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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

IN RE VERIFONE HOLDINGS, INC.) Lead Case No. 1-07-CV-100980
DERIVATIVE LITIGATION)
(Consolidated with Case No. 1-07-CV-101449)
_____)
This Document Relates to:)
ALL ACTIONS) AMENDED NOTICE OF PROPOSED
SETTLEMENT AND SETTLEMENT
HEARING
)
)
)
) Judge: Honorable Peter H. Kirwan
) Department: 1
) Date Action Filed: December 13, 2007
_____)

1 **TO: ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF**
2 **THE COMMON STOCK OF VERIFONE HOLDINGS, INC. ("VERIFONE" OR**
3 **THE "COMPANY") AS OF JUNE 11, 2015 ("CURRENT VERIFONE**
4 **SHAREHOLDERS").**

5 **THIS NOTICE RELATES TO THE PENDENCY AND PROPOSED SETTLEMENT OF**
6 **SHAREHOLDER DERIVATIVE LITIGATION. PLEASE READ THIS NOTICE**
7 **CAREFULLY AND IN ITS ENTIRETY. IF YOU ARE A CURRENT VERIFONE**
8 **SHAREHOLDER, THIS NOTICE CONTAINS IMPORTANT INFORMATION ABOUT**
9 **YOUR RIGHTS.**

10 **YOU ARE HEREBY NOTIFIED**, pursuant to an Order of the Superior Court of the State
11 of California, County of Santa Clara (the "Court"), a proposed Settlement¹ has been reached by the
12 Parties to the shareholder derivative action brought on behalf of VeriFone, captioned *In re VeriFone,*
13 *Inc. Derivative Litigation*, Lead Case No. 1-07-CV-100980 (the "Action").

14 As explained below, the Court will hold a Settlement Hearing on December 4, 2015 at 9:00
15 a.m., before the Honorable Peter H. Kirwan, Department 1 of the Superior Court of the State of
16 California, Santa Clara County, located at 191 N. 1st Street, San Jose, California 95113, to
17 determine whether to approve the Settlement. You have an opportunity to be heard at this hearing.

18 The terms of the Settlement are set forth in the Parties' Stipulation and summarized in this
19 Notice. If approved by the Court, the Settlement will fully resolve the Action, including the
20 dismissal of the Action with prejudice. For a more detailed statement of the matters involved in the
21 Action, the Settlement, and the terms discussed in this Notice, the Stipulation may be inspected at
22 the Clerk of Court's office, 191 N. 1st Street, San Jose, California 95113. The Stipulation is also
23 available for viewing on VeriFone's website at <http://ir.verifone.com> and on Plaintiff's Counsel's
24 websites at www.robbinsarroyo.com/notices/ and www.faruqilaw.com/settlement-notices.

25 This Notice is not intended to be an expression of any opinion by the Court with respect to the
26 merits of the claims made in the Action, but is merely to advise you of the pendency and Settlement of
27 the Action.

28 ¹ Except as otherwise expressly provided below or as the context otherwise requires, all capitalized
terms contained herein shall have the same meanings and/or definitions as set forth in the Stipulation
of Settlement dated June 11, 2015 (the "Stipulation").

1 **There is No Claims Procedure.** This case was brought to protect the interests of VeriFone and
2 its shareholders. The Settlement will result in changes to the Company's corporate governance, not in
3 payment to individuals, and accordingly, there will be no claims procedure.

4 **I. SUMMARY OF THE ACTION**

5 **A. Procedural History**

6 On December 3, 2007, VeriFone publicly announced that it would restate its quarterly
7 financial statements for the three fiscal quarters ending January 31, 2007, April 30, 2007, and July
8 31, 2007, to correct errors in accounting related to the valuation of in-transit inventory and allocation
9 of manufacturing and distribution overhead to inventory that resulted in VeriFone overstating
10 previously reported earnings and inventories and understating "cost of net revenues."

