013				
	Carrying Value		Level 2	Level 3	Carrying Value		Level 2	Level 3
Assets								
Current assets:								
Cash and cash equivalents								
Money market funds	\$ 5	\$ 5	\$ —	\$ —	\$ 638	\$638	\$ —	\$
Other current and long-term assets:								
Derivative financial instruments	195	_	195	_	435		435	—
Total assets measured and recorded at fair value	\$ 200	\$ 5	\$ 195	\$ —	\$1,073	\$638	\$ 435	\$
Liabilities								
Other current and long-term liabilities:								
Contingent consideration payable	\$11,824	\$	\$ —	\$11,824	\$ 66	\$ —	\$ —	\$ 66
Derivative financial instruments	1,315		1,315		3,720		3,720	
Total liabilities measured and recorded at fair								
value	\$13,139	<u>\$—</u>	\$1,315	\$11,824	\$3,786	<u>\$—</u>	\$3,720	\$ 66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Contingent Consideration Payable

The following table presents changes in our contingent consideration payable, which is categorized in Level 3 of the fair value hierarchy (in thousands):

	Years Ended October		
	2014	2013	
Balance at beginning of period	\$ 66	\$ 8,963	
Additions	11,605	62	
Payments	(174)	(4,839)	
Changes in estimates, included in Other income (expense), net	(105)	(4,584)	
Interest expense and foreign currency adjustments	432	464	
Balance at end of period	\$11,824	\$ 66	

During August 2014, we acquired certain assets of Outcast Media LLC. In consideration for these assets, we agreed to make continent payments based upon future revenues. This contingent consideration payable is classified as Level 3 because we use significant unobservable inputs to determine the expected outputs and an appropriate discount rate to calculate the fair value. The key assumptions in applying the approach are the internally forecasted net revenues, the probability of achieving the net revenues, and an appropriate discount rate. The maximum liability on the contingent consideration payable is indeterminate, as it depends on future net revenues. We will evaluate changes in the assumptions used to calculate the fair values of this contingent consideration payable at the end of each period.

Derivative Financial Instruments

Interest Rate Swap Agreements Designated as Cash Flow Hedges

We use interest rate swap agreements to hedge the variability in cash flows related to interest payments. On March 23, 2012, we entered into a number of interest rate swap agreements to effectively convert \$500.0 million of the term A loan from a floating rate to a 0.71% fixed rate plus applicable margin. The interest rate swaps qualify for hedge accounting treatment as cash flow hedges. The interest rate swaps are effective through March 31, 2015. The notional amounts of interest rate swap agreements outstanding as of October 31, 2014 and 2013 were \$500.0 million.

We recognized the following gains (losses) on interest rate swap agreements designated as cash flow hedges (in thousands):

	Years Ended October 3		
	2014	2013	2012
Gains (losses) recognized in Other comprehensive income (loss)	\$1,151	\$1,394	\$(4,618)
Tax effects of gains (losses) recognized in Other comprehensive income (loss)	\$ (432)	\$ (734)	\$ 1,932

Foreign Exchange Forward Contracts Not Designated as Hedging Instruments

We arrange and maintain foreign exchange forward contracts so as to yield gains or losses to offset changes in foreign currency denominated assets or liabilities due to changes in foreign exchange rates, with the objective to mitigate the volatility associated with foreign currency transaction gains or losses. Our foreign currency exposures are predominantly inter-company receivables and payables arising from product sales and loans from one of our entities to another. Our foreign exchange forward contracts generally mature within 90 days. The notional amounts of such contracts outstanding as of October 31, 2014 and 2013 were \$241.1 million and \$245.5 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We recognized the following gains (losses) on foreign exchange forward contracts not designated as cash flow hedges (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Gains (losses) recognized in Other income (expense), net in our Consolidated			
Statements of Operations	\$(2,661)	\$(5,214)	\$(24,058)

Note 8. Goodwill and Purchased Intangible Assets

Goodwill

Activity related to goodwill consisted of the following (in thousands):

	Years Ended October 31,		
	2014	2013	
Balance at beginning of period	\$1,252,472	\$1,179,381	
Additions related to business combinations	6,834	43,515	
Other adjustments	(885)	(507)	
Currency translation adjustments		30,083	
Balance at end of period	\$1,185,892	\$1,252,472	

During the fourth quarter of fiscal years 2014, 2013, and 2012, we completed our annual impairment assessments and, based on a quantitative analysis, concluded that goodwill was not impaired in any of these years. For our fiscal year 2014 annual impairment review, we compared the carrying amount of each of our reporting units as of August 1, 2014 to their estimated fair value, and determined that the estimated fair value of each reporting unit exceeded its carrying amount by amounts ranging from 14.0% to 2,243.9%. Our China reporting unit, which was allocated \$8.0 million of goodwill, had the lowest excess of fair value over carrying value. As of October 31, 2014, 2013, and 2012, the accumulated impairment losses included in total goodwill were \$71.0 million for our Americas segment, \$361.4 million for our EMEA segment, and \$5.5 million for our Asia-Pacific segment, excluding the impact of foreign currency fluctuations.

Purchased Intangible Assets, Net

Purchased intangible assets, net consisted of the following (in thousands):

	October 31, 2014				October 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$673,081	\$(255,161)	\$417,920	\$726,225	\$(182,980)	\$543,245
Developed and core technology	108,379	(76,738)	31,641	175,981	(90,491)	85,490
Other	20,556	(12,522)	8,034	24,377	(10,222)	14,155
Total	\$802,016	\$(344,421)	\$457,595	\$926,583	\$(283,693)	\$642,890

When intangibles reach the end of their useful lives, gross carrying amount and accumulated amortization are offset. During fiscal year 2014, we offset \$42.1 million of Gross carrying amount and Accumulated amortization of intangible assets related to developed and core technology, \$1.8 million related to customer relationships, and \$1.0 million related to other intangible assets, because they reached the end of their useful lives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Activity related to purchased intangible assets during fiscal year 2014 also includes currency translation adjustments totaling \$63.1 million and \$23.7 million in Gross carrying amount and Accumulated amortization, respectively.

Amortization of purchased intangible assets was allocated as follows (in thousands):

	Years Ended October 31,			
	2014	2013	2012	
Included in Cost of net revenues	\$ 42,682	\$ 44,739	\$ 40,468	
Included in Operating expenses	97,580	96,160	83,795	
Total amortization of purchased intangible assets	\$140,262	\$140,899	\$124,263	

Total future amortization expense for purchased intangible assets that have finite lives, based on our existing intangible assets and their current estimated useful lives as of October 31, 2014, is estimated as follows (in thousands):

	Cost of Net Revenues	Operating Expenses	Total
2015	\$18,571	\$ 90,147	\$108,718
2016	10,870	84,478	95,348
2017	2,262	58,975	61,237
2018	112	55,732	55,844
2019	_	52,470	52,470
Thereafter		83,978	83,978
Total future amortization expense	\$31,815	\$425,780	\$457,595

Note 9. Financings

Amounts outstanding under our financing arrangements consisted of the following (in thousands):

	October 31,		
	2014	2013	
2011 Credit Agreement			
Term A loan	\$592,500	\$ 922,156	
Term B loan	199,500	48,428	
Revolving loan	95,000	63,000	
Other	706	2,277	
Total principal payments due	887,706	1,035,861	
Less: original issue discount	(4,535)		
Total amounts outstanding	883,171	1,035,861	
Less: current portion	(32,131)	(92,536)	
Long-term portion	\$851,040	\$ 943,325	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2011 Credit Agreement

On December 28, 2011, we entered into a credit agreement, which initially consisted of a \$918.5 million term A Loan, \$231.5 million term B Loan, and \$350.0 million revolving loan commitment. On October 15, 2012, we entered into a credit extension amendment of this credit agreement consisting of \$109.5 million add-on term A Loans and \$75.5 million add-on revolving loan commitment increase. On July 19, 2013 we entered into a second credit extension amendment of this credit agreement, which extended from November 1, 2013 to November 1, 2014 the date on which the required total leverage ratio declined from 3.75 to 3.50, and revised the definition of cash on hand used in calculating the total leverage ratio. As a condition to the effectiveness of the second amendment, on July 19, 2013 we prepaid the term A Loan in the aggregate principal amount of \$20.0 million and the term B Loan in the aggregate principal amount of \$50.0 million. On December 24, 2013, we repaid the entire \$48.4 million balance due on the outstanding term B Loan. This payment was partially funded through \$47.0 million in additional borrowings under the revolving loan.

On July 8, 2014, we entered into an amendment and restatement agreement, which amended and restated the credit agreement to extend the maturity dates, provide more favorable interest rates, and make certain changes to the covenants and other terms. As part of the amendment and restatement, the outstanding loan balances were repaid in full, and new debt was issued.

The amended and restated credit agreement provides for an aggregate amount of up to \$1.3 billion of debt consisting of a \$600.0 million term A loan, \$200.0 million term B loan and \$500.0 million revolving loan commitment. The initial amounts borrowed, together with cash on hand, were used to repay the \$938.6 million of outstanding balances due under the original credit agreement as well as \$13.2 million of costs associated with the amendment and restatement. No penalties were due in connection with such repayments.

Borrowings under the amended and restated credit agreement bear interest at a "Base Rate" or "Eurodollar Rate", at our option, plus an applicable margin based on certain financial ratios, determined and payable quarterly. In addition, we pay an undrawn commitment fee on the unused portion of the revolving loan ranging from 0.25% to 0.50% per annum, depending on our leverage ratio.

The outstanding principal balance of the term A loan is required to be repaid in quarterly installments of the following percentages of the original balance outstanding under the term A loan: 1.25% for each quarter from the quarter ending September 30, 2014 through the quarter ending June 30, 2016; 2.50% for each quarter from the quarter ending September 30, 2016 through the quarter ending June 30, 2019, with the balance being due at maturity on July 8, 2019. The outstanding principal balance of the term B loan is required to be repaid in equal quarterly installments of 0.25% of the original balance outstanding under the term B loan, with the balance being due at maturity on July 8, 2021. The revolving loan terminates on July 8, 2019. Outstanding amounts may also be subject to mandatory repayment with the proceeds of certain asset sales, and debt issuances, and, in the case of the term B loan only, from a portion of annual excess cash flows depending on our total leverage ratio, as defined under the agreement.

