NUVEEN MISSOURI PREMIUM INCOME MUNICIPAL FUND
Form DEF 14A
October 17, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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

Check the appropriate box:

¨ Preliminary Proxy Statement.

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

x Definitive Proxy Statement.

¨ Definitive Additional Materials.

¨ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Nuveen Missouri Premium Income Municipal Fund

(NOM, NOM PrC)

(Name of Registrant as Specified In Its Charter)

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

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Important Notice to Fund Shareholders

October 17, 2013

Although we recommend that you read the complete Joint Proxy Statement, for your convenience, we have provided a brief overview of the issues to be voted on.

Q. Why am I receiving this Joint Proxy Statement?

A. You are receiving this Joint Proxy Statement in connection with the annual shareholders meeting of the Nuveen closed-end funds listed at the top of the Notice of Annual Meeting of Shareholders (each a Fund and collectively, the Funds). The following proposals will be considered:

(i) the election of board members for each Fund (the list of specific nominees is contained in the enclosed Joint Proxy Statement); and

(ii) the elimination of the current fundamental investment policy and adoption of a new fundamental investment policy regarding the ability to make loans by Nuveen California Dividend Advantage Municipal Fund 2 (California Dividend Advantage 2) in order to update and conform the Fund s policies with other Nuveen closed-end municipal funds.

Your Fund s Board of Trustees/Directors (Board), including your Board s independent members, unanimously recommends that you vote **FOR** each proposal.

Your vote is very important. We encourage you as a shareholder to participate in your Fund s governance by returning your vote as soon as possible. If enough shareholders don t cast their votes, your Fund may not be able to hold its meeting or the vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient shareholder participation.

Proposal Regarding New Fundamental Investment Policy Relating to Loans

Q. Why is California Dividend Advantage 2 proposing a change to its fundamental investment policy?

A. The proposal is part of a multi-year effort to ensure that all of Nuveen s municipal bond closed-end funds have a uniform and up-to-date set of investment policies that reflect the evolution and changes in the municipal bond market that have emerged over the past 20 years. The proposed changes are part of a comprehensive best practices initiative on behalf of the funds that began more than four years ago.

Nuveen s municipal bond closed-end funds have been brought to market at different intervals over the course of more than 20 years, and reflect various policies and investment capabilities prevalent at the time of their creation. The investment policies of older funds generally do not reflect subsequent developments in the municipal bond market, including new types of securities and investment strategies. Consequently, many of Nuveen s more recently offered municipal bond closed-end funds feature investment capabilities not uniformly enjoyed by older municipal bond closed-end funds. The proposal set forth in the Joint Proxy Statement is designed to provide California Dividend Advantage 2 with the same portfolio management tools currently available to Nuveen s more recently offered funds.

Q. What are the potential benefits of the new fundamental investment policy relating to loans for common shareholders of California Dividend Advantage 2?

A. The proposed new fundamental investment policy would permit the Fund to make loans to the extent permitted by the Investment Company Act of 1940, as amended. This would generally permit the Fund to lend up to 33 $^{1}/_{3}$% of its total assets. Among other things, this change is intended to provide the Fund with the flexibility to make loans in circumstances where a municipal issuer is in distress, if Nuveen Fund Advisors, LLC believes that doing so would both:

(i) facilitate a timely workout of the issuer s situation in a manner which benefits the Fund; and

(ii) be or represent the best choice for reducing the likelihood or severity of loss on the Fund s investment.

A loan to an issuer in distress involves risks. In this circumstance, it is possible the Fund could lose its entire investment with an issuer as well as the amount loaned.

Q. Was there a particular catalyst or portfolio concern prompting the loan policy proposal?

A. This proposal is part of a broader policy initiative undertaken by Nuveen for the past several years. There are currently no identified credit situations within the complex where the use of this greater loan flexibility is intended or targeted. As stated in the Joint Proxy Statement, this policy change proposal reflects the broader intent to provide Nuveen s municipal closed-end funds, including California Dividend Advantage 2, the same portfolio management flexibility already available to other funds with similar investment objectives within the Nuveen complex.

Q. Does the loan policy proposal reflect a growing concern on Nuveen s part over the state of municipal issuers?

A. Nuveen s portfolio management and research team is actively engaged in monitoring both macro issues impacting the municipal bond market as well as individual credit holdings held by the various Nuveen funds. The team regularly comments on the strength of the municipal bond market as well as provides in-depth research articles. Providing California Dividend Advantage 2 with the option of making loans to help facilitate a timely workout of a distressed issuer s situation merely provides the Fund with an additional tool to help preserve shareholder value, and, importantly, should not be viewed as a commentary on the state of the municipal bond market.

Q. Have the Nuveen municipal closed-end funds participated in loans to municipal issuers in the past?

A. Though such a loan situation in the municipal market is rare, it represents a more common workout practice in the corporate bond market. The most recent situation where a Nuveen fund with the flexibility to do so made a loan to an issuer facing a credit workout situation occurred approximately nine years ago. Since that time, a limited number of funds having a policy permitting the making of loans have considered doing so in particular workout situations, but ultimately determined to take other actions in pursuit of maximizing shareholder value.

Q. Is this proposal in response to any past or current municipal credit litigation?

A. This proposal is not related to any past or pending litigation.

Q. Will this option impact how the underlying bonds should be valued?

A. California Dividend Advantage 2 will value a loan based on several factors that draw upon policies and procedures adopted and approved by the Fund s Board that are able to value instruments issued in these types of situations. As with any investment, risks exist, and if Nuveen Fund Advisors, LLC is wrong, the valuation of a particular loan could be impacted and affect the value of the underlying bond held in the Fund s portfolio. However, we would not expect that any loans would constitute a meaningful portion of the Fund s total assets.