11 On December 13, 2007, former plaintiff Catholic Medical Mission Board ("Catholic
12 Medical") filed a shareholder derivative action on behalf of VeriFone in this Court captioned
13 *Catholic Medical Mission Board v. Bergeron*, Case No. 1:07-CV-100980 ("*Catholic Medical*
14 *Action*"). This action was brought by Catholic Medical on behalf of the Company against certain of
15 VeriFone's officers and directors seeking to remedy Defendants' alleged violations of state law,
16 including breaches of fiduciary duties, waste of corporate assets, unjust enrichment, and violations of
17 the California Corporations Code. On December 19, 2007, former plaintiff Gilbert Carpel
18 ("Carpel") filed a substantially similar shareholder derivative action captioned *Carpel v. Bergeron*,
19 Case No. 1:07-CV-101449 ("*Carpel Action*").

20 On April 1, 2008, the Court consolidated the *Catholic Medical* and *Carpel* Actions, and
21 designated *In re VeriFone Holdings, Inc. Derivative Litigation*, No. 1:07-CV-100980 (Cal. Super.
22 Ct.-Santa Clara Cnty.) as the lead case (the "Action").

23 On April 2, 2008, VeriFone announced that its Audit Committee had completed its
24 investigation into accounting and financial control issues related to the Company's restatement. The
25 investigation confirmed that incorrect manual journal and elimination entries were made with respect
26 to certain inventory-related matters, that existing policies with respect to manual journal entries were
27 not followed, and that insufficient review processes and controls were in place to identify and correct
28 the erroneous manual journal and elimination entries in a timely manner. In addition to certain

1 remedial measures taken in response to the Audit Committee's findings, VeriFone also announced
2 that VeriFone's Chief Financial Officer, Barry Zwarenstein, had tendered his resignation, which
3 would become effective after completion of the restatement.

4 On August 19, 2008, VeriFone filed amended and restated financials for the first three
5 quarters of fiscal year 2007 that lowered VeriFone's operating income for the three fiscal quarters
6 from \$64.6 million to \$28.6 million. Following these disclosures, on October 31, 2008, plaintiffs
7 Catholic Medical and Carpel filed their Consolidated Shareholder Derivative Complaint
8 ("Consolidated Complaint"), asserting claims for breaches of fiduciary duty, waste of corporate
9 assets, aiding and abetting breach of fiduciary duty, unjust enrichment, insider trading, and
10 misappropriation of information.

11 The Consolidated Complaint alleged that VeriFone officers and directors breached their
12 fiduciary duties by failing to implement and maintain adequate internal controls over accounting and
13 financial reporting, and causing or permitting VeriFone to materially overstate reported income by
14 approximately \$70 million, requiring financial restatements for three fiscal quarters of 2007. The
15 Consolidated Complaint alleged that VeriFone suffered damages as a result, including injury to its
16 reputation in the capital markets, as evidenced by a \$2.4 billion collapse in market capitalization,
17 costs associated with the restatement and related remediation, the costs of responding to the formal
18 inquiry conducted by the U.S. Securities and Exchange Commission ("SEC"), and the costs of
19 defending and resolving through settlement claims made by a putative class of shareholders. The
20 Consolidated Complaint further alleged that pre-suit demand on VeriFone's board of directors
21 ("Board") was excused as futile due to the culpability of a majority of directors for the alleged
22 wrongdoing.

23 At the time the Consolidated Complaint was filed, a securities class action captioned *In re*
24 *VeriFone Holdings, Inc. Securities Litigation*, Case No. 3:07-cv-06140 ("Federal Securities
25 Action"), and a related shareholder derivative action captioned *In re VeriFone Holdings, Inc.*
26 *Shareholder Derivative Litigation*, Case No. 3:07-cv-06347 ("Federal Derivative Action"), were
27 both pending in the U.S. District Court for the Northern District of California ("Federal Court").
28

1 On November 10, 2008, Defendants filed a joint motion to stay the Action pending resolution
2 of the Federal Securities Action and the Federal Derivative Action ("Defendants' Motion to Stay").
3 On November 18, 2008, the Parties agreed to postpone the briefing on Defendants' anticipated
4 demurrer to the Consolidated Complaint until resolution of Defendants' Motion to Stay, in order to
5 conserve party and judicial resources.

6 On December 17, 2008, the Court entered a stipulated order postponing briefing on
7 Defendants' Motion to Stay pending a decision on VeriFone's motion to dismiss the complaint in the
8 Federal Derivative Action. Thereafter, the Court entered a series of stipulated orders continuing
9 further proceedings in the Action through 2011.