Additional terms of the amended and restated credit agreement require compliance with financial covenants that require us to maintain financial ratios related to interest coverage and financial leverage. We were in compliance with these financial covenants as of October 31, 2014. The amended and restated credit agreement also contains representations and warranties, affirmative covenants, negative covenants, financial covenants and conditions that are customarily required for similar financings including the following, among others:

- A restriction on incurring additional indebtedness, subject to specified permitted debt;
- A restriction on creating certain liens, subject to specified exceptions;
- A restriction on mergers and consolidations, subject to specified exceptions;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- A restriction on asset dispositions, subject to specified exceptions for ordinary course and other transactions:
- A restriction on certain investments, subject to certain exceptions and a suspension if we achieve certain credit ratings;
- A restriction on the payment of dividends, subject to specified exceptions; and
- A restriction on entering into certain transactions with affiliates, subject to specified exceptions.

Borrowings under the amended and restated credit agreement are guaranteed by certain of our wholly owned domestic subsidiaries and secured by a first priority lien and security interest in certain of our assets, subject to customary exceptions.

The interest rate of each of the term A loan and the revolving loan is currently one month LIBOR plus the applicable margin, and the interest rate of the term B loan is the higher of one month LIBOR or 0.75%, plus the applicable margin. As of October 31, 2014, we elected the "Eurodollar Rate" margin option for our borrowings and the interest margins were 2.25% for the term A loan and the revolving loan, and 2.75% for term B loan. Accordingly as of October 31, 2014, the interest rate was 2.41% for the term A loan and the revolving loan and 3.5% for the term B loan. As of October 31, 2014, the commitment fee for the unused portion of the revolving loan was 0.375% per annum, payable quarterly in arrears, and the amount available to draw under the revolving loan was \$405.0 million.

The repayment of outstanding debt as part of the amendment and restatement was deemed an extinguishment of \$153.5 million of outstanding debt. As a result, during July 2014, we expensed \$5.2 million of previously capitalized debt issuance costs to Interest expense in our Consolidated Statements of Operations.

We have outstanding a number of interest rate swap agreements to effectively convert \$500.0 million of the term A loan from a floating rate to a 0.71% fixed rate plus applicable margin. The interest rate swaps qualify for hedge accounting treatment as cash flow hedges and are effective through March 31, 2015.

Principal Payments

Principal payments due under our financing arrangements over the next five years are as follows (in thousands):

Years Ending October 31:	
2015	\$ 32,329
2016	39,518
2017	62,019
2018	62,020
2019	502,020
Thereafter	189,800
	\$887,706

Note 10. Restructurings

April 2014 Restructuring Plan

As part of cost optimization and corporate transformation initiatives, during April 2014 our management approved, committed to and initiated a restructuring plan under which we have reduced headcount and are closing facilities. This plan was substantially complete as of October 31, 2014 and we expect to make final payments in fiscal 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

June 2014 Restructuring Plan

As part of continued cost optimization and corporate transformation initiatives, during June 2014, our management approved, committed to and initiated another restructuring plan under which we planned to reduce headcount, close facilities and consolidate data centers. This plan is expected to be substantially complete by the end of fiscal year 2015.

Activity related to our restructuring plans for the fiscal year ended October 31, 2014 consisted of the following (in thousands):

	April 2014 Restructuring Plan		June 2014 Restr		
	Employee Involuntary Termination Benefits	Facilities Related Costs	Employee Involuntary Termination Benefits	Facilities Related Costs	Total
Balance at beginning of period (1)	\$ —	\$ 581	\$ —	\$ —	\$ 581
Current year charges	5,597	1,295	11,999	821	19,712
Other adjustments	(391)	(471)	(664)	(50)	(1,576)
Cash payments	(4,887)	(211)	(5,835)	(372)	(11,305)
Balance at end of period	\$ 319	<u>\$1,194</u>	\$ 5,500	\$ 399	\$ 7,412

⁽¹⁾ The restructuring liability at October 31, 2013 related to a facility that was exited under our 2008 restructuring plan and for which the lease was terminated during March 2014. Activity under this plan was insignificant during the fiscal year ended October 31, 2013.

Our restructuring liability is included in Accruals and other current liabilities in our Consolidated Balance Sheets.

The following table presents the restructuring expense (benefit) recognized in our Consolidated Statements of Operations (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Cost of net revenues	\$ 2,847	\$	\$ 569
Research and development	5,925	323	38
Sales and marketing	4,685	_	(196)
General and administrative	4,679		839
	\$18,136	\$323	\$1,250

Note 11. Commitments and Contingencies

Commitments

Leases

We lease certain facilities under non-cancelable operating leases that contain free rent periods, leasehold improvement rebates or rent escalation clauses. Rent expense under these leases is recorded on a straight-line basis over the lease term. We are committed to pay a portion of the related actual operating expenses under some of these lease agreements, and those operating expenses are not included in the table below. The difference between amounts paid and rent expense is recorded as deferred rent, and the short-term and long-term portions are included in Accruals and other current liabilities and Other long-term liabilities in our Consolidated Balance Sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with our taxi solutions business, we enter into operating lease arrangements for the right to place advertising in or on taxicabs. In general, these lease arrangements are non-cancelable for terms ranging from three to ten years, require us to pay minimum lease amounts based on the type and locations of the advertising displays in or on the taxicabs, and are subject to fee escalation clauses. Based upon the number of operational taxicabs with our advertising displays at October 31, 2014, we had total lease commitments of \$86.4 million relating to such lease arrangements, which are included in the future minimum lease payments in the table below.

Future minimum lease payments under these leases as of October 31, 2014 were as follows (in thousands):

Years Ending October 31:	Minimum Lease Payments
2015	\$ 33,252
2016	27,808
2017	24,337
2018	15,755
2019	15,744
Thereafter	27,514
Total	\$144,410

Rent expense consisted of the following (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Rent expense for non-cancelable taxi operating leases	\$36,413	\$31,211	\$27,868
Facility and other rent expense	29,521	29,185	27,473
Total rent expense	\$65,934	\$60,396	\$55,341

Manufacturing Agreements

We work on a purchase order basis with our contract manufacturers, which are located in China, Singapore, Malaysia, Brazil, Germany, and Romania, and component suppliers located throughout the world, to supply nearly all of our finished goods inventories, spare parts, and accessories. We provide each such supplier with a purchase order to cover the manufacturing requirements, which generally constitutes a binding commitment by us to purchase materials and finished goods produced by the manufacturer as specified in the purchase order. Most of these purchase orders are considered to be non-cancelable and are expected to be paid within one year of the issuance date. As of October 31, 2014, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately \$150.3 million. Of this amount, \$12.8 million has been recorded in Accruals and other current liabilities in our Consolidated Balance Sheets because these commitments are not expected to have future value to us.

Bank Guarantees

We have issued bank guarantees with maturities ranging from two months to six years to certain of our customers and vendors as required in some countries to support certain performance obligations under our service or other agreements with those parties. As of October 31, 2014, the maximum amount that may become payable under these guarantees was \$12.3 million, of which \$1.9 million was collateralized by restricted cash deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Letters of Credit

We provide standby letters of credit in the ordinary course of business to third parties as required. As of October 31, 2014, the maximum amounts that may become payable under these letters of credit was \$8.1 million, of which \$1.0 million was collateralized by restricted cash deposits.

Contingencies

We evaluate the circumstances regarding outstanding and potential litigation and other contingencies on a quarterly basis to determine whether there is at least a reasonable possibility that a loss exists requiring accrual or disclosure, and if so, whether an estimate of the possible loss or range of loss can be made, or whether such an estimate cannot be made. When a loss is probable and reasonably estimable, we accrue for such amount based on our estimate of the probable loss considering information available at the time. When a loss is reasonably possible, we disclose the estimated possible loss or range of loss in excess of amounts accrued. Except as otherwise disclosed below, we do not believe that losses were probable or that there was a reasonable possibility that a material loss may have been incurred with respect to the matters disclosed.

Brazilian Tax Assessments

State Value-Added Tax

The Brazilian subsidiary we acquired as part of our acquisition of Hypercom in August 2011 received an unfavorable administrative decision on a tax enforcement action against it filed by the São Paulo State Revenue Department for collection of state sales taxes related to purported sales of software for the 1998 and 1999 tax years. In 2004, an appeal against this unfavorable administrative decision was filed in a judicial proceeding. The first level decision in the judicial proceeding was issued in our favor. The São Paulo State Revenue Department filed an appeal of this decision. The second level administrative decision ordered that the case be returned to the lower court in order to allow the production of further evidence. Based on our current understanding of the underlying facts of this matter, we believe it is reasonably possible that we may receive an unfavorable decision in this proceeding. The tax assessment including estimated interest through October 31, 2014 for this matter totals approximately 7.6 million Brazilian reais (approximately \$3.1 million at the foreign exchange rate as of October 31, 2014). As of October 31, 2014, we have not accrued for this matter.

Federal Tax Assessments

Brazilian Federal Tax Amnesty

In December 2013, without admitting any fault or liability, we elected to enroll certain of our pending Brazilian tax assessments in the Brazilian Federal Tax Amnesty Program created by Law n. 11.941/2009 in 2009 and reopened for enrollment from October 2013 to December 2013, known as the "REFIS Amnesty." The REFIS Amnesty is a program administered by the Brazilian tax authorities and allows entities charged with tax assessments that fall within the program's scope to voluntarily settle such assessments with certain discounts applied to the amounts due. After conducting an evaluation of our existing Brazilian federal tax assessments and the terms offered by the REFIS Amnesty, we determined to voluntarily settle a number of our pending assessments.

Tax assessment matters that fall within the REFIS Amnesty's scope are generally listed in the program's web-based portal for enrollment. Although no formal acceptance by the tax authorities is issued at the time of our enrollment of a matter, we expect the tax authorities to confirm our enrollment as they complete their process to formally consolidate the matters we enrolled in the REFIS Amnesty. In connection with our enrollment of the tax assessments into the REFIS Amnesty, we were required to forego any further legal defense or proceedings with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

respect to the merits of such assessments. In exchange, the enrolled assessments were closed and we were granted discounts on our payment of the related accrued interest and penalties and are able to pay under an installment plan, subject to our compliance with the terms of the program. For certain assessments, existing net operating loss carryforwards, or net operating losses, may be used to satisfy a portion of the settlement obligation. Under the terms of the REFIS Amnesty, our right to fund the settlement through the installment payment plan would be canceled after three instances of our not timely paying the installment amounts as scheduled, in which case the full amounts of the original tax debts, including interest and penalties without the benefit of discount, would become immediately due and payable. We have included the terms and amounts below for those assessments that we have placed into the REFIS Amnesty.