General

Q. What actions are required in order to implement the new fundamental investment policy for California Dividend Advantage 2?

A. In order to implement the new fundamental investment policy relating to the Fund s ability to make loans and obtain the potential benefits described above, shareholders are being asked to approve the elimination of the existing fundamental investment policy and the implementation of the new replacement fundamental investment policy.

Q. What happens if shareholders do not approve the elimination of the fundamental investment policy and/or do not approve the new fundamental investment policy?

A. The Fund will not be able to implement the new fundamental investment policy as discussed above. As a result, the Fund may not be able to participate in certain investment opportunities that are available to similarly situated funds that have the flexibility to make loans in circumstances where a municipal issuer is in distress. In addition, if shareholders do not approve the elimination of the fundamental investment policy and/or do not approve the new fundamental investment policy, the Fund s Board may take such actions as it deems in the best interests of the Fund, including conducting additional solicitations with respect to the proposal. The Fund s Board urges you to vote without delay in order to avoid the potential for additional proxy solicitation costs.

Q. Who do I call if I have questions?

A. If you need any assistance, or have any questions regarding the proposals or how to vote your shares, please call Computershare Fund Services, your Fund s proxy solicitor, at (866) 209-5784 weekdays during its business hours of 8:00 a.m. to 10:00 p.m. Central time and Saturdays from 11:00 a.m. to 5:00 p.m. Central time. Please have your proxy materials available when you call.

Q. How do I vote my shares?

A. You can vote your shares by completing and signing the enclosed proxy card, and mailing it in the enclosed postage-paid envelope. Alternatively, you may vote by telephone by calling the toll-free number on the proxy card or by computer by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide.

Q. Will anyone contact me?

A. You may receive a call from Computershare Fund Services, the proxy solicitor hired by your Fund, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to vote your proxy.

We recognize the inconvenience of the proxy solicitation process and would not impose on you if we did not believe that the matters being proposed were important and in the best interests of the Funds. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor s follow-up contact list.

Notice of Annual Meeting of Shareholders November 26, 2013

333 West Wacker Drive
Chicago, Illinois 60606
(800) 257-8787

October 17, 2013

Nuveen Arizona Premium Income Municipal Fund (NAZ, NAZ PrC, NAZ PrD)

Nuveen California Dividend Advantage Municipal Fund 2 (NVX)

Nuveen California Dividend Advantage Municipal Fund 3 (NZH)

Nuveen California Municipal Value Fund, Inc. (NCA)

Nuveen California Municipal Value Fund 2 (NCB)

Nuveen Connecticut Premium Income Municipal Fund (NTC, NTC PrC, NTC PrD, NTC PrE, NTC PrF, NTC PrG)

Nuveen Floating Rate Income Fund (JFR)

Nuveen Floating Rate Income Opportunity Fund (JRO)

Nuveen Georgia Dividend Advantage Municipal Fund 2 (NKG, NKG PrC, NKG PrD, NKG PrE)

Nuveen Maryland Premium Income Municipal Fund (NMY, NMY PrC, NMY PrD, NMY PrE, NMY PrF, NMY PrG, NMY PrH)

Nuveen Michigan Quality Income Municipal Fund (NUM, NUM PrC)

Nuveen Missouri Premium Income Municipal Fund (NOM, NOM PrC)

Nuveen New Jersey Dividend Advantage Municipal Fund (NXJ)

Nuveen New Jersey Dividend Advantage Municipal Fund 2 (NUJ, NUJ PrC)

Nuveen New Jersey Investment Quality Municipal Fund, Inc. (NQJ)

Nuveen New Jersey Municipal Value Fund (NJV)

Nuveen New Jersey Premium Income Municipal Fund, Inc. (NNJ)

Nuveen North Carolina Premium Income Municipal Fund (NNC, NNC PrC, NNC PrD, NNC PrE, NNC PrF, NNC PrG)

Nuveen Ohio Quality Income Municipal Fund (NUO)

Nuveen Pennsylvania Municipal Value Fund (NPN)

Nuveen Preferred and Income Term Fund (JPI)

Nuveen Senior Income Fund (NSL)

Nuveen Short Duration Credit Opportunities Fund (JSD)

Nuveen Texas Quality Income Municipal Fund (NTX, NTX PrC)

Nuveen Virginia Premium Income Municipal Fund (NPV)

To the Shareholders of the Above Funds:

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting) of Nuveen California Municipal Value Fund, Inc. (California Value), Nuveen New Jersey Investment Quality Municipal Fund, Inc. (New Jersey Investment Quality) and Nuveen New Jersey Premium Income Municipal Fund, Inc. (New Jersey Premium Income), **each a Minnesota corporation** (each a Minnesota Fund and collectively, the Minnesota Funds), and Nuveen Arizona Premium Income Municipal Fund (Arizona Premium Income), Nuveen California Dividend Advantage Municipal Fund 2 (California Dividend Advantage 2), Nuveen California Dividend Advantage Municipal Fund 3 (California Dividend Advantage 3), Nuveen California Municipal Value 2 (California Value 2), Nuveen Connecticut Premium Income Municipal Fund (Connecticut Premium Income), Nuveen Floating Rate Income Fund (Floating Rate Income), Nuveen Floating Rate Income Opportunity Fund (Floating Rate Income Opportunity), Nuveen Georgia Dividend Advantage Municipal Fund 2 (Georgia Dividend Advantage 2), Nuveen Maryland Premium Income Municipal Fund (Maryland Premium Income), Nuveen Michigan Quality Income Municipal Fund (Michigan Quality Income), Nuveen Missouri Premium Income Municipal Fund (Missouri Premium Income), Nuveen New Jersey Dividend Advantage Municipal Fund (New Jersey Dividend Advantage), Nuveen New Jersey Dividend Advantage Municipal Fund 2 (New Jersey Dividend Advantage 2), Nuveen New Jersey Municipal Value Fund (New Jersey Value), Nuveen North Carolina Premium Income Municipal Fund (North Carolina Premium Income), Nuveen Ohio Quality Income Municipal Fund (Ohio Quality Income), Nuveen Pennsylvania Municipal Value Fund (Pennsylvania Value), Nuveen Preferred and Income Term Fund (Preferred and Income), Nuveen Senior Income Fund (Senior Income), Nuveen Short Duration Credit Opportunities Fund (Short Duration Credit Opportunities), Nuveen Texas Quality Income Municipal Fund (Texas Quality Income) and Nuveen Virginia Premium Income Municipal Fund (Virginia Premium Income), **each a Massachusetts business trust** (each a Massachusetts Fund and collectively, the Massachusetts Funds) (the Minnesota Funds and Massachusetts Funds are each, a Fund and collectively, the Funds), will be held in the offices of Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606, on Tuesday, November 26, 2013, at 2:00 p.m., Central time, for the following purposes and to transact such other business, if any, as may properly come before the Annual Meeting:

Matters to Be Voted on by Shareholders:

1. To elect Members to the Board of Directors/Trustees (each a Board and each Director or Trustee a Board Member) of each Fund as outlined below:

   a. For each Minnesota Fund, except California Value, to elect twelve (12) Board Members:

      (i) ten (10) Board Members to be elected by the holders of Common Shares and Variable Rate Demand Preferred Shares (Preferred Shares), voting together as a single class; and

      (ii) two (2) Board Members to be elected by the holders of Preferred Shares only, voting as a single class.

   b. For California Value, to elect four (4) Board Members.

   c. For each Massachusetts Fund, except California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, to elect five (5) Board Members:

      (i) three (3) Board Members to be elected by the holders of Common Shares and MuniFund Term Preferred Shares for Arizona Premium Income, California Dividend

Advantage 3, Connecticut Premium Income, Georgia Dividend Advantage 2, Maryland Premium Income, Michigan Quality Income, Missouri Premium Income, New Jersey Dividend Advantage 2, North Carolina Premium, Ohio Quality Income and Texas Quality Income, Variable Rate MuniFund Term Preferred Shares for Arizona Premium Income, Michigan Quality Income and Ohio Quality Income and Variable Rate Demand Preferred Shares for California Dividend Advantage 2, New Jersey Dividend Advantage and Virginia Premium Income (MuniFund Term Preferred Shares, Variable Rate MuniFund Term Preferred Shares and Variable Rate Demand Preferred Shares are also referred to collectively as Preferred Shares), voting together as a single class; and

(ii) two (2) Board Members to be elected by the holders of Preferred Shares only, voting as a single class.

d. For California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities to elect four (4) Board Members.

2. To approve the elimination of the fundamental investment policy and to approve the new fundamental investment policy for California Dividend Advantage 2.

(a)(i) For shareholders of California Dividend Advantage 2, all shareholders voting as a single class, to approve the elimination of the Fund s existing fundamental investment policy related to the Fund s ability to make loans.

(a)(ii) For shareholders of California Dividend Advantage 2, the Preferred Shares voting as a single class, to approve the elimination of the Fund s existing fundamental investment policy related to the Fund s ability to make loans.

(b)(i) For shareholders of California Dividend Advantage 2, all shareholders voting as a single class, to approve a new fundamental investment policy related to the Fund s ability to make loans.

(b)(ii) For shareholders of California Dividend Advantage 2, the Preferred Shares voting as a single class, to approve a new fundamental investment policy related to the Fund s ability to make loans.

3. To transact such other business as may properly come before the Annual Meeting.

Shareholders of record at the close of business on October 8, 2013 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited to attend the Annual Meeting. In order to avoid delay and additional expense and to assure that your shares are represented, please vote as promptly as possible, regardless of whether or not you plan to attend the Annual Meeting. You may vote by mail, telephone or over the Internet. To vote by mail, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States. To vote by telephone, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide. To vote over the Internet, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

Kevin J. McCarthy

Vice President and Secretary

333 West Wacker Drive

Chicago, Illinois 60606

(800) 257-8787

Joint Proxy Statement

October 17, 2013

This Joint Proxy Statement is first being mailed to shareholders on or about October 22, 2013.