10 On June 10, 2009, plaintiffs in the Federal Derivative Action made a written demand to
11 inspect certain of VeriFone's books and records pursuant to Delaware Code title 8, §220. On August
12 6, 2009, VeriFone produced responsive books and records to plaintiffs in the Federal Derivative
13 Action. These documents were also made available to plaintiffs Catholic Medical and Carpel in this
14 Action, and plaintiffs' counsel carefully reviewed and evaluated them.

15 On September 1, 2009, the SEC filed a civil case against VeriFone and its supply chain
16 controller relating to VeriFone's lack of internal controls and oversight. VeriFone consented to the
17 entry of a final judgment on November 12, 2009, that permanently enjoined and restrained it from
18 violating federal securities laws and requiring VeriFone to maintain a system of internal accounting
19 controls, file accurate periodic reports, and keep books, records, or accounts, which accurately and
20 fairly reflect the transactions and dispositions of the assets of VeriFone.

21 On August 26, 2010, the Federal Court dismissed the complaint in the Federal Derivative
22 Action with prejudice. On November 28, 2011, the U.S. Court of Appeals for the Ninth Circuit
23 ("Ninth Circuit") affirmed the dismissal with prejudice of the complaint in the Federal Derivative
24 Action for failure to adequately plead demand futility. The Parties to this Action met and conferred
25 on the next steps in this Action and reported the same to the Court in periodic joint status reports
26 throughout 2012.

27 On March 22, 2011, the Federal Court dismissed the complaint in the Federal Securities
28 Action with prejudice, which plaintiff appealed to the Ninth Circuit. On December 21, 2012, a

1 Ninth Circuit panel reversed in part the Federal Court's dismissal of the Federal Securities Action,
2 reviving claims that VeriFone, Bergeron, and Zwarenstein violated §10(b) of the Securities
3 Exchange Act of 1934.² *In re VeriFone Holdings, Inc. Sec. Litig.*, 704 F.3d 694, 710 (9th Cir. 2012).

4 On February 15, 2013, after learning that plaintiff Carpel³ had sold his VeriFone stock and
5 lost standing to maintain this derivative action, Plaintiff's Counsel filed a Motion to Publish Notice
6 to VeriFone Systems, Inc. Shareholders regarding the pending dismissal for lack of standing
7 ("Motion to Publish Notice"), in order to give VeriFone shareholders with standing an opportunity to
8 intervene in the Action and pursue the claims. On April 16, 2013, Defendants opposed the Motion
9 to Publish Notice, arguing that the Action should be dismissed because there was no longer a
10 plaintiff with standing and that due process did not require notice to VeriFone shareholders. On May
11 3, 2013, Plaintiff's Counsel filed a reply. On May 16, 2013, the Court granted the Motion to Publish
12 Notice.

13 On May 17, 2013, pursuant to the Court's order, Plaintiff's Counsel published notice to
14 VeriFone shareholders that the Action would be dismissed and the claims likely terminated by
15 operation of the statutes of limitation, unless a shareholder with standing substituted as plaintiff in
16 the Action. VeriFone published the same notice on its website on May 21, 2013. On August 14,
17 2013, Plaintiff's Counsel filed a notice of intent to substitute VeriFone shareholder Joel Gerber as
18 plaintiff to pursue the claims in this action. On September 16, 2013, Gerber formally moved for
19 leave to amend the complaint to substitute himself as plaintiff, attaching a proposed amended
20 complaint ("Amended Complaint"). VeriFone did not oppose the motion for leave to amend the
21 complaint. On October 16, 2013, the Court granted Plaintiff's motion for leave to amend the
22 complaint and deemed the Amended Complaint filed.

23
24 _____
25 ² The Federal Securities Action was subsequently resolved on remand. On February 18, 2014, the
26 Federal Court finally approved the settlement of the Federal Securities Action, which released the
27 claims in consideration for the creation of a \$95 million fund for shareholders, \$61 million of which
28 was paid by the Company with the remainder paid by the Company's insurance carriers.

³ In February 2009, plaintiff Catholic Medical voluntarily dismissed its action, leaving Carpel as the
sole plaintiff.

1 Subsequently, the Parties agreed to continue the date for Defendants to respond to the
2 Amended Complaint, for good cause, through a series of stipulations, during which time the Parties
3 engaged in settlement discussions.