Federal Tax Assessments related to Brazilian Subsidiaries from Lipman Acquisition

Two of our Brazilian subsidiaries that were acquired as a part of the November 2006 acquisition of Lipman Electronic Engineering Ltd. ("Lipman") were notified of assessments regarding Brazilian customs penalties that relate to alleged infractions in the importation of goods. The assessments were issued by the Federal Revenue Department in the City of Vitória, the City of São Paulo, and the City of Itajai. In each of these cases, the tax authorities allege that the structure used for the importation of goods was simulated with the objective of evading taxes levied on the importation by under-invoicing the imported goods. The tax authorities allege that the simulation was created through an interposition of parties and that the real sellers and buyers of the imported goods were hidden. In February 2013, the São Paulo assessment was canceled following a favorable second level decision that was not appealed.

In the Vitória tax assessment, the fines were reduced from 4.7 million Brazilian reais (approximately \$1.9 million at the foreign exchange rate as of October 31, 2014) to 1.5 million Brazilian reais (approximately \$599,000 at the foreign exchange rate as of October 31, 2014) on a first level administrative decision on January 26, 2007. Both we and the tax authorities filed appeals of the first level administrative decision. In this appeal, we argued that the tax authorities did not have enough evidence to determine that the import transactions were indeed fraudulent and that, even if there were some irregularities in such importations, they could not be deemed to be our responsibility since all the transactions were performed by the third-party importer of the goods. On June 30, 2010, the Taxpayers Administrative Council of Tax Appeals decided to reinstate the original claim amount of 4.7 million Brazilian reais (approximately \$1.9 million at the foreign exchange rate as of October 31, 2014) against us. On February 27, 2013, the Taxpayers Administrative Council of Tax Appeals issued its formal ruling reinstating the original claim amount. On May 31, 2013, we filed a motion to clarify such ruling, which is pending a decision.

In the Itajai tax assessment, we were notified on January 18, 2008, of a first level administrative decision rendered that maintained the total fine of 2.0 million Brazilian reais (approximately \$810,000 at the foreign exchange rate as of October 31, 2014) as imposed, excluding interest. On May 27, 2008, we appealed the first level administrative decision to the Taxpayers Council. This matter is pending second level decision.

In December 2013, we sought to enroll the entire amount of tax liabilities in dispute for both the Vitória and Itajai assessments in the REFIS Amnesty. However, because we are named as a jointly-liable party rather than as the primary defendant in these matters, these assessments were not listed in the REFIS Amnesty web-based portal as available for election under the REFIS Amnesty. We believe these matters qualify for inclusion in the REFIS Amnesty and have filed the required notifications to our local tax office and commenced payments to indicate our decision to enroll these matters in the REFIS Amnesty. We expect the tax authorities' confirmation that these matters have been included in the REFIS Amnesty once they complete their procedures to consolidate the enrolled assessments. We elected to make the amnesty payments for these matters in monthly installments over a 30-month period for total payments, inclusive of interest and penalties, of 7.6 million Brazilian reais

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(approximately \$3.1 million at the foreign exchange rate as of October 31, 2014). We accrued the full amount of the payments, plus estimated interest, under the REFIS Amnesty for these matters in December 2013 when we enrolled in the program, and made our first payment on December 26, 2013. As of October 31, 2014, we have remaining installment payments totaling 4.7 million Brazilian reais (approximately \$1.9 million at the foreign exchange rate as of October 31, 2014).

We had previously accrued the estimated liability for both the Vitória and Itajai assessments. Based on our understanding of the underlying facts of these matters, we believe it is probable we may receive an unfavorable decision for each of these assessments unless we are able to resolve these matters through the REFIS Amnesty. Upon confirmation of acceptance of these matters into the REFIS Amnesty, we will reduce our accrued liabilities related to these matters to reflect the discounted amounts due under the REFIS Amnesty. As of October 31, 2014, we have accruals totaling 12.3 million Brazilian reais (approximately \$5.0 million at the foreign exchange rate as of October 31, 2014).

Federal Tax Assessments related to Brazilian Subsidiary from Hypercom Acquisition

The Brazilian subsidiary we acquired as part of our acquisition of Hypercom in August 2011 is the subject of outstanding tax assessments by the federal tax authorities alleging unpaid IRPJ, CSL, COFINS and PIS taxes from 2002 and 2003. The 2002 assessments are the subject of an administrative proceeding and the 2003 assessments are the subject of a civil enforcement action. Three of the four claims for the 2002 assessments were previously settled prior to our acquisition of Hypercom. The first level administrative court issued an unfavorable decision for the remaining claim related to the 2002 tax assessments. Our appeal to the Administrative Tax Appeals Council was denied in December 2013. With respect to the 2003 tax assessments, we received a partially favorable ruling, and our appeal for the remaining assessments is pending decision in the civil courts. In December 2013, we elected to enroll the tax liability for the remaining 2002 assessment in dispute and the portion of the 2003 assessments for which we received an unfavorable ruling in the REFIS Amnesty.

For the 2002 assessment, we applied available net operating losses, to the extent permitted, toward the interest and penalties portion of the settlement obligation under the REFIS Amnesty. For the remaining balance, we elected to make the amnesty payments in monthly installments over a 90-month period for total payments of 2.2 million Brazilian reais (approximately \$906,000 at the foreign exchange rate as of October 31, 2014). We accrued the full amount of the payments, plus estimated interest, under the REFIS Amnesty for this matter in December 2013 when we enrolled in the program, and made our first payment on December 26, 2013. As of October 31, 2014, we have remaining installment payments totaling 2.1 million Brazilian reais (approximately \$864,000 at the foreign exchange rate as of October 31, 2014).

For the 2003 assessments, we applied available net operating losses, to the extent permitted, toward the interest and penalties portion of the settlement obligation under the REFIS Amnesty. At the time we initially appealed the 2003 assessments to the civil courts, we were required to make a deposit of 2.8 million Brazilian reais (approximately \$1.2 million at the foreign exchange rate as of October 31, 2014) to the court in order to perfect our appeal. In light of our enrollment of certain of the 2003 assessments in the REFIS Amnesty, we have notified the civil court of our enrollment and requested the release of the portion of the deposit for the assessments enrolled in the REFIS Amnesty, which totals 675,000 Brazilian reais (approximately \$276,000 at the foreign exchange rate as of October 31, 2014). Once approved by the court, the released funds will be applied against the settlement obligation under the REFIS Amnesty. Approximately 2.2 million Brazilian reais (approximately \$887,000 at the foreign exchange rate as of October 31, 2014) will remain deposited in connection with the 2003 assessments that will continue in the civil courts and which deposits will be released to the prevailing party after resolution of the underlying assessments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Excluding the assessments that have been enrolled in the REFIS Amnesty for this matter, which have been accrued as described above, the remaining assessments total 4.2 million Brazilian reais (approximately \$1.7 million at the foreign exchange rate as of October 31, 2014), including estimated penalties and interest, as of October 31, 2014. Based on our current understanding of the underlying facts of this matter, we believe it is reasonably possible we may receive an unfavorable decision related to these remaining assessments.

We also elected to enroll a number of outstanding tax offset requests that were previously applied for by the Brazilian subsidiary we acquired as part of our acquisition of Hypercom in August 2011 in the REFIS Amnesty. These outstanding tax offset requests relate to non-income tax debts, primarily for IRPJ, PIS and COFINS for past tax years, and total approximately 2.5 million Brazilian reais (approximately \$1.0 million at the foreign exchange rate as of October 31, 2014), including estimated penalties and interest. We applied available net operating losses toward the interest and penalties portion of the settlement obligation under the REFIS Amnesty. For the remaining balance, we elected to make the amnesty payments in monthly installments over a 90-month period for total payments of 1.3 million Brazilian reais (approximately \$547,000 at the foreign exchange rate as of October 31, 2014). We accrued the full amount of the payments, plus estimated interest, under the REFIS Amnesty for these matters in December 2013 when we enrolled in the program, and made our first payment on December 26, 2013. As of October 31, 2014, we have remaining installment payments totaling 1.3 million Brazilian reais (approximately \$522,000 at the foreign exchange rate as of October 31, 2014).

Municipality Services Tax Assessments

In December 2009, one of the Brazilian subsidiaries that were acquired as part of the Lipman acquisition was notified of a tax assessment regarding alleged nonpayment of tax on services rendered for the period from September 2004 to December 2004. This assessment was issued by the municipality of São Paulo (the "municipality"), and asserts a services tax deficiency and related penalties totaling 875,000 Brazilian reais (approximately \$358,000 at the foreign exchange rate as of October 31, 2014), excluding interest. The municipality claims that the Brazilian subsidiary rendered certain services within the municipality of São Paulo but simulated that those services were rendered in another city. At the end of December 2010 the municipality issued further tax assessments alleging the same claims for 2005 through June 2007. These additional subsequent claims assert services tax deficiencies and related penalties totaling 5.9 million Brazilian reais (approximately \$2.4 million at the foreign exchange rate as of October 31, 2014), excluding interest. We received unfavorable decisions from the administrative courts, which ruled to maintain the tax assessments for each of these matters. No further grounds of appeal are available to us for these assessments within the administrative courts. In October 2012, as a result of the decision at the administrative level, the tax authorities filed an enforcement action in the civil courts to collect on the services tax assessments amounts awarded by the administrative court, and seeking other related costs and fees. On March 6, 2013, we filed our defensive claims in the civil courts in response to the tax authorities' enforcement action. In February 2013 the tax authorities filed an additional enforcement action in the civil courts to collect on the penalties related to the services tax assessments amounts awarded by the administrative courts. Based on our understanding of the underlying facts of this matter and our evaluation of the potential outcome at the judicial level, we believe it is reasonably possible that our Brazilian subsidiary will be required to pay some amount of the alleged tax assessments and penalties related to these matters, as well as amounts of interest and certain costs and fees imposed by the court related thereto. As of October 31, 2014, the amount of the alleged tax assessments and penalties related to these matters was approximately 5.8 million Brazilian reais (approximately \$2.4 million at the foreign exchange rate as of October 31, 2014), and the estimated interest, costs and fees related thereto were approximately 12.7 million Brazilian reais (approximately \$5.2 million at the foreign exchange rate as of October 31, 2014).

The Brazilian subsidiary we acquired as part of our acquisition of Hypercom in August 2011 received an unfavorable administrative decision on a tax enforcement action against it filed by the municipality of Curitiba

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

for collection of alleged services tax deficiency. An appeal against this unfavorable administrative decision was filed in a judicial proceeding and currently the case is pending the municipality of Curitiba's compliance with the writ of summons. As of October 31, 2014, the underlying assessment, including estimated interest, was approximately 7.6 million Brazilian reais (approximately \$3.1 million at the foreign exchange rate as of October 31, 2014). Based on our current understanding of the underlying facts of this matter, we believe it is reasonably possible that we may receive an unfavorable decision in this proceeding.