Nuveen Arizona Premium Income Municipal Fund (NAZ, NAZ PrC, NAZ PrD)

Nuveen California Dividend Advantage Municipal Fund 2 (NVX)

Nuveen California Dividend Advantage Municipal Fund 3 (NZH)

Nuveen California Municipal Value Fund, Inc. (NCA)

Nuveen California Municipal Value Fund 2 (NCB)

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Nuveen Floating Rate Income Opportunity Fund (JRO)

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Nuveen Maryland Premium Income Municipal Fund (NMY, NMY PrC, NMY PrD, NMY PrE, NMY PrF, NMY PrG, NMY PrH)

Nuveen Michigan Quality Income Municipal Fund (NUM, NUM PrC)

Nuveen Missouri Premium Income Municipal Fund (NOM, NOM PrC)

Nuveen New Jersey Dividend Advantage Municipal Fund (NXJ)

Nuveen New Jersey Dividend Advantage Municipal Fund 2 (NUJ, NUJ PrC)

Nuveen New Jersey Investment Quality Municipal Fund, Inc. (NQJ)

Nuveen New Jersey Municipal Value Fund (NJV)

Nuveen New Jersey Premium Income Municipal Fund, Inc. (NNJ)

Nuveen North Carolina Premium Income Municipal Fund (NNC, NNC PrC, NNC PrD, NNC PrE, NNC PrF, NNC PrG)

Nuveen Ohio Quality Income Municipal Fund (NUO)

Nuveen Pennsylvania Municipal Value Fund (NPN)

Nuveen Preferred and Income Term Fund (JPI)

Nuveen Senior Income Fund (NSL)

Nuveen Short Duration Credit Opportunities Fund (JSD)

Nuveen Texas Quality Income Municipal Fund (NTX, NTX PrC)

Nuveen Virginia Premium Income Municipal Fund (NPV)

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General Information

This Joint Proxy Statement is furnished in connection with the solicitation by the Board of Directors or Trustees (each a Board and collectively, the Boards, and each Director or Trustee, a Board Member and collectively, the Board Members) of Nuveen California Municipal Value Fund, Inc. (California Value), Nuveen New Jersey Investment Quality Municipal Fund, Inc. (New Jersey Investment Quality) and Nuveen New Jersey Premium Income Municipal Fund, Inc. (New Jersey Premium Income), **each a Minnesota Corporation** (each a Minnesota Fund and collectively, the Minnesota Funds), and Nuveen Arizona Premium Income Municipal Fund (Arizona Premium Income), Nuveen California Dividend Advantage Municipal Fund 2 (California Dividend Advantage 2), Nuveen California Dividend Advantage Municipal Fund 3 (California Dividend Advantage 3), Nuveen California Municipal Value 2 (California Value 2), Nuveen Connecticut Premium Income Municipal Fund (Connecticut Premium Income), Nuveen Floating Rate Income Fund (Floating Rate Income), Nuveen Floating Rate Income Opportunity Fund (Floating Rate Income Opportunity), Nuveen Georgia Dividend Advantage Municipal Fund 2 (Georgia Dividend Advantage 2), Nuveen Maryland Premium Income Municipal Fund (Maryland Premium Income), Nuveen Michigan Quality Income Municipal Fund (Michigan Quality Income), Nuveen Missouri Premium Income Municipal Fund (Missouri Premium Income), Nuveen New Jersey Dividend Advantage Municipal Fund (New Jersey Dividend Advantage), Nuveen New Jersey Dividend Advantage Municipal Fund 2 (New Jersey Dividend Advantage 2), Nuveen New Jersey Municipal Value Fund (New Jersey Value), Nuveen North Carolina Premium Income Municipal Fund (North Carolina Premium Income), Nuveen Ohio Quality Income Municipal Fund (Ohio Quality Income), Nuveen Pennsylvania Municipal Value Fund (Pennsylvania Value), Nuveen Preferred and Income Term Fund (Preferred and Income), Nuveen Senior Income Fund (Senior Income), Nuveen Short Duration Credit Opportunities Fund (Short Duration Credit Opportunities), Nuveen Texas Quality Income Municipal Fund (Texas Quality Income) and Nuveen Virginia Premium Income Municipal Fund (Virginia Premium Income), **each a Massachusetts Business Trust** (each a Massachusetts Fund and collectively, the Massachusetts Funds) (the Massachusetts Funds and Minnesota Funds are each, a Fund and collectively, the Funds), of proxies to be voted at the Annual Meeting of Shareholders to be held in the offices of Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606, on Tuesday, November 26, 2013, at 2:00 p.m., Central time (for each Fund, an Annual Meeting and collectively, the Annual Meetings), and at any and all adjournments thereof.

On the matters coming before each Annual Meeting as to which a choice has been specified by shareholders on the proxy, the shares will be voted accordingly. If a proxy is returned and no choice is specified, the shares will be voted **FOR** the election of the nominees as listed in this Joint Proxy Statement and **FOR** the elimination of the current fundamental investment policy and the adoption of a new fundamental investment policy for California Dividend Advantage 2. Shareholders of a Fund who execute proxies may revoke them at any time before they are voted by filing with that Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

The Board of each Fund has determined that the use of this Joint Proxy Statement for each Annual Meeting is in the best interest of each Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders.

The following table indicates which shareholders are solicited with respect to each matter:

Matter		Common Shares	Preferred Shares[1]
1(a)(i)	For each Minnesota Fund, except California Value, election of ten (10) Board Members by all shareholders.	X	X
1(a)(ii)	For each Minnesota Fund, except California Value, election of two (2) Board Members by Preferred Shares only.		X
1(b)	For California Value, election of four (4) Board Members by all shareholders.	X	N/A
1(c)(i)	For each Massachusetts Fund, except California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, election of three (3) Board Members by all shareholders.	X	X
1(c)(ii)	For each Massachusetts Fund, except California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, election of two (2) Board Members by Preferred Shares only.		X
1(d)	For California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, election of four (4) Board Members by all shareholders.	X	N/A
2(a)(i)	For California Dividend Advantage 2, all shareholders voting as a single class, to approve the elimination of the Fund s fundamental investment policy relating to the Fund s ability to make loans.	X	X
2(a)(ii)	For California Dividend Advantage 2, the Preferred Shares voting separately as a single class, to approve the elimination of the Fund s fundamental investment policy relating to the Fund s ability to make loans.		X
2(b)(i)	For California Dividend Advantage 2, all shareholders voting as a single class, to approve a new fundamental investment policy relating to the Fund s ability to make loans.	X	X