4 On April 7, 2014, Defendants filed a demurrer to the Amended Complaint ("Demurrer"),
5 asserting that Plaintiff failed to make the pre-suit demand on the VeriFone Board required under
6 California and Delaware law, failed adequately to plead that his obligation to make a pre-suit
7 demand was excused as futile, and was collaterally estopped from alleging that demand is futile as to
8 a majority of the members of VeriFone's Board.

9 On May 23, 2014, Plaintiff filed a statement of non-opposition to the Demurrer and indicated
10 that VeriFone's interests would be best served by Plaintiff's making a litigation demand on the new
11 VeriFone Board. On the same day, Plaintiff filed a motion to stay the proceedings in order to permit
12 him to make a litigation demand on the current VeriFone Board ("Plaintiff's Motion to Stay"). On
13 June 18, 2014, Defendants filed their opposition to Plaintiff's Motion to Stay and their reply to the
14 Demurrer. Plaintiff filed a reply to Plaintiff's Motion to Stay on July 25, 2014.

15 On December 4, 2014, the Court sustained the Demurrer with leave to amend, and granted
16 Plaintiff's Motion to Stay the Action to permit Plaintiff to make a litigation demand on VeriFone's
17 Board. On December 23, 2014, Plaintiff, through his counsel, sent a 17-page demand letter detailing
18 Defendants' alleged wrongdoing and claimed damages, and demanding that VeriFone's Board
19 commence a new, independent investigation of the matters underlying this Action separate and apart
20 from that undertaken by the prior Audit Committee, and that the Board take steps to recover
21 damages proximately caused by Defendants' alleged breaches of fiduciary duty and implement
22 enhanced internal controls and management and Board level oversight.

23 **B. Settlement Efforts**

24 During the pendency of this Action, the Parties have conducted arm's-length, good faith
25 settlement discussions on several occasions. On October 8, 2009, the Parties and the parties to the
26 Federal Derivation Action engaged in formal mediation before the Honorable William J. Cahill (ret.)
27 ("Judge Cahill").
28

1 In advance of the mediation with Judge Cahill, the Parties engaged in extensive negotiations
2 regarding a potential settlement. These negotiations included, among other things, lengthy
3 discussions concerning the Defendants' alleged breaches of fiduciary duty and defenses thereto. In
4 addition, the Parties extensively briefed the merits of their respective claims and defenses for Judge
5 Cahill. While the Parties made some progress toward resolution of the Action at the mediation, the
6 Parties were unable to reach an agreement to resolve the Action.

7 On April 26, 2012, Plaintiff made a new settlement demand proposing, among other things,
8 comprehensive corporate governance reforms designed to address Defendants' alleged breach of
9 fiduciary duties, as well as structural reforms designed to improve the independence and rigor of the
10 Board and Audit Committee's oversight of core operations. Plaintiff and Defendants engaged in
11 preliminary discussions, but the Parties were again unable to reach a resolution of the Action.

12 On November 12, 2013, Plaintiff sent a follow up settlement demand letter. To facilitate
13 settlement discussions, the Parties agreed to continue Defendants' time to respond to the Amended
14 Complaint. The Parties, through their counsel, discussed Plaintiff's renewed settlement demand
15 telephonically on or about December 9, 2013, and again on December 20, 2013. Defendants
16 provided a written response to Plaintiff's demand on January 22, 2014, and the following day
17 counsel for the Parties held a telephone conference to continue settlement discussions. These
18 discussions continued through early March 2014. In late March 2014, Defendants advised Plaintiff
19 that they intended to demurrer rather than continue with settlement discussions.

20 In January 2015, the Parties renewed their good faith efforts to explore resolution of the
21 Action. On January 8, 2015, Defendants initiated a call with Plaintiff to express an interest in
22 resuming settlement discussions. On January 12, 2015, Plaintiff provided his proposals for corporate
23 governance reforms to Defendants. Thereafter, on January 15, 2015, Defendants provided internal
24 documents to Plaintiff to facilitate further discussions. On January 21, 2015, the Parties held a
25 telephonic conference to discuss specific corporate governance reforms and Defendants provided a
26 written response to Plaintiff's settlement proposal the following day.

27 After significant negotiations, the Parties were able to reach an agreement-in-principle to
28 resolve the Action on March 13, 2015.