Patent Infringement and Commercial Litigation

Cardsoft, Inc. et al v. VeriFone Holdings, Inc., VeriFone, Inc., Hypercom Corporation, et al.

On March 6, 2008, Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC (collectively, "Cardsoft") commenced an action in the United States District Court for the Eastern District of Texas, Marshall Division, against us and Hypercom Corporation, among others, alleging infringement of U.S. Patents No. 6,934,945 and No. 7,302,683 purportedly owned by Cardsoft. Cardsoft sought, in its complaint, a judgment of infringement, an injunction against further infringement, damages, interest and attorneys' fees. On June 8, 2012, the jury returned an unfavorable verdict finding that Cardsoft's patents were valid and were infringed by the accused VeriFone and Hypercom devices, and further determined that a royalty rate of \$3 per unit should be applied. Accordingly, the jury awarded Cardsoft infringement damages and royalties of approximately \$15.4 million covering past sales of the accused devices by VeriFone and Hypercom. The jury concluded there was no willful infringement by either VeriFone or Hypercom.

Following the jury's verdict, we determined that it was probable we would incur a loss on this litigation based on the jury's verdict and the status of the litigation proceedings at that time. Accordingly, we accrued for the full amount of the jury's verdict plus estimated pre-judgment interest and, effective from July 31, 2012, we began accruing estimated ongoing royalties of \$3 per unit of accused device to Cost of net revenues. During the fiscal quarter ended October 31, 2012, we completed redesigns of the terminals subject to the jury's verdict specifically to address the Cardsoft allegations, and implemented such redesigns in the U.S. We further obtained the legal opinion of independent intellectual property counsel that our terminals, as redesigned, do not infringe the Cardsoft patents-in-suit. We concluded based on the procedures taken and legal reviews obtained, that it was not probable that an ongoing royalty based on the jury's verdict applies to our terminals as redesigned, and ceased accruing an ongoing royalty.

On October 30, 2013, the District Court issued judgment upholding the jury's verdict that the patent was valid and infringed. The judgment confirmed the jury's award of infringement damages and royalties of approximately \$15.4 million covering past sales of the VeriFone and Hypercom accused devices, plus prejudgment interest, post-judgment interest and costs. The court also ruled that an ongoing royalty should be applied for sales of the accused devices after the verdict date and ordered the parties to mediate on the issue of an ongoing royalty rate. The parties participated in mediation but were unable to reach a resolution. In March 2014, Cardsoft filed a motion requesting the court to set an ongoing royalty rate. We opposed, arguing (among other arguments) that no ongoing royalty applies in light of our redesigns of the products subject to the District Court's infringement ruling.

We appealed the District Court's judgment to the U.S. Court of Appeals for the Federal Circuit. On October 17, 2014, a three-judge panel of the Federal Circuit issued a unanimous opinion in our favor. The Federal Circuit ruling reversed the District Court's judgment and, further, concluded that our products did not infringe the Cardsoft patents as a matter of law. As a result, the District Court's finding of infringement and order of past and ongoing royalties, as well as related interest and costs, have been reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cardsoft is entitled to petition the Federal Circuit for rehearing by the panel and rehearing en banc, as well as petition for hearing by the U.S. Supreme Court. Cardsoft filed a petition with the Federal Circuit on November 17, 2014 for rehearing and rehearing en banc. Nevertheless, we believe that the likelihood of a rehearing or reversal of the Federal Circuit's opinion is remote. Previously, based on our assessment and the status of this matter before the District Court, we had accrued a total estimated loss of approximately \$19.9 million, including estimated pre-judgment interest, potential ongoing royalties and statutory post-judgment interest related to this litigation. As a result of the Federal Circuit's favorable opinion reversing the District Court's judgment and ruling that our products do not infringe as a matter of law, we have reversed the total estimated loss previously accrued.

The District Court case remains open at this time pending any rehearing or review proceedings Cardsoft may seek, and the parties have agreed to stay all remaining proceedings before the District Court until completion of any rehearing or review. Although we have concluded that any reversal of the Federal Circuit's opinion is remote, if Cardsoft were to prevail in reversing all or part of the Federal Circuit's opinion, the proceedings could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Creative Mobile Technologies, LLC v. VeriFone Systems, Inc. et al.

On December 17, 2012, Creative Mobile Technologies, LLC ("CMT"), a provider of in-taxi payment processing solutions, filed a complaint in the Supreme Court of the State of New York alleging breach by VeriFone Systems, Inc. and VeriFone Media, LLC (f/k/a Clear Channel Taxi Media, LLC) ("VML") of a sales representation agreement between CMT and VML. According to the complaint, CMT sought damages and accounting, alleging breach of contract, breach of the duty of good faith and fair dealing and tortious interference with contract. Without admitting any wrongdoing or violation of law, we entered into an agreement-in-principle on April 25, 2014, and a confidential settlement agreement on May 27, 2014, with CMT to settle the case for a total consideration of \$9.0 million consisting of a \$7.5 million one-time cash payment and a \$1.5 million credit that may be applied by CMT within 24 months against purchases of certain VeriFone electronic payment terminals. We accrued the full amount of the settlement consideration in April 2014 when we entered into the agreement-in-principle. We paid the cash portion of the settlement consideration in June 2014. On June 5, 2014, the court issued an order dismissing the case with prejudice.

Class Action and Derivative Lawsuits

In re VeriFone Holdings, Inc. Securities Litigation

On or after December 4, 2007, several securities class action complaints were filed against us and certain of our officers, former officers, and a former director. These lawsuits were consolidated in the U.S. District Court for the Northern District of California and are currently captioned as *In re VeriFone Holdings, Inc.*Securities Litigation, C 07-6140 EMC. The original actions were: Eichenholtz v. VeriFone Holdings, Inc. et al., C 07-6140 EMC; Lien v. VeriFone Holdings, Inc. et al., C 07-6195 JSW; Vaughn et al. v. VeriFone Holdings, Inc. et al., C 07-6197 VRW (Plaintiffs voluntarily dismissed this complaint on March 7, 2008); Feldman et al. v. VeriFone Holdings, Inc. et al., C 07-6218 MMC; Cerini v. VeriFone Holdings, Inc. et al., C 07-6228 SC; Westend Capital Management LLC v. VeriFone Holdings, Inc. et al., C 07-6237 MMC; Hill v. VeriFone Holdings, Inc. et al., C 07-6241 JSW; Feitel v. VeriFone Holdings, Inc., et al., C 08-0118 CW. On August 22, 2008, the court appointed plaintiff National Elevator Fund lead plaintiff and its attorneys lead counsel. Lead plaintiff filed its consolidated amended class action complaint on October 31, 2008, which asserts claims under the Securities Exchange Act Sections 10(b), 20(a), and 20A and SEC Rule 10b-5 for securities fraud and control person liability against us and certain of our current and former officers and directors, based on allegations that we and the individual defendants made false

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

or misleading public statements regarding our business and operations during the putative class periods, and seeks unspecified monetary damages and other relief. We filed our motion to dismiss on December 31, 2008. The court granted our motion on May 26, 2009 and dismissed the consolidated amended class action complaint with leave to amend within 30 days of the ruling. The proceedings were stayed pending a mediation held in October 2009 at which time the parties failed to reach a mutually agreeable settlement. Lead plaintiff's first amended complaint was filed on December 3, 2009 followed by a second amended complaint filed on January 19, 2010. We filed a motion to dismiss the second amended complaint and the hearing on our motion was held on May 17, 2010. In July 2010, prior to any court ruling on our motion, lead plaintiff filed a motion for leave to file a third amended complaint on the basis that it had newly obtained evidence. Pursuant to a briefing schedule issued by the court we submitted our motion to dismiss the third amended complaint and lead plaintiff filed its opposition, following which the court took the matter under submission without further hearing. On March 8, 2011, the court ruled in our favor and dismissed the consolidated securities class action without leave to amend. On April 5, 2011, lead plaintiff filed its notice of appeal of the district court's ruling to the U.S. Court of Appeals for the Ninth Circuit. On June 24 and June 27, 2011, lead plaintiff dismissed its appeal as against defendants Paul Periolat, William Atkinson, and Craig Bondy. Lead plaintiff filed its opening brief on appeal on July 28, 2011. We filed our answering brief on September 28, 2011 and lead plaintiff filed its reply brief on October 31, 2011. A hearing on oral arguments for this appeal was held before a judicial panel of the Ninth Circuit on May 17, 2012. On December 21, 2012, the Ninth Circuit issued its opinion reversing the district court's dismissal of the consolidated shareholder securities class action against us and certain of our officers and directors, with the exception of the dismissal of lead plaintiff's claims under Section 20(a) of the Securities Exchange Act, which the Ninth Circuit affirmed. On January 4, 2013, we filed a petition for en banc rehearing with the Ninth Circuit. On January 30, 2013, the Ninth Circuit denied the petition for rehearing. On February 8, 2013, the Ninth Circuit issued a mandate returning this case to the U.S. District Court for the Northern District of California for further proceeding on lead plaintiff's claims, except for the dismissed Section 20(a) claim.

On August 9, 2013, we entered into a stipulation of settlement in this consolidated shareholder securities class action with and among the other defendants and the lead plaintiff therein. The settlement was subject to various customary conditions, including preliminary approval by the U.S. District Court for the Northern District of California, notice to class members, class member opt-out thresholds and final approval by the court. Upon the settlement becoming final, the total settlement consideration paid for the benefit of the settlement class would be \$95.0 million, plus a potential contingent adjustment if we had been acquired on or before April 15, 2014. We have coverage from our insurance carriers for this settlement consideration in the amount of approximately \$33.8 million. The net amount of approximately \$61.2 million (excluding the contingent adjustment) would be paid by us. On October 15, 2013, the court entered an order preliminarily approving the settlement. On November 5, 2013, we deposited approximately \$61.2 million, and our insurance carriers have deposited the remaining portion, of the \$95.0 million settlement consideration into an escrow account for the settlement. The hearing on final approval of the settlement was held on February 14, 2014. On February 18, 2014, the court issued an order granting the parties' motion for settlement, and indicated that it intended to issue a final approval of the settlement, subject to the lead plaintiff's submission of a notice plan regarding Israeli investors that includes (i) a longer time period for Israeli class members to file their claims and (ii) the dissemination to Israeli investors of a Hebrew language version of the notice of the proposed settlement, proof of claim and release form (the "Hebrew-Language Notice"). On February 20, 2014, in response to the court's order, the lead plaintiff filed a proposed notice plan that included (i) an extension of the time period for Israeli class members to file claims to April 30, 2014, (ii) a plan to mail the Hebrew-Language Notice to Israeli investors, (iii) a plan to publish the Hebrew-Language Notice in a leading newspaper in Israel, and (iv) a revision to the claims website to post the Hebrew-Language Notice and make clear that the claims deadline for Israeli class members has been extended to April 30, 2014. On February 25, 2014, the court issued a final order approving the settlement, dismissing the case with prejudice and entering judgment in the action. One of the objectors to the settlement filed a notice of appeal

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

to the court's February 25, 2014 judgment and orders, but subsequently filed a motion for voluntary dismissal of the appeal with prejudice. On June 2, 2014, the U.S. Court of Appeals for the Ninth Circuit issued an order and mandate, dismissing the appeal with prejudice.