Matter		Common Shares	Preferred Shares[(1)]
2(b)(ii)	For California Dividend Advantage 2, the Preferred Shares voting separately as a single class, to approve a new fundamental investment policy relating to the Fund s ability to make loans.		X

(1) MuniFund Term Preferred Shares for Arizona Premium Income, Connecticut Premium Income, Georgia Dividend Advantage 2, Maryland Premium Income, Michigan Quality Income, Missouri Premium Income, New Jersey Dividend Advantage 2, North Carolina Premium and Texas Quality Income, Variable Rate MuniFund Term Preferred Shares for Arizona Premium Income and Michigan Quality Income and Variable Rate Demand Preferred Shares for California Dividend Advantage 2, California Dividend Advantage 3, New Jersey Dividend Advantage, New Jersey Investment Quality, New Jersey Premium Income, Ohio Quality Income and Virginia Premium Income are referred to as Preferred Shares. California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities do not have any Preferred Shares outstanding.

A quorum of shareholders is required to take action at each Annual Meeting. A majority of the shares entitled to vote at each Annual Meeting, represented in person or by proxy, will constitute a quorum of shareholders at that Annual Meeting, except that for the election of the two Board Member nominees to be elected by holders of Preferred Shares of each Fund (except California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities), 33- $^{1}/_{3}$% of the Preferred Shares entitled to vote and represented in person or by proxy will constitute a quorum. Votes cast by proxy or in person at each Annual Meeting will be tabulated by the inspectors of election appointed for that Annual Meeting. The inspectors of election will determine whether or not a quorum is present at the Annual Meeting. The inspectors of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

For each Fund, the affirmative vote of a plurality of the shares present and entitled to vote at the Annual Meeting will be required to elect the Board Members of that Fund. For purposes of determining the approval of the proposal to elect nominees for each Fund, abstentions and broker non-votes will have no effect on the election of Board Members. For purposes of determining the approval of the elimination of the fundamental investment policy and the approval of the new fundamental investment policy for California Dividend Advantage 2, a change will only be consummated if approved by the affirmative vote of the holders of a majority of the outstanding shares of the Fund s Common Shares and Preferred Shares, voting together as a single class, and by the affirmative vote of a majority of the Fund s outstanding Preferred Shares, voting as a separate class. For this purpose, a majority of the outstanding shares means, as defined in the Investment Company Act of 1940, as amended (the 1940 Act), (a) 67% or more of the voting securities present at the Annual Meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy; or (b) more than 50% of the outstanding voting securities, whichever is less. For purposes of determining the approval of the elimination of the fundamental investment policy and the approval of the new fundamental investment policy, abstentions and broker non-votes will have the same effect as shares voted against the proposal.

Variable Rate Demand Preferred Shares held in street name as to which voting instructions have not been received from the beneficial owners or persons entitled to vote as of one

business day before the Annual Meeting, or, if adjourned, one business day before the day to which the Annual Meeting is adjourned, and that would otherwise be treated as broker non-votes may, pursuant to Rule 452 of the New York Stock Exchange, be voted by the broker on the proposal in the same proportion as the votes cast by all holders of Variable Rate Demand Preferred Shares as a class who have voted on the proposal or in the same proportion as the votes cast by all holders of Preferred Shares of the Fund who have voted on that item. Rule 452 permits proportionate voting of Variable Rate Demand Preferred Shares with respect to a particular item if, among other things, (i) a minimum of 30% of the Variable Rate Demand Preferred Shares or shares of a series of Variable Rate Demand Preferred Shares outstanding has been voted by the holders of such shares with respect to such item and (ii) less than 10% of the Variable Rate Demand Preferred Shares or shares of a series of Variable Rate Demand Preferred Shares outstanding has been voted by the holders of such shares against such item. For the purpose of meeting the 30% test, abstentions will be treated as shares voted and, for the purpose of meeting the 10% test, abstentions will not be treated as shares voted against the item.

Those persons who were shareholders of record at the close of business on October 8, 2013 will be entitled to one vote for each share held and a proportionate fractional vote for each fractional share held. As of October 8, 2013, the shares of the Funds were issued and outstanding as follows:

Fund	**Ticker Symbol***	**Common Shares**	**Preferred Shares**	
Arizona Premium Income	NAZ	11,563,884	MTP NAZ PrC	2,982,500
			MTP NAZ PrD	2,084,600
			VMTP Series 2014	280
California Dividend Advantage 2	NVX	14,759,237	VRDP Series 1	980
California Dividend Advantage 3	NZH	24,151,884	VRDP Series 1	1,600
California Value	NCA	25,283,751	N/A	
California Value 2	NCB	3,287,900	N/A	
Connecticut Premium Income	NTC	14,688,976	MTP NTC PrC	1,830,000
			MTP NTC PrD	1,778,000
			MTP NTC PrE	2,047,000
			MTP NTC PrF	1,695,000
			MTP NTC PrG	3,200,000
Floating Rate Income	JFR	55,169,216	N/A	
Floating Rate Income Opportunity	JRO	38,478,782	N/A	
Georgia Dividend Advantage 2	NKG	10,548,789	MTP NKG PrC	3,226,500
			MTP NKG PrD	2,834,000
			MTP NKG PrE	1,434,000
Maryland Premium Income	NMY	24,104,664	MTP NMY PrC	3,877,500
			MTP NMY PrD	3,581,800
			MTP NMY PrE	2,648,500
			MTP NMY PrF	2,730,000
			MTP NMY PrG	2,070,000
			MTP NMY PrH	1,706,600