1 **II. PLAINTIFF'S CLAIMS AND THE BENEFITS OF SETTLEMENT**

2 Plaintiff believes that the Action has substantial merit, and Plaintiff's entry into the
3 Stipulation and Settlement is not intended to be and shall not be construed as an admission or
4 concession concerning the relative strength or merit of the claims alleged in the Action. Plaintiff and
5 his counsel also acknowledge the significant risk, expense, and length of continued proceedings
6 necessary to prosecute the Action against the Defendants through trial and through possible appeals.
7 Plaintiff's Counsel have also taken into account the substantial risks, costs, and delays involved in
8 complex shareholder derivative litigation, generally, as well as the unique challenges presented by
9 this Action, including pleading wrongful demand refusal with the requisite particularity, overcoming
10 the business judgment presumption applicable to the Board's determination not to pursue the
11 derivative claims, and the significant challenges of meeting the burdens of proof applicable to the
12 underlying claims and of defeating the available affirmative defenses, including the business
13 judgment rule and the exculpation and indemnification rights afforded the director Defendants
14 pursuant to Delaware General Corporate Law §102(b)(7).

15 Plaintiff's Counsel have conducted an extensive investigation over the course of several
16 years, including: (i) reviewing VeriFone's press releases, public statements, SEC filings, and
17 securities analysts' reports and advisories about the Company; (ii) reviewing media reports about the
18 Company; (iii) researching the applicable law with respect to the claims alleged in the Action and
19 the potential defenses thereto; (iv) preparing and filing derivative complaints; (v) conducting
20 damages analyses; (vi) participating in informal conferences with Defendants' Counsel regarding the
21 specific facts of the cases, the perceived strengths and weaknesses of the cases, and other issues in
22 an effort to facilitate negotiations and fact gathering; (vii) reviewing and analyzing relevant
23 documents in the Federal Derivative Action—including the motion to dismiss briefing and the
24 Federal Court's order granting defendants' motion to dismiss and the Ninth Circuit's opinion—and
25 evaluating the merits of, and the Defendants' potential liability in connection with, the Federal
26 Derivative Action; (viii) reviewing and analyzing VeriFone's books and records produced pursuant
27 to Delaware Code title 8, §220 in the Federal Derivative Action; (ix) reviewing and analyzing
28 relevant documents in the Federal Securities Action—including the motion to dismiss briefing and

1 the Federal Court's order granting defendants' motion to dismiss and the Ninth Circuit's opinion—
2 and evaluating the merits of, and the Defendants' potential liability in connection with, the Federal
3 Securities Action; (x) submitting comprehensive briefs prior to mediation, outlining their position,
4 and Plaintiff's claims in the Action; (xi) actively participating in an in-person, full-day mediation;
5 and (xii) negotiating this Settlement with Defendants.

6 Based on Plaintiff's Counsel's thorough review and analysis of the relevant facts and difficult
7 circumstances, allegations, defenses, and controlling legal principles, Plaintiff's Counsel believe that
8 the Settlement set forth in the Stipulation is fair, reasonable, and adequate, and confers substantial
9 benefits upon VeriFone and its shareholders. Based on their evaluation, Plaintiff and his counsel
10 have determined that the Settlement is in the best interests of VeriFone and its shareholders and have
11 agreed to settle the Action upon the terms and subject to the conditions set forth herein.

12 **III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

13 The Defendants have denied and continue to deny each and all of the claims, contentions,
14 and allegations made against them or that could have been made against them in the Action, and
15 believe the Action has no merit. The Defendants have expressly denied and continue to deny all
16 charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or
17 omissions alleged, or that could have been alleged in the Action. The Defendants assert that they
18 have satisfied their fiduciary duties and have acted in good faith and in the best interest of VeriFone
19 and its shareholders at all relevant times. Defendants have entered into the Stipulation to avoid the
20 continuing additional expense, inconvenience, and distraction of the Action, as well as the risks and
21 uncertainty inherent in any lawsuit. Defendants believe that it is desirable and beneficial that the
22 Action be settled in the manner and upon the terms and conditions set forth in the Stipulation
23 because, among other things, it will allow the Company to conclude this litigation on terms that are
24 just and reasonable, including the adoption and maintenance of Corporate Governance Reforms that
25 serve VeriFone's and its shareholders' best interests. Further, VeriFone, through its Board,
26 acknowledges that the Settlement is fair, reasonable, and adequate, and in the best interests of
27 VeriFone and its shareholders.