We have denied and continue to deny each and all of the claims alleged in the consolidated shareholder securities class action. Nonetheless, we have agreed to the settlement to eliminate the uncertainty, distraction, burden and expense of further litigation. This settlement also applies to members of the putative class of plaintiffs in the Israel class action described below under U.S. law.

In re VeriFone Holdings, Inc. Shareholder Derivative Litigation Proceedings

Beginning on December 13, 2007, several actions were also filed against certain current and former directors and officers derivatively on our behalf. These derivative lawsuits were filed in: (1) the U.S. District Court for the Northern District of California, as *In re VeriFone Holdings, Inc. Shareholder Derivative Litigation*, Lead Case No. C 07-6347 MHP, which consolidates *King v. Bergeron, et al.* (Case No. 07-CV-6347), *Hilborn v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1132), *Patel v. Bergeron, et al.* (Case No. 08-CV-1133), and *Lemmond, et al. v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1301); and (2) the Superior Court of California, County of Santa Clara, as *In re VeriFone Holdings, Inc. Derivative Litigation*, Lead Case No. 1-07-CV-100980, which consolidates *Catholic Medical Mission Board v. Bergeron, et al.* (Case No. 1-07-CV-100980) and *Carpel v. Bergeron, et al.* (Case No. 1-07-CV-101449). We prevailed in our motion to dismiss the federal derivative claims before the U.S. District Court for the Northern District of California and, on November 28, 2011, in ruling on lead plaintiff's appeal against the district court's judgment dismissing lead plaintiff's derivative claims, the Ninth Circuit issued judgment affirming the dismissal of lead plaintiff's complaint against us. The time period for the lead plaintiff to appeal the Ninth Circuit's judgment has expired.

On October 31, 2008, the state derivative plaintiffs filed their consolidated derivative complaint in the Superior Court of California, County of Santa Clara naming us as a nominal defendant and bringing claims for insider selling, breach of fiduciary duty, unjust enrichment, waste of corporate assets and aiding and abetting breach of fiduciary duty against certain of our current and former officers and directors and our largest stockholder as of October 31, 2008, GTCR Golder Rauner LLC. On February 18, 2009, plaintiff Catholic Medical Mission Board voluntarily dismissed itself from the action. In November 2008, we filed a motion to stay the state court action pending resolution of the parallel federal actions, and the parties agreed by stipulation to delay briefing on the motion to stay until after the issue of demand futility was resolved in the federal derivative case. On June 2, 2011, the court entered a stipulated order requiring the parties to submit a case status report on August 1, 2011 and periodically thereafter. The parties submitted status reports to the court through February 1, 2013 as requested by the court. On January 30, 2013, counsel for plaintiff informed us that Mr. Carpel, the nominal plaintiff, had sold his shares in the company and therefore no longer had standing to maintain a derivative action against us. On February 15, 2013, plaintiff filed a motion for leave to publish notice to our stockholders seeking a new nominal plaintiff. On May 10, 2013, the court adopted its tentative order granting the motion to publish notice, which was formally entered on May 17, 2013. Under the terms of the order, the parties were ordered to publish notice of the potential dismissal of the action and any qualifying shareholder who wishes to intervene must notify the court within ninety days from the formal entry of the order. Otherwise, the action will be dismissed. On August 14, 2013, counsel for the former nominal plaintiff, Mr. Carpel, filed a notice of intent to substitute a new nominal plaintiff, Joel Gerber, into the action. On September 16, 2013, counsel for former plaintiff Carpel filed a motion to substitute a new plaintiff, Joel Gerber, into the action. On October 16, 2013, the court granted the motion and deemed the amended complaint filed as of the same date. Our demurrer to the amended complaint was filed on April 7, 2014. On May 23, 2014, plaintiff filed a statement of non-opposition to our demurrer and filed a motion to stay the action to allow plaintiff to make a demand on our current Board of Directors. We filed our opposition to the motion to stay on June 18, 2014 and plaintiff filed his reply on July 25, 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On December 3, 2014, the court issued an order sustaining our demurrer and granting plaintiff's motion to stay. The ruling gives plaintiff until December 23, 2014 to make a demand on the Board of Directors, to which the Board must respond within a reasonable time period. The stay will be terminated upon service of the Board's response and plaintiff shall have 20 days from the date of service either to file an amended complaint or to voluntarily dismiss the action.

Israel Class Action

On January 27, 2008, a class action complaint was filed against us in the Central District Court in Tel Aviv, Israel on behalf of purchasers of our stock on the Tel Aviv Stock Exchange. The complaint seeks compensation for damages allegedly incurred by the class of plaintiffs due to the publication of erroneous financial reports. We filed a motion to stay the action, in light of the proceedings already filed in the United States, on March 31, 2008. A hearing on the motion was held on May 25, 2008. Further briefing in support of the stay motion, specifically with regard to the threshold issue of applicable law, was submitted on June 24, 2008. On September 11, 2008, the Israeli District Court ruled in our favor, holding that U.S. law would apply in determining our liability. On October 7, 2008, plaintiffs filed a motion for leave to appeal the Israeli District Court's ruling to the Israeli Supreme Court. Our response to plaintiffs' appeal motion was filed on January 18, 2009. The Israeli District Court has stayed its proceedings until the Israeli Supreme Court rules on plaintiffs' motion for leave to appeal. On January 27, 2010, after a hearing before the Israeli Supreme Court, the court dismissed the plaintiffs' motion for leave to appeal and addressed the case back to the Israeli District Court. The Israeli Supreme Court instructed the Israeli District Court to rule whether the Israel class action should be stayed, under the assumption that the applicable law is U.S. law. Plaintiffs subsequently filed an application for reconsideration of the Israeli District Court's ruling that U.S. law is the applicable law. Following a hearing on plaintiffs' application, on April 12, 2010, the parties agreed to stay the proceedings pending resolution of the U.S. securities class action, without prejudice to plaintiffs' right to appeal the Israeli District Court's decision regarding the applicable law to the Israeli Supreme Court. On May 25, 2010, plaintiff filed a motion for leave to appeal the decision regarding the applicable law with the Israeli Supreme Court. In August 2010, plaintiff filed an application to the Israeli Supreme Court arguing that the U.S. Supreme Court's decision in Morrison et al. v. National Australia Bank Ltd., 561 U.S. 247, 130 S. Ct. 2869 (2010), may affect the outcome of the appeal currently pending before the Court and requesting that this authority be added to the Court's record. Plaintiff concurrently filed an application with the Israeli District Court asking that court to reverse its decision regarding the applicability of U.S. law to the Israel class action, as well as to cancel its decision to stay the Israeli proceedings in favor of the U.S. class action in light of the U.S. Supreme Court's decision in Morrison. On August 25, 2011, the Israeli District Court issued a decision denying plaintiff's application and reaffirming its ruling that the law applicable to the Israel class action is U.S. law. The Israeli District Court also ordered that further proceedings in the case be stayed pending the decision on appeal in the U.S. class action.

On November 13, 2011, plaintiff filed an amended application for leave to appeal addressing the Israeli District Court's ruling. We filed an amended response on December 28, 2011. On January 1, 2012, the Israeli Supreme Court ordered consideration of the application by three justices. On July 2, 2012, the Israeli Supreme Court ordered us to file an updated notice on the status of the proceedings in the U.S. securities class action then pending in the U.S. Court of Appeals for the Ninth Circuit by October 1, 2012. On October 11, 2012, we filed an updated status notice in the Israeli Supreme Court on the proceedings in the U.S. securities class action pending at the time in the U.S. Court of Appeals for the Ninth Circuit. On January 9, 2013, the Israeli Supreme Court held a further hearing on the status of the appeal in the U.S. Court of Appeals for the Ninth Circuit and recommended that the parties meet and confer regarding the inclusion of the Israeli plaintiffs in the federal class action pending in the U.S. On February 10, 2013, the Israeli Supreme Court issued an order staying the case pursuant to the joint notice submitted to the court by the parties on February 4, 2013. The plaintiff and putative class members in this action are included in the stipulated settlement of the federal securities class action, *In re VeriFone Holdings*,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Inc., disclosed above unless an individual plaintiff opts out. Following the February 25, 2014 judgment and orders by the U.S. court, in April 2014, the parties in the Israel class action filed a joint motion requesting that the Israeli Supreme Court renew the proceedings on appeal concerning the determination of the applicable law. A hearing was held on June 23, 2014 concerning whether the Israel class action should proceed in light of the settlement in the U.S. class action. On June 29, 2014, the plaintiff filed a supplemental pleading at the court's request. We filed our reply pleading on August 19, 2014, and plaintiff filed a further response pleading on September 4, 2014. We are currently awaiting the court's determination.