Fund	Ticker Symbol*	Common Shares	Preferred Shares	
Michigan Quality Income	NUM	20,848,188	MTP NUM PrC	1,631,300
			VMTP Series 2014	1,418
Missouri Premium Income	NOM	2,329,104	MTP NOM PrC	1,788,000
New Jersey Dividend Advantage	NXJ	6,570,688	VRDP Series 1	450
New Jersey Dividend Advantage 2	NUJ	4,527,014	MTP NUJ PrC	3,505,000
New Jersey Investment Quality	NQJ	20,490,335	VRDP Series 2	1,443
New Jersey Value	NJV	1,565,036	N/A	
New Jersey Premium Income	NNJ	12,083,027	VRDP Series 2	886
North Carolina Premium Income	NNC	16,548,508	MTP NNC PrC	2,430,000
			MTP NNC PrD	2,553,500
			MTP NNC PrE	1,660,000
			MTP NNC PrF	2,970,000
			MTP NNC PrG	2,872,500
Ohio Quality Income	NUO	18,521,955	VRDP Series 1	1,480
Pennsylvania Value	NPN	1,219,352	N/A	
Preferred and Income	JPI	22,752,777	N/A	
Senior Income	NSL	38,626,872	N/A	
Short Duration Credit Opportunities	JSD	10,095,286	N/A	
Texas Quality Income	NTX	10,027,210	MTP NTX PrC	7,092,000
Virginia Premium Income	NPV	17,933,247	VRDP Series 1	1,280

* The Common Shares of all of the Funds are listed on the New York Stock Exchange (NYSE), except NVX, NZH, NCB, NKG, NOM, NXJ, NUJ, NJV and NPN, which are listed on the NYSE MKT. The Preferred Shares of all of the Funds with MuniFund Term Preferred Shares are listed on the NYSE, except for NUM PrC shares which are listed on the NYSE MKT.

1. Election of Board Members

Minnesota Funds

At the Annual Meeting of each Minnesota Fund, except California Value, Board Members are to be elected to serve until the next annual meeting or until their successors have been duly elected and qualified. Under the terms of each Minnesota Fund s organizational documents (except California Value), under normal circumstances, holders of Preferred Shares are entitled to elect two (2) Board Members, and the remaining Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Pursuant to the organizational documents of California Value, its Board is divided into three classes, with each class being elected to serve until the third succeeding annual meeting subsequent to their election or thereafter in each case when their respective successors are duly elected and qualified. For California Value, four (4) Board Members are nominated to be elected at this Annual Meeting.

(a) For each Minnesota Fund, except California Value:

(i) Ten (10) Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Board Members Adams, Bremner, Evans, Kundert, Nelson, Schreier, Stockdale, Stone, Stringer and Toth are nominees for election by all shareholders.

(ii) Two (2) Board Members are to be elected by holders of Preferred Shares, each series voting together as a single class. Board Members Hunter and Schneider are nominees for election by holders of Preferred Shares.

(b) For California Value: Four (4) Board Members are to be elected by all shareholders.

With respect to California Value, Board Members Hunter, Stockdale, Stone and Stringer have been designated as Class I Board Members and as nominees for Board Members for a term expiring at the annual meeting of shareholders in 2016 or until their successors have been duly elected and qualified. Board Members Adams, Bremner, Evans, Kundert, Nelson, Schneider, Schreier and Toth are current and continuing Board Members. Board Members Adams, Kundert, Nelson and Toth have been designated as Class II Board Members for a term expiring at the annual meeting of shareholders in 2014 or until their successors have been duly elected and qualified. Board Members Bremner, Evans, Schneider and Schreier have been designated as Class III Board Members for a term expiring at the annual meeting of shareholders in 2015 or until their successors have been duly elected and qualified.

Massachusetts Funds

Pursuant to the organizational documents of each Massachusetts Fund, each Board is divided into three classes, Class I, Class II and Class III, to be elected by the holders of the outstanding Common Shares and any outstanding Preferred Shares, voting together as a single class to serve until the third succeeding annual meeting subsequent to their election or thereafter, in each case until their successors have been duly elected and qualified. For each Massachusetts Fund, under normal circumstances, holders of Preferred Shares are entitled to elect two (2) Board Members. The Board Members elected by holders of Preferred Shares will be elected to serve until the next annual meeting or until their successors have been duly elected and qualified.

(c) For each Massachusetts Fund, except California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities:

(i) Three (3) Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Board Members Stockdale, Stone and Stringer have been designated as Class I Board Members and as nominees for a term expiring at the annual meeting of shareholders in 2016 or until their successors have been duly elected and qualified. Board Members Adams, Bremner, Evans, Kundert, Nelson, Schreier and Toth are current and continuing Board Members. Board Members Adams, Kundert, Nelson and Toth have been designated Class II Board Members for a term expiring at the annual

meeting of shareholders in 2014 or until their successors have been duly elected and qualified. Board Members Bremner, Evans and Schreier have been designated as Class III Board Members for a term expiring at the annual meeting of shareholders in 2015 or until their successors have been duly elected and qualified.

(ii) Two (2) Board Members are to be elected by holders of Preferred Shares, voting separately as a single class. Board Members Hunter and Schneider are nominees for election by holders of Preferred Shares for a term expiring at the next annual meeting or until their successors have been duly elected and qualified.