1 Neither the Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any
2 document or exhibit referred or attached to the Stipulation, nor any action taken to carry out the
3 Stipulation, is, may be construed as, or may be used as evidence of the validity of any of the
4 Released Claims or an admission by or against the Individual Defendants of any fault, wrongdoing,
5 or concession of liability whatsoever.

6 **IV. THE SETTLEMENT HEARING**

7 The Settlement Hearing will be held before the Honorable Peter H. Kirwan on December 4,
8 2015 at 9:00 a.m., in Department 1 of the Superior Court of the State of California, Santa Clara
9 County, located at 191 N. 1st Street, San Jose, California 95113, to determine whether: (i) the
10 Settlement of the Action upon the terms and subject to the conditions set forth in the Stipulation is
11 fair, reasonable, and adequate and should be approved by the Court; (ii) the Action should be
12 dismissed with prejudice; and (iii) to approve the agreed upon Fee and Expense Amount for
13 Plaintiff's Counsel's fees and expenses as set forth in the Stipulation. The Settlement Hearing may
14 be continued by the Court at the Settlement Hearing, or at any adjourned session thereof without
15 further notice.

16 **V. TERMS OF THE SETTLEMENT**

17 The terms and conditions of the proposed Settlement are set forth in the Stipulation. The
18 Stipulation has been filed with the Court and is also available for viewing on VeriFone's website at
19 <http://ir.verifone.com> and on Plaintiff's Counsel's websites at www.robbinsarroyo.com/notices/ and
20 www.faruqilaw.com/settlement-notices. The following is only a summary of its terms.

21 **Corporate Governance Reforms.** As a result of the Action and the settlement reflected in
22 the Stipulation (the "Settlement"), VeriFone will implement significant corporate governance
23 reforms designed to enhance and improve its internal controls and systems, as well as the
24 effectiveness and responsiveness of the VeriFone Board and the Audit Committee. These reforms
25 include measures that strengthen the mandate of the Chief Audit Executive to ensure internal control
26 risks are identified and systematically managed, and investigated as necessary to resolve and
27 improve the Company's control environments; ensure internal audit and accounting staff, executive
28 officers and the VeriFone Board are properly trained regarding emerging trends in internal control

1 issues and internal audit matters; strengthen Audit Committee procedures and supervision, and
2 broaden its mandate to include detailed oversight of internal controls and systems, the scope and
3 results of annual audits and compliance with Statement on Auditing Standards No. 99 guidance;
4 require appointment of a Lead Independent Director with enhanced duties and responsibilities; and
5 enhance the independence of VeriFone's Board.

6 In addition to these measures, the Company acknowledges that the filing and prosecution of
7 the Action was a substantial and material factor in the Company's decision to adopt and maintain a
8 number of corporate governance enhancements implemented after the Complaint was filed in 2007,
9 and further agrees to maintain these reforms for not less than four years following final approval of
10 the Settlement. These reforms include: the separation of the Chairman of the Board and Chief
11 Executive Officer positions; the appointment of a new director to the Audit Committee, the creation
12 of the position of Executive Vice President, General Counsel and Compliance Officer; and several
13 new positions to enhance VeriFone's accounting resources and oversight, such as the position of
14 Vice President of Internal Audit or Chief Audit Executive; the adoption of stock ownership
15 guidelines for directors and officers; the adoption of a formal clawback policy pursuant to which, in
16 the event of a financial restatement or any fraud or gross misconduct, incentive-based compensation
17 shall be returned to the Company; the creation of a management-level Disclosure Committee tasked
18 with maintaining and overseeing disclosure controls and procedures designed to ensure that the
19 Company's disclosures are accurate and complete and fairly present the Company's financial
20 condition and results of operations; and the adoption of enhancements to VeriFone's Insider Trading
21 Compliance Program that (i) requires all trading to be conducted during an open trading window and
22 provides that special Black-out Periods may apply to any insider even though the Trading Window
23 would otherwise be open; (ii) prohibits insiders from engaging in short sales of the Company's stock
24 and any trading in derivatives of the Company's stock; (iii) prohibits Section 16 Individuals from
25 selling Company stock unless the sales are made pursuant to a pre- approved trading plan adopted
26 pursuant to Rule 10b5-1; and (iv) prohibits all officers and members of the Board of Directors and
27 certain others from trading, including during the Trading Window, without first complying with the
28

1 Company's pre-clearance process. These reforms and enhancements are detailed in Exhibit A
2 annexed to the Stipulation and are collectively referred to as the "Corporate Governance Reforms."