In re VeriFone Securities Litigation

On March 7, 2013, a putative securities class action was filed in the U.S. District Court for the Northern District of California against us certain of our former officers and one of our current officers and alleged claims in connection with our February 20, 2013 announcement of preliminary financial results for the fiscal quarter ended January 31, 2013. The action, captioned Sanders v. VeriFone Systems, Inc. et al., Case No. C 13-1038, and subsequently re-captioned In re VeriFone Securities Litigation, was initially brought on behalf of a putative class of purchasers of VeriFone securities between December 14, 2011 and February 19, 2013 and asserted claims under the Securities Exchange Act Sections 10(b) and 20(a) and SEC Rule 10b-5 for securities fraud and control person liability. The claims were based on allegations that we and the individual defendants made false or misleading public statements regarding our business, operations, and financial controls during the putative class period. The complaint sought unspecified monetary damages and other relief. Two additional class actions related to the same matter (Laborers Local 235 Benefit Funds v. VeriFone Systems, Inc. et al., Case No. CV 13-1676 and Bland v. VeriFone Systems, Inc. et al., Case No. CV 13-1853) were filed in April 2013. On May 6, 2013, several putative plaintiffs and plaintiffs' law firms filed motions to consolidate these three securities class actions and requesting appointment as lead plaintiff and lead counsel, respectively. The plaintiffs in Laborers Local 235 Benefit Funds v. VeriFone Systems, Inc. et al. and Bland v. VeriFone Systems, Inc. et al. voluntarily dismissed their respective actions, without prejudice, on July 10, 2013 and July 17, 2013, respectively, and filed motions to be appointed lead plaintiff in the action previously captioned Sanders v. VeriFone Systems, Inc. et al. On October 7, 2013, the court entered an order appointing the Selz Funds as lead plaintiffs and appointing Gold Bennett Cera & Sidener LLP as lead counsel. Lead plaintiffs' first amended complaint was filed on December 16, 2013. The first amended complaint expanded the putative class period to December 14, 2011 and February 20, 2013, inclusive, and removed the current officer who was named in the original complaint from the action. We filed our motion to dismiss the amended complaint on February 14, 2014, lead plaintiffs filed their opposition on April 15, 2014 and we filed our reply on May 16, 2014. On May 27, 2014, the court took the motion to dismiss under submission without oral argument. On August 8, 2014, the court dismissed the amended complaint, with leave to amend. Lead plaintiffs filed their second amended complaint on October 7, 2014. We filed our motion to dismiss the second amended complaint on December 8, 2014. Lead plaintiffs' opposition is due on February 6, 2015, and our reply is due on March 10, 2015. The court has set a hearing on our motion to dismiss on April 3, 2015.

Dolled v. Bergeron et al.

On April 19, 2013, a derivative action, *Dolled v. Bergeron et al.*, Case No. 113-CV-245056, was filed in the Superior Court of California, County of Santa Clara in connection with our February 20, 2013 announcement of preliminary financial results for the fiscal quarter ended January 31, 2013. The action, brought derivatively on behalf of VeriFone, names VeriFone as a nominal defendant and brings claims for insider selling, breach of fiduciary duty and unjust enrichment variously against certain of our current and former officers and directors. The complaint seeks unspecified monetary damages, restitution and disgorgement of profits and compensation paid to defendants, injunctive relief directing us to reform its corporate governance, and payment of the plaintiff's costs and attorneys' fees. On May 30, 2013, the court entered the parties' stipulation and proposed

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

order, which appointed plaintiff and plaintiff's counsel as lead plaintiff and lead counsel, respectively, in the consolidated action, captioned *In re VeriFone Systems*, *Inc. Derivative Litigation*. The next case management conference is scheduled for May 15, 2015.

Zoumboulakis v. McGinn et al.

On May 24, 2013, a federal derivative action, Zoumboulakis v. McGinn et al., Case No. 13-CV-02379, was filed in the U.S. District Court for the Northern District of California against certain current and former directors and officers derivatively on our behalf. The complaint, which names us as a nominal defendant, alleges breach of fiduciary duty and abuse of control and asserts claims under Section 14(a) of the Securities Exchange Act of 1934 for false or misleading financial statements and proxy statement disclosures. The complaint seeks unspecified monetary damages, including exemplary damages, restitution from defendants, injunctive relief directing us to make certain corporate governance reforms, and payment of the plaintiff's costs and attorneys' fees. On August 12, 2013, the court entered defendants' motion seeking to relate this action to the pending shareholder class action, Sanders v. VeriFone Systems, Inc. et al. On October 31, 2013, the court entered a stipulation and order setting a December 31, 2013 deadline for the filing of an amended complaint and setting a January 30, 2014 deadline for defendants to move or answer. An initial case management conference was held on January 17, 2014. On January 21, 2014, plaintiff filed an amended complaint, which removed one of our former officers from the action and added an additional former director as a defendant. The amended complaint brings claims against the defendants for breach of fiduciary duty, abuse of control, violations of Securities Exchange Act Section 14(a), and unjust enrichment. The amended complaint also brings claims for insider trading against three of the named former and current directors. We filed our motion to dismiss the amended complaint on March 7, 2014, plaintiff filed an opposition on April 23, 2014, and we filed our reply on May 16, 2014. On May 27, 2014, the court took the motion to dismiss under submission without oral argument. On August 7, 2014, the court dismissed the amended complaint, with leave to amend. Plaintiff filed a second amended complaint on October 17, 2014. Our motion to dismiss the second amended complaint is due on December 18, 2014. Plaintiff's opposition is due of February 18, 2015 and our reply is due on March 16, 2015. The court has set a hearing on our motion to dismiss on April 3, 2015.

If any of these class action or derivative lawsuits is resolved adversely to us, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Antitrust Investigation

The Competition Commission of India ("CCI") is investigating certain complaints made against us alleging unfair practices based on certain provisions in our software development license arrangements in India. We have cooperated with requests by the CCI in its investigation. In March 2014, the director general of the CCI investigating the allegations issued a report rejecting certain of the allegations, but also finding that certain provisions of our licenses may constitute unfair business practices. VeriFone India Sales Pvt. Ltd. has filed objections to that report. The CCI held hearings in October and November 2014 but has not yet issued any rulings. We are unable to make any estimate of potential loss related to this matter at this stage of the proceeding.

Other Litigation

After termination of their services, several former contractors of one of our Brazilian subsidiaries filed individual lawsuits in the Labor Court of São Paulo against the subsidiary alleging an employer-employee relationship and wrongful termination, and claiming, among other damages, statutorily-imposed salaries, vacations, severance and bonus amounts, social contributions and penalties and moral damages. In October 2012, we received a partially unfavorable judgment for one of these lawsuits, with the court ruling that an employer-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

employee relationship existed. We did not prevail in our appeal of the unfavorable judgment and this matter is now pending final appeal. We believe it is probable that we may not prevail on this matter. As of October 31, 2014, we have accrued for the estimated probable loss for this matter, which amount is not material to our results of operations. We have settled, without admitting any wrongdoing or violation of law, the other filed lawsuits, in each case, for a cash payment. The amounts of these settlements are not material to our results of operations.

Certain of the foregoing cases are still in the preliminary stages, and we are not able to quantify the extent of our potential liability, if any. Further, the outcome of litigation is inherently unpredictable and subject to significant uncertainties. If any of these matters are resolved adversely to us, this could have a material adverse effect on our business, financial condition, results of operations, and cash flows. In addition, defending these legal proceedings is likely to be costly, which may have a material adverse effect on our financial condition, results of operations and cash flows, and may divert management's attention from the day-to-day operations of our business. We are subject to various other legal proceedings related to commercial, customer, and employment matters that have arisen during the ordinary course of business, including a number of pending labor-related claims that arose in the ordinary course of business against the Hypercom Brazilian subsidiary prior to our acquisition of Hypercom. The outcome of such legal proceedings is inherently unpredictable and subject to significant uncertainties. Although there can be no assurance as to the ultimate disposition of these matters, our management has determined, based upon the information available at the date of these financial statements, including expected availability of insurance coverage, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Export Control Matters

As disclosed in Part II, Item 5, *Other Information*, of our Quarterly Report on Form 10-Q for our fiscal quarter ended January 31, 2013, we previously discovered certain unauthorized activities which may potentially constitute violations of U.S. export control laws and regulations that prohibit the shipment of our products and the provision of our services to countries, governments and persons targeted by U.S. sanctions. In connection with our discoveries we have made a voluntary disclosure to the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") regarding these potential violations. This voluntary disclosure process with OFAC is in the initial stages and we cannot predict whether or when OFAC would review this matter or what enforcement action, if any, it may take. If we were found to be in violation of U.S. sanctions or export control laws, it could result in fines or penalties for us, which could harm our results of operations.

Income Tax Uncertainties

As of October 31, 2014, the amount payable for unrecognized tax benefits was \$62.2 million, including accrued interest and penalties, none of which is expected to be paid within one year. This amount is included in Other long-term liabilities in our Consolidated Balance Sheet as of October 31, 2014. We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur.

Note 12. Segment and Geographic Information

Segment Information

Net revenues and operating income of each segment reflect net revenues and expenses that are directly attributable to that segment. Net revenues and expenses not allocated to segment net revenues and segment operating income include amortization of purchased intangible assets, adjustments to contingent consideration, increase to fair value (step-up) of inventory at acquisition, fair value decrease (step-down) in deferred revenue at acquisition, some inventory reserves, asset impairments, restructuring expenses, stock-based compensation, costs

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

of debt amendments, as well as corporate research and development, sales and marketing, general and administrative, and litigation settlement and loss contingency expense (benefits). We do not separately evaluate assets by segment, and therefore assets by segment are not presented below.

The following table sets forth net revenues for our reportable segments and reconciles segment net revenues to total net revenues (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Segment net revenues:			
Americas	\$ 849,163	\$ 794,261	\$ 903,764
EMEA	756,541	704,657	771,469
Asia-Pacific	265,284	210,333	211,107
Total segment net revenues	1,870,988	1,709,251	1,886,340
Net revenues not allocated to segment net revenues:			
Amortization of step-down in deferred revenue at acquisition	(2,223)	(5,058)	(20,369)
Other net revenues not allocated to segment net revenues	109	(1,972)	
Total net revenues	\$1,868,874	\$1,702,221	\$1,865,971

The following table sets forth operating income for our reportable segments and reconciles segment operating income to consolidated operating income (loss) (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Operating income by segment:			
Americas	\$ 219,077	\$ 219,199	\$ 287,690
EMEA	208,294	188,443	221,683
Asia-Pacific	57,151	38,569	50,148
Total segment operating income	484,522	446,211	559,521
Items not allocated to segment operating income:			
Net revenues not allocated to segment net revenues	(2,114)	(7,030)	(20,369)
Amortization of purchased intangible assets	(140,262)	(140,899)	(124,263)
Stock-based compensation expense	(53,897)	(48,851)	(44,554)
Restructuring expense	(18,136)	(323)	(1,250)
Litigation settlement and loss contingency benefit (expense)	8,632	(64,371)	(17,632)
Other expenses not allocated to segments	(272,860)	(251,091)	(203,908)
Total operating income (loss)	\$ 5,885	\$ (66,354)	\$ 147,545

Our goodwill by reportable segment was as follows (in thousands):

	October 31,		
	2014	2013	
Americas	\$ 191,002	\$ 189,450	
EMEA	906,866	973,260	
Asia-Pacific	88,024	89,762	
Total goodwill	\$1,185,892	\$1,252,472	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Depreciation and amortization of fixed assets was allocated to segments as follows (in thousands):

	Years Ended October 31,		
	2014	2013	2012
Americas	\$13,118	\$ 7,904	\$ 6,214
EMEA	29,371	29,150	23,889
Asia-Pacific	5,627	3,102	1,363
Unallocated	11,549	14,598	14,465
Total depreciation and amortization expense	\$59,665	\$54,754	\$45,931

Geographic Information

Our net revenues, by country with net revenues over 10% of total net revenues, were as follows (in thousands):

	Years Ended October 31,			
	2014	2013	2012	
United States	\$ 522,982	\$ 482,820	\$ 509,243	
Brazil	197,472	151,964	211,543	
Other countries	1,148,420	1,067,437	1,145,185	
Total net revenues	\$1,868,874	\$1,702,221	\$1,865,971	

Net revenues are allocated to countries based on the shipping destination or service delivery location of customer orders.