(d) For California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities: Four (4) Board Members are to be elected by all shareholders.

Board Members Hunter, Stockdale, Stone and Stringer have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2016 or until their successors have been duly elected and qualified. Board Members Adams, Bremner, Evans, Kundert, Nelson, Schneider, Schreier and Toth are current and continuing Board Members. Board Members Adams, Kundert, Nelson and Toth have been designated Class II Board Members for a term expiring at the annual meeting of shareholders in 2014 or until their successors have been duly elected and qualified. Board Members Bremner, Evans, Schneider and Schreier have been designated as Class III Board Members for a term expiring at the annual meeting of shareholders in 2015 or until their successors have been duly elected and qualified.

It is the intention of the persons named in the enclosed proxy to vote the shares represented thereby for the election of the nominees listed in the table below unless the proxy is marked otherwise. Each of the nominees has agreed to serve as a Board Member of each Fund if elected. However, should any nominee become unable or unwilling to accept nomination for election, the proxies will be voted for substitute nominees, if any, designated by that Fund s present Board.

For each Minnesota Fund, except for California Value, each Board Member except Board Members Adams, Nelson and Schreier was last elected to each Fund s Board at the annual meeting of shareholders held on November 14, 2012, and adjourned to December 14, 2012.

For California Value, Board Members Bremner, Evans and Schneider were last elected to the Fund s Board as Class III Board Members at the annual meeting of shareholders held on November 14, 2012, and adjourned to December 14, 2012. Board Members Kundert and Toth were last elected to the Fund s Board as Class II Board Members at the annual meeting of shareholders held on November 15, 2011, and adjourned to December 16, 2011. Board Members Hunter, Stockdale and Stone were last elected to the Fund s Board as Class I Board Members at the annual meeting of shareholders held on November 16, 2010.

For each Massachusetts Fund, except Arizona Premium Income, California Dividend Advantage 2, Michigan Quality Income, New Jersey Dividend Advantage 2, Ohio Quality Income and Preferred and Income, Board Members Bremner and Evans were last elected to each Fund s Board as Class III Board Members at the annual meeting of shareholders held on November 14, 2012, and adjourned to December 14, 2012. For California Dividend Advantage 2 and New Jersey Dividend

Advantage 2, Board Members Bremner and Evans were last elected to each Fund s Board as Class III Board Members at the annual meeting of shareholders held on November 14, 2012.

For each Massachusetts Fund, except Arizona Premium Income, California Value 2, Connecticut Premium Income, Floating Rate Income, Floating Rate Income Opportunity, Georgia Dividend Advantage 2, Michigan Quality Income, New Jersey Value, North Carolina Premium Income, Ohio Quality Income, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, Board Members Kundert and Toth were last elected to each Fund s Board as Class II Board Members at the annual meeting of shareholders held on November 15, 2011 and adjourned to December 16, 2011. For Connecticut Premium Income, Georgia Dividend Advantage 2 and North Carolina Premium Income, Board Members Kundert and Toth were last elected to each Fund s Board as Class II Board Members at the annual meeting of shareholders held on December 16, 2011 and adjourned to January 31, 2012.

For each Massachusetts Fund, except Arizona Premium Income, California Value 2, Floating Rate Income, Floating Rate Income Opportunity, Michigan Quality Income, New Jersey Value, Ohio Quality Income, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, Board Members Stockdale and Stone were last elected to the Fund s Board as Class I Board Members at the annual meeting of shareholders held on November 16, 2010 and, for Missouri Premium Income and Texas Quality Income, adjourned to January 6, 2011.

For each Massachusetts Fund, except Arizona Premium Income, California Dividend Advantage 2, California Value 2, Floating Rate Income, Floating Rate Income Opportunity, Michigan Quality Income, New Jersey Dividend Advantage 2, New Jersey Value, Ohio Quality Income, Pennsylvania Value, Preferred and Income, Senior Income and Short Duration Credit Opportunities, Board Members Hunter and Schneider were last elected to each Fund s Board at the annual meeting of shareholders held on November 14, 2012, and adjourned to December 14, 2012. For California Dividend Advantage 2 and New Jersey Dividend Advantage 2, Board Members Hunter and Schneider were last elected to each Fund s Board at the annual meeting of shareholders held on November 14, 2012.

For California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value, Senior Income and Short Duration Credit Opportunities, Board Members Bremner, Evans and Schneider were last elected to each Fund s Board as Class III Board Members at the annual meeting of shareholders held on November 14, 2012, and adjourned to December 14, 2012.

For California Value 2, Floating Rate Income, Floating Rate Income Opportunity, New Jersey Value, Pennsylvania Value and Senior Income, Board Members Kundert and Toth were last elected to each Fund s Board as Class II Board Members at the annual meeting of shareholders held on November 15, 2011. Board Members Hunter, Stockdale and Stone were last elected to each Fund s Board as Class I Board Members at the annual meeting of shareholders held on November 16, 2010.

For Short Duration Credit Opportunities, each Board Member except Board Members Adams, Bremner, Evans, Nelson, Schneider and Schreier was approved by the initial shareholder of the Fund, Nuveen Funds Advisors, LLC f/k/a Nuveen Fund Advisors, Inc. (the Adviser), on May 23, 2011.

For Preferred and Income, each Board Member except Board Members Adams, Nelson and Schreier was approved by the initial shareholder of the Fund, the Adviser, on July 26, 2012.