3 The Settling Parties believe that a settlement at this juncture on the terms and on the
4 conditions set forth in the Stipulation is fair, reasonable, and adequate. In addition, the VeriFone
5 Board has, in the exercise of its business judgment, formally approved the Settlement and each of its
6 terms, as fair, just and adequate, and in the best interest of VeriFone and its shareholders.

7 **VI. DISMISSAL AND RELEASES**

8 In connection with the Court's approval of the Settlement, the Action and all claims asserted
9 by Plaintiff on behalf of VeriFone and against the Individual Defendants will be dismissed with
10 prejudice. The full scope of the releases and the persons and entities who are the subject of the
11 releases are set forth in the Stipulation.

12 Upon the Effective Date, the Releasing Persons shall be deemed to have fully, finally, and
13 forever released, relinquished, and discharged the Released Claims (including Unknown Claims)
14 against the Released Persons. Nothing herein shall in any way impair or restrict the rights of any
15 Settling Party to enforce the terms of the Stipulation or the Judgment.

16 Further, upon the Effective Date, each of the Released Persons shall be deemed to have fully,
17 finally, and forever released, relinquished, and discharged Plaintiff, Plaintiff's Counsel, and
18 VeriFone from all claims (including Unknown Claims), arising out of, relating to, or in connection
19 with the institution, prosecution, assertion, settlement, or resolution of the Action or the Released
20 Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce
21 the terms of the Stipulation or the Judgment.

22 **VII. PLAINTIFF'S COUNSEL'S FEES AND EXPENSES**

23 After negotiating the Corporate Governance Reforms, Plaintiff's Counsel and VeriFone
24 separately negotiated the attorneys' fees and expenses that the Company would pay to Plaintiff's
25 Counsel. As a result of these negotiations, and in light of the substantial benefits conferred upon
26 VeriFone by Plaintiff's Counsel's efforts, the Company has agreed to pay \$495,000 for Plaintiff's
27 Counsel's attorneys' fees and expenses, subject to court approval (the "Fee and Expense Amount").
28 To date, Plaintiff's Counsel have neither received any payment for their services in connection with

1 the Action, nor have counsel been reimbursed for their out-of-pocket expenses incurred. Neither the
2 Individual Defendants, GTCR, nor VeriFone's shareholders are personally liable for the payment of
3 the Fee and Expense Amount.

4 **VIII. THE RIGHT TO OBJECT AND/OR BE HEARD AT THE HEARING**

5 Any Current VeriFone Shareholder may object and/or appear and show cause, at their own
6 expense, individually or through counsel of their own choice, if he, she, or it has any concern, why
7 the Settlement should not be approved as fair, reasonable, and adequate, or why the Judgment should
8 not be entered thereon, or why the Fee and Expense Amount should not be approved. However,
9 unless otherwise ordered by the Court, no Current VeriFone Shareholder shall be heard or entitled to
10 contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to
11 be entered thereon approving the same, or the Fee and Expense Amount awarded to Plaintiff's
12 Counsel, unless that shareholder has, *at least fourteen (14) calendar days prior to the Settlement*

13 ***Hearing:***

- 14 (1) filed with the Clerk of the Court a written objection to the settlement setting forth:
15 (a) the nature of the objection;
16 (b) proof of current ownership of VeriFone common stock, including the number
17 of shares of VeriFone common stock and the date of purchase; and
18 (c) any documentation in support of such objection.

19 (2) If a Current VeriFone Shareholder intends to appear and requests to be heard at the
20 Settlement Hearing, such shareholder must have, in addition to the requirements of (1) above, filed
21 with the Clerk of the Court:

- 22 (a) written notice of such shareholder's intention to appear;
23 (b) a statement that indicates the basis for such appearance; and
24 (c) the identities of any witnesses, if any, the shareholder intends to call at the
25 Settlement Hearing and a statement as to the subject of their testimony.