Fixed assets, net, by country with fixed assets over 10% of total fixed assets, were as follows (in thousands):

	October 31,	
	2014	2013
United States	\$ 74,506	\$ 55,825
United Kingdom	17,707	21,615
Other countries	85,540	94,747
Fixed assets, net	\$177,753	\$172,187

Selected Quarterly Results of Operations (Unaudited)

The following selected quarterly data should be read in conjunction with our Consolidated Financial Statements and accompanying notes appearing in this Item 8, Financial Statements and Supplementary Data, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. This information has been derived from our unaudited Consolidated Financial Statements that, in our opinion, reflect all recurring adjustments necessary to fairly present our financial information when read in conjunction with our Consolidated Financial Statements and Notes. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

The tables below sets forth selected unaudited financial data for each quarter for the last two fiscal years (in thousands, except for per share amounts):

Vear Ended October 31, 2014

	Year Ended October 31, 2014			
	First Quarter	Second Quarter (2)	Third Quarter (2)(3)	Fourth Quarter (1)(2)
Net revenues	\$436,066	\$466,417	\$475,900	\$490,491
Gross margin	170,217	175,274	182,770	196,456
Operating income (loss)	(6,515)	(13,548)	(7,547)	33,495
Consolidated net income (loss)	(16,097)	(23,563)	(28,107)	31,325
Net income (loss) attributable to VeriFone Systems, Inc.				
stockholders	\$(16,233)	\$(23,915)	\$(29,033)	\$ 31,051
Basic net income (loss) per share	\$ (0.15)	\$ (0.22)	\$ (0.26)	\$ 0.27
Diluted net income (loss) per share	\$ (0.15)	\$ (0.22)	\$ (0.26)	\$ 0.27
	Year Ended October 31, 2013			
		Year Ended	October 31, 2013	3
	First Quarter	Year Ended Second Quarter (4)	October 31, 2013 Third Quarter	Fourth Quarter (5)
Net revenues		Second	Third	Fourth
Net revenues Gross margin	Quarter	Second Quarter (4)	Third Quarter	Fourth Quarter (5)
	Quarter \$428,747	Second Quarter (4) \$426,287	Third Quarter \$415,973	Fourth Quarter (5) \$ 431,214
Gross margin	Quarter \$428,747 171,962	Second Quarter (4) \$426,287 154,306	Third Quarter \$415,973 154,940	Fourth Quarter (5) \$ 431,214 163,981
Gross margin	Quarter \$428,747 171,962 21,735	Second Quarter (4) \$426,287 154,306 (69,569)	Third Quarter \$415,973 154,940 (2,719)	Fourth Quarter (5) \$ 431,214 163,981 (15,801)
Gross margin	Quarter \$428,747 171,962 21,735	Second Quarter (4) \$426,287 154,306 (69,569)	Third Quarter \$415,973 154,940 (2,719)	Fourth Quarter (5) \$ 431,214 163,981 (15,801)
Gross margin	Quarter \$428,747 171,962 21,735 11,710	Second Quarter (4) \$426,287 154,306 (69,569) (57,029)	Third Quarter \$415,973 154,940 (2,719) (1,890)	Fourth Quarter (5) \$ 431,214 163,981 (15,801) (247,792)

⁽¹⁾ In the fourth fiscal quarter of 2014 we released a \$19.9 million litigation loss contingency expense, plus estimated potential ongoing royalties and interest, related to a favorable ruling in a patent infringement litigation captioned *Cardsoft, Inc. and Cardsoft (Assignment for the Benefit of Creditors), LLC v. VeriFone Holdings, Inc. et al.* For further information, see Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

⁽²⁾ The second, third and fourth fiscal quarters of 2014 include \$5.8 million, \$10.8 million and \$1.5 million, respectively, of restructuring charges as part of cost optimization and corporate transformation initiatives. For further information, see Note 10, *Restructurings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

⁽³⁾ During the third fiscal quarter of 2014 we amended and restated our existing credit agreement. The initial amounts borrowed, together with cash on hand, were used to repay the \$938.6 million outstanding balance

- on the credit agreement as well as the costs associated with the amendment and restatement. In connection with this transaction we expensed \$4.1 million of debt amendment costs and accelerated \$5.2 million of interest expense on previously capitalized debt issuance costs associated with extinguished debt. For further information, see Note 9, *Financings*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (4) The second fiscal quarter of 2013 includes a \$69.0 million litigation loss contingency expense related to litigation matters, primarily the pending securities class action captioned, *In re VeriFone Holdings, Inc. Securities Litigation*, and the related Israel class action. For further information, see Note 11, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.
- (5) The fourth fiscal quarter of 2013 includes a \$245.0 million valuation allowance against a significant portion of our deferred tax assets. For further information, see Note 5, *Income Taxes*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure during the last three fiscal years.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, or the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified by the U.S. Securities and Exchange Commission. Based on management's evaluation (with the participation of our Chief Executive Officer and Chief Financial Officer), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), are designed to and are effective to, provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d—15(f) to provide reasonable assurance regarding the reliability of our financial reporting and consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Management assessed our internal control over financial reporting as of October 31, 2014, the end of our fiscal year. Management based its assessment on the 1992 framework established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

The effectiveness of our internal control over financial reporting as of October 31, 2014 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

In addition to the information set forth under the caption "Executive Officers" in Part I of this Annual Report on Form 10-K, the information required by this Item is expected to be in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders (the "Proxy Statement"), which we expect to be filed within 120 days of the end of our fiscal year ended October 31, 2014 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to our executive officer and director compensation is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners of our common stock and information relating to the security ownership of the registrant's management is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services is incorporated herein by reference to the Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in the Annual Report on Form 10-K and other supplemental financial information required by Item 302 of Regulation S-K are included in Item 8, *Financial Statements and Supplementary Data*, included elsewhere in this Annual Report on Form 10-K.

2. Financial Statement Schedule

All financial statement schedules have been omitted because the required information is not present or not present in amounts sufficient to require the submission of schedules, or because the information required is included in our Consolidated Financial Statements and Notes thereto.

3. *Exhibits* The documents set forth below are filed herewith or incorporated by reference to the location indicated.

Exhibits

Exhibit Number	Description
2.1(7)	Agreement and Plan of Merger, dated as of November 17, 2010, among Hypercom Corporation, VeriFone Systems, Inc. and Honey Acquisition Company.
3.1(8)	Amended and Restated Certificate of Incorporation of VeriFone as amended.
3.2(15)	Amended and Restated Bylaws of VeriFone.
4.1(2)	Specimen Common Stock Certificate; reference is made to Exhibit 3.1.
10.1(1)+	2002 Securities Purchase Plan.
10.2(1)+	New Founders' Stock Option Plan.
10.3(2)+	Outside Directors' Stock Option Plan.
10.4(4)+	2005 Employee Equity Incentive Plan.
10.5(3)+	Form of Indemnification Agreement.
10.6(13)+	Amended and Restated VeriFone Systems, Inc. (formerly, VeriFone Holdings, Inc.) 2006 Equity Incentive Plan.
10.7(5)+	Form of Amended and Restated VeriFone Bonus Plan.
10.8(6)+	Lipman Electronic Engineering Ltd. 2003 Stock Option Plan.
10.9(6)+	Lipman Electronic Engineering Ltd. 2004 Stock Option Plan.
10.10(6)+	Lipman Electronic Engineering Ltd. 2004 Share Option Plan.
10.11(6)+	Amendment to Lipman Electronic Engineering Ltd. 2004 Share Option Plan.
10.12(6)+	Lipman Electronic Engineering Ltd. 2006 Share Incentive Plan.

Exhibit Number	Description
10.13(9)	Sale and Purchase Agreement dated November 12, 2011 by and between Point Luxembourg Holding S.À.R.L. and Electronic Transactions Group Limited, as Sellers, and VeriFone Nordic AB, as Purchaser.
10.14(10)	Security Agreement, dated as of December 28, 2011, by and among JPMorgan Chase Bank, N.A., in its capacity as the Collateral Agent, and the VeriFone parties.
10.15(10)	Pledge Agreement, dated as of December 28, 2011, by and among the VeriFone parties and JPMorgan Chase Bank, N.A., in its capacity as the Collateral Agent.
10.16(10)	Guaranty, dated as of December 28, 2011, executed by each of the Guarantors party thereto in favor of JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent.
10.17(11)+	Offer Letter between the Company and Marc E. Rothman.
10.18(11)	Form of Restricted Stock Unit Award Notice.
10.19(11)	Separation Agreement between the Company and Robert Dykes.
10.20(12)+	Letter Agreement, dated March 11, 2013, by and among VeriFone Systems, Inc., VeriFone, Inc. and Douglas G. Bergeron.
10.21(12)+	Letter Agreement, dated March 14, 2013, by and among VeriFone Systems, Inc., VeriFone, Inc. and Richard A. McGinn.
10.22(14)	Credit Agreement Amendment, dated as of July 19, 2013, by and among VeriFone, Inc., VeriFone Intermediate Holdings, Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.23(16)+	Offer Letter, dated September 15, 2013, between the Company and Paul Galant.
10.24(16)+	Executive Severance Policy.
10.25(17)	Amendment and Restatement Agreement, dated as of July 8, 2014, to the Credit Agreement, among VeriFone Intermediate Holdings, Inc., VeriFone, Inc., the other Loan Parties party thereto, the Lender parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent.
21.1*	List of subsidiaries of VeriFone.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

- * Filed herewith.
- + Indicates a management contract or compensatory plan or arrangement.
- ** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.
- (1) Filed as an exhibit to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (File No. 333-121947), filed February 23, 2005.
- (2) Filed as an exhibit to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-121947), filed April 18, 2005.
- (3) Filed as an exhibit to Amendment No. 5 to the Registrant's Registration Statement on Form S-1 (File No. 333-121947), filed April 29, 2005.
- (4) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (File No. 333-124545), filed May 2, 2005.
- (5) Filed as an appendix to the Registrant's Definitive Proxy Statement for its 2011 Annual Meeting of Stockholders, filed May 19, 2011.
- (6) Incorporated by reference in the Registrant's Registration Statement on Form S-8 (File No. 333-138533), filed November 9, 2006.
- (7) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed November 19, 2010.
- (8) Filed as an exhibit to the Registrant's Annual Report on Form 10-K, filed December 21, 2010.
- (9) Filed as an exhibit to the Registrant's Annual Report on Form 10-Q, filed March 9, 2012.
- (10) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed January 4, 2012.
- (11) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed February 4, 2013.
- (12) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed March 15, 2013.
- (13) Filed as an appendix to the Registrant's Definitive Proxy Statement for its 2013 Annual Meeting of Stockholders, filed June 20, 2013.
- (14) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed July 19, 2013.
- (15) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q, filed September 5, 2013.
- (16) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed September 23, 2013.
- (17) Filed as an exhibit to the Registrant's Current Report on Form 8-K, filed July 10, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VERIFONE SYSTEMS, INC.