26 If a Current VeriFone Shareholder files a written objection and/or written notice of intent to
27 appear, such shareholder *must also simultaneously serve copies of such notice, proof, statement,*
28

1 *and documentation, together with copies of any other papers or briefs such shareholder files with*
2 *the Court (either by hand delivery or by first class mail) upon each of the following:*

3 Clerk of the Court
4 Superior Court of the State of California
5 Santa Clara County
6 191 N. 1st Street
7 San Jose, CA 95113

6 *The Court*

7 Craig W. Smith
8 ROBBINS ARROYO LLP
9 600 B Street, Suite 1900
10 San Diego, CA 92101
11 Telephone: (619) 525-3990
12 Facsimile: (619) 525-3991

Brendan P. Cullen
SULLIVAN & CROMWELL LLP
1870 Embarcadero Road
Palo Alto, CA 94303
Telephone: (650) 461-5600
Facsimile: (650) 461-5700

11 David E. Bower
12 FARUQI & FARUQI, LLP
13 10866 Wilshire Boulevard, Suite 1470
14 Los Angeles, CA 90024
15 Telephone: (424) 256-2884
16 Facsimile: (424) 256-2885

Robert A. Sacks
SULLIVAN & CROMWELL LLP
1888 Century Park East
Los Angeles, CA 90067
Telephone: (310) 712-6600
Facsimile: (310) 712-8800

14 Nadeem Faruqi
15 FARUQI & FARUQI, LLP
16 369 Lexington Avenue, 10th Floor
17 New York, NY 10017
18 Telephone: (212) 983-9330
19 Facsimile: (212) 983-9331

*Counsel for VeriFone and the VeriFone
Individual Defendants*

James F. Basile
KIRKLAND & ELLIS LLP
555 California Street
San Francisco, CA 94104
Telephone: (415) 439-1400
Facsimile: (415) 439-1500

18 *Counsel for Plaintiff*

Counsel for GTCR

20 Unless otherwise ordered by the Court, any Current VeriFone Shareholder who does not
21 make his, her, or its objection in the manner provided herein shall be deemed to have waived such
22 objection and shall forever be barred and foreclosed from making any objection to the fairness,
23 reasonableness, or adequacy of the Settlement, to the agreed upon Fee and Expense Amount, or to
24 otherwise be heard, and shall otherwise be bound by the Judgment to be entered and the releases to
25 be given. The Judgment, whether favorable or not, will bind all Current VeriFone Shareholders.
26

1 **IX. CONDITIONS FOR SETTLEMENT**

2 The Settlement is conditioned upon the occurrence of certain events described in the
3 Stipulation, which requires, among other things:

4 a. approval of the Settlement by VeriFone's Board, which Defendants' Counsel
5 represent has already been accomplished;

6 b. entry of the Judgment, in all material respects in the form set forth as
7 Exhibit E annexed to the Stipulation, approving the Settlement, without awarding costs to any party,
8 except as provided herein;

9 c. the payment of the Fee and Expense Amount as approved by the Court; and

10 d. the passing of the date upon which the Judgment becomes Final.

11 If, for any reason, any one of the conditions described in the Stipulation is not met and the
12 entry of the Judgment does not occur, the Stipulation might be terminated and, if terminated, will
13 become null and void; and the Settling Parties to the Stipulation will be restored to their respective
14 positions as of the date of execution of the Stipulation.

15 **X. EXAMINATION OF PAPERS AND INQUIRIES**

16 There is additional information concerning the Settlement available in the Stipulation, which may be
17 viewed on VeriFone's website at <http://ir.verifone.com> and on Plaintiff's Counsel's websites at
18 www.robbsinarroyo.com/notices/ and www.faruqilaw.com/settlement-notices. You may also inspect
19 the Stipulation during business hours at the office of the Clerk of the Court, Superior Court of the
20 State of California, Santa Clara County, located at 191 N. 1st Street, San Jose, California 95113. Or
21 you can call Counsel for Plaintiff: Robbins Arroyo LLP, 600 B Street, Suite 1900, San Diego,
22 California 92101, Telephone: (800) 350-6003 or Faruqi & Faruqi, LLP, 10866 Wilshire Boulevard,
23 Suite 1470, Los Angeles, CA 90024, Telephone: (424) 256-2884, for additional information
24 concerning the Settlement.

25 **PLEASE DO NOT TELEPHONE THE COURT OR**
26 **VERIFONE REGARDING THIS NOTICE.**

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