By:	/s/ Paul S. Galant		
Paul S. Galant			
	Chief Executive Officer		

December 17, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Paul S. Galant	Chief Executive Officer	December 17, 2014
Paul S. Galant	(principal executive officer)	
/s/ MARC E. ROTHMAN	Executive Vice President and	December 17, 2014
Marc E. Rothman	Chief Financial Officer (principal financial and accounting officer)	
/s/ ROBERT W. ALSPAUGH	Director	December 17, 2014
Robert W. Alspaugh		
/s/ Karen Austin	Director	December 17, 2014
Karen Austin		
/s/ Alex W. Hart	Chairman of the Board of Directors	December 17, 2014
Alex W. Hart		
/s/ Robert B. Henske	Director	December 17, 2014
Robert B. Henske		
/s/ Wenda Harris Millard	Director	December 17, 2014
Wenda Harris Millard		
/s/ Eitan Raff	Director	December 17, 2014
Eitan Raff		
/s/ Jonathan I. Schwartz	Director	December 17, 2014
Jonathan I. Schwartz		
/s/ JANE J. THOMPSON	Director	December 17, 2014
Jane J. Thompson		

SUBSIDIARIES OF THE REGISTRANT

The chart below lists significant subsidiaries of VeriFone Systems, Inc. as of October 31, 2014.

Legal Name	State or Jurisdiction of Incorporation or Organization
VeriFone Intermediate Holdings, Inc.	Delaware
VeriFone, Inc.	Delaware
VeriFone International Holdings, Inc.	Delaware
VeriFone Media, LLC (formerly known as, Clear Channel Media LLC)	Delaware
Hypercom Corporation	Delaware
VeriFone Australia (HAPL) Pty. Ltd. (formerly known as, Hypercom Australia Pty Ltd)	Australia
VeriFone Systems Australia Pty. Ltd.	Australia
VeriFone Electronic (Beijing) Co., Ltd.	China
VeriFone Systems (China), Inc.	China
VeriFone Singapore Pte. Ltd.	Singapore
VeriFone Bermuda Holdings, L.P.	Bermuda
Point Transaction Systems A/S	Denmark
Point Transaction Systems Oy	Finland
Hypercom France SARL	France
VeriFone Systems France SAS	France
Point Transaction Systems SAS	France
VeriFone Holding GmbH (formerly known as, Hypercom Holdings GmbH)	Germany
VeriFone GmbH (formerly known as, Hypercom GmbH)	Germany
VeriFone Israel Ltd.	Israel
VeriFone Italia S.r.l.	Italy
VeriFone Systems International, Ltd.	Labuan
VeriFone Luxembourg S.a r.l.	Luxembourg
Hong Kong Branch of VeriFone Luxembourg S.a r.l.	Hong Kong
VeriFone New Zealand	New Zealand
EFTPOS New Zealand Limited	New Zealand
Hypercom EMEA, Inc.	Arizona
Point International AS	Norway
Point Transaction Systems AS	Norway
VeriFone Africa (Pty) Ltd (formerly known as, Destiny Electronic Commerce Pty Ltd)	South Africa
VeriFone Systems Spain SLU (formerly known as, Lipman Ingenieria Electrica SLU)	Spain
Hypercom Financial Terminals AB	Sweden
VeriFone Nordic AB	Sweden
Electronic Transaction Group Nordic Holding AB	Sweden
Electronic Transaction Group Nordic AB	Sweden
Point Transaction Systems AB	Sweden
Babs Paylink AB (51% owned)	Sweden
VeriFone Elektronik ve Danismanlik Ltd. Sti.	Turkey
VeriFone Services UK & Ireland Ltd. (formerly known as, Commidea Ltd.)	United Kingdom
VeriFone (U.K.) Limited	United Kingdom
VeriFone do Brasil Ltda.	Brazil
Empresa Brasileira Industrial, Comercial e Servicos Ltd.	Brazil
Lipman do Brasil Comercio Ltda	Brazil
VeriFone S.A. de C.V.	
VEHFOIR S.A. de C.V.	Mexico

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-124545) pertaining to the VeriFone Holdings, Inc. New Founders' Stock Option Plan, the VeriFone Holdings, Inc. Outside Directors' Stock Option Plan and the VeriFone Holdings, Inc. 2005 Employee Equity Incentive Plan, (Form S-8 Nos. 333-132650, 333-154169, 333-176242 and 333-189994) pertaining to the VeriFone Systems, Inc. Amended and Restated 2006 Equity Incentive Plan, (Form S-8 No. 333-138533) pertaining to the Lipman Electronic Engineering Ltd. 2003 Stock Option Plan, Lipman Electronic Engineering Ltd. 2004 Stock Option Plan, Lipman Electronic Engineering Ltd. 2004 Share Option Plan and Lipman Electronic Engineering Ltd. 2006 Share Incentive Plan, and (Form S-8 No. 333-171324) pertaining to the Hypercom Corporation 2010 Equity Incentive Plan, the Hypercom Corporation 2000 Broad-Based Stock Incentive Plan, the Hypercom Corporation Nonemployee Directors' Stock Option Plan, and the Hypercom Corporation Long-Term Incentive Plan, and in VeriFone Systems, Inc.'s Registration Statement on Form S-3 (No. 333-175235), of our reports dated December 17, 2014, with respect to the consolidated financial statements of VeriFone Systems, Inc., and the effectiveness of internal control over financial reporting of VeriFone Systems, Inc., included in this Annual Report (Form 10-K) for the year ended October 31, 2014.

/s/ Ernst & Young LLP

San Jose, California December 17, 2014

CERTIFICATION

- I, Paul S. Galant, certify that:
 - 1. I have reviewed this annual report on Form 10-K of VeriFone Systems, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Paul S. Galant

Paul S. Galant Chief Executive Officer

Date: December 17, 2014

CERTIFICATION

- I, Marc E. Rothman, certify that:
 - 1. I have reviewed this annual report on Form 10-K of VeriFone Systems, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (a) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Marc E. Rothman

Marc E. Rothman Executive Vice President and Chief Financial Officer

Date: December 17, 2014

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

I, Paul Galant, Chief Executive Officer, and I, Marc Rothman, Chief Financial Officer each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying annual report of VeriFone Systems, Inc. (the "Company") on Form 10-K for the fiscal year ended October 31, 2014 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Paul S. Galant

Paul S. Galant Chief Executive Officer

By: /s/ Marc E. Rothman

Marc E. Rothman Executive Vice President and Chief Financial Officer

Date: December 17, 2014

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

STOCKHOLDER INFORMATION

Board of Directors

Robert W. Alspaugh

Former Chief Executive Officer of KPMG International

Karen Austin

Senior Vice President and Chief Information Officer of Pacific Gas & Electric Company

Paul Galant

Chief Executive Officer of VeriFone Systems, Inc.

Alex W. (Pete) Hart Chairman of the Board

Robert B. Henske

Senior Advisor at Hellman & Friedman LLC

Wenda Harris Millard

President and Chief Operating Officer of MediaLink LLC

Eitan Raff

Financial Consultant at Wolfson Clore Mayer Ltd.

Jonathan I. Schwartz

Chief Executive Officer and President of Care Zone Inc

Jane J. Thompson

Chief Executive Officer of Jane J. Thompson Financial Services LLC

Executive Officers

Alok Bhanot

EVP, Engineering and Chief Technology Officer

June Yee Felix

President, Verifone Europe

Paul Galant

Chief Executive Officer

Sunil Kappagoda

President, Verifone Asia Pacific and EVP, Corporate Strategy

Albert Y. Liu

EVP, Corporate Development and General Counsel

Jennifer Miles

President, Verifone Americas

Bulent Ozayaz

President, Verifone Southern Europe, Russia, Middle East and Africa

Marc E. Rothman

EVP and Chief Financial Officer

Common Stock

Verifone's common stock is listed on the New York Stock Exchange and trades under the ticker symbol "PAY".

Transfer Agent and Registrar

Questions from registered stockholders of VeriFone Systems, Inc. regarding lost or stolen stock certificates, changes of address and other issues related to registered share ownership should be addressed to:

By Regular Mail: By Overnight Delivery:

Computershare Computershare

P.O. BOX 30170 211 Quality Circle, Suite 210 College Station, TX 77842 College Station, TX 77845

Phone: 1-877-373-6374 (Toll free)

1-781-575-3400 (Toll)

Online: http://www.computershare.com

Company Headquarters

VeriFone Systems, Inc.

2099 Gateway Place, Suite 600

San Jose, CA 95110 Phone: 1-408-232-7800

Independent Registered Public Accounting Firm

Ernst & Young LLP San Jose, California

SEC and NYSE Certifications

The certifications by the Chief Executive Officer and Chief Financial Officer of VeriFone Systems, Inc., required under Section 302 of the Sarbanes-Oxley Act of 2002, have been filed as exhibits to Verifone's 2014 Annual Report on Form 10-K. The most recent annual certification by the Chief Executive Officer, required under section 303A.12(a) of the New York Stock Exchange Listed Company Manual, has been filed with the New York Stock Exchange.

Investor Information and Annual Report on Form 10-K

Copies of Verifone's 2014 Annual Report on Form 10-K and other information about Verifone, including all of its quarterly earnings releases and financial filings, can be accessed via Verifone's website at http://www.verifone.com.