For Michigan Quality Income, each Board Member except Board Members Adams, Nelson and Schreier was elected by the initial shareholder of the Fund, Nuveen Michigan Quality Income Municipal Fund, Inc., on January 7, 2013.

For Arizona Premium Income, each Board Member except Board Members Adams, Nelson and Schreier was elected by the initial shareholder of the Fund, Nuveen Arizona Premium Income Municipal Fund, Inc., on April 8, 2013.

For Ohio Quality Income, each Board Member except Board Members Adams, Nelson and Schreier was elected by the initial shareholder of the Fund, Nuveen Ohio Income Municipal Fund, Inc., on April 8, 2013.

Effective January 1, 2011, Ms. Stringer was appointed as a Board Member for each Fund except Short Duration Credit Opportunities and Preferred and Income, and designated as a Class I Board Member with respect to California Value and each Massachusetts Fund.

Effective September 1, 2013, Mr. Adams and Mr. Nelson were appointed as Board Members for each Fund and designated as Class II Board Members with respect to California Value and each Massachusetts Fund. Effective September 1, 2013, Mr. Schreier was appointed as a Board Member for each Fund and designated as a Class III Board Member with respect to California Value and each Massachusetts Fund.

Other than Messrs. Adams and Schreier (for all Funds), all Board Member nominees are not interested persons as defined in the 1940 Act, of the Funds or of the Adviser and have never been an employee or director of Nuveen Investments, Inc. (Nuveen or Nuveen Investments), the Adviser s parent company, or any affiliate. Accordingly, such Board Members are deemed Independent Board Members.

The Board unanimously recommends that shareholders vote FOR the election of the nominees named below.

Board Nominees/Board Members

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Board Members who are not interested persons of the Funds					
William J. Schneider[2] c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1944	Chairman of the Board and Board Member	Term: Annual or Class III Board Member until 2015 Length of Service: Since 1996, Chairman of the Board Since July 1, 2013	Chairman of Miller-Valentine Partners Ltd., a real estate investment company; Board Member of Mid-America Health System, of Tech Town, Inc., a not-for-profit community development company, and of WDPR Public Radio Station; formerly, Senior Partner and Chief Operating Officer (retired, 2004) of Miller-Valentine Group; formerly, Director, Dayton Development Coalition; formerly, Board Member, Business Advisory Council, Cleveland Federal Reserve Bank and University of Dayton Business School Advisory Council.	208	None
Robert P. Bremner c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1940	Board Member	Term: Annual or Class III Board Member until 2015 Length of Service: Since 1996, Chairman of the Board (2008-July 1, 2013); Lead Independent Director (2005-2008)	Private Investor and Management Consultant; Treasurer and Director, Humanities Council, Washington, D.C.; Board Member, Independent Directors Council affiliated with the Investment Company Institute.	208	None

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Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Jack B. Evans c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1948	Board Member	Term: Annual or Class III Board Member until 2015 Length of Service: Since 1999	President, The Hall-Perrine Foundation, a private philanthropic corporation (since 1996); Director, Source Media Group; Life Trustee of Coe College and the Iowa College Foundation; formerly, Director, Federal Reserve Bank of Chicago; formerly, President and Chief Operating Officer, SCI Financial Group, Inc. (a regional financial services firm); formerly, a Member and President Pro Tem of the Board of Regents for the State of Iowa University System.	208	Director and Chairman, United Fire Group, a publicly held company; formerly, Director, Alliant Energy
William C. Hunter c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1948	Board Member	Term: Annual or Class I Board Member until 2013 Length of Service: Since 2004	Dean Emeritus (since June 30, 2012), formerly Dean (2006-2012), Tippie College of Business, University of Iowa; Director (since 2005) and President (since July 2012), Beta Gamma Sigma, Inc., The International Business Honor Society; Director, Wellmark, Inc. (since 2009); formerly, Director (1997-2007), Credit Research Center at Georgetown University; formerly, Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut (2003-2006); previously, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003).	208	Director (since 2004) of Xerox Corporation

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
David J. Kundert c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1942	Board Member	Term: Annual or Class II Board Member until 2014 Length of Service: Since 2005	Formerly, Director, Northwestern Mutual Wealth Management Company (2006-2013); retired (since 2004) as Chairman, JPMorgan Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual Funds; prior thereto, Executive Vice President, Bank One Corporation and Chairman and CEO, Banc One Investment Management Group; Regent Emeritus, Member of Investment Committee, Luther College; Member of the Wisconsin Bar Association; Member of Board of Directors, Friends of Boerner Botanical Gardens; Member of Board of Directors and Chair of Investment Committee, Greater Milwaukee Foundation; Member of Board of Directors (Milwaukee), College Possible.	208	None

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Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
John K. Nelson c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, Illinois 60606 1962	Board Member	Term: Annual or Class II Board Member until 2014 Length of Service: Since 2013	Currently, senior, external advisor to the financial services practice of Deloitte Consulting LLP (since 2012); Member of Board of Directors of Core12 LLC (since 2008), a private firm which develops branding, marketing, and communications strategies for clients; Chairman of the Board of Trustees of Marian University (since 2010 as trustee, 2011 as Chairman); Director of The Curran Center for Catholic American Studies (since 2009) and The President s Council Fordham University (since 2010). Formerly, Chief Executive Officer of ABN AMRO N.V. North America, and Global Head of its Financial Markets Division (2007-2008); prior senior positions held at ABN AMRO include Corporate Executive Vice President and Head of Global Markets the Americas (2006-2007), CEO of Wholesale Banking North America and Global Head of Foreign Exchange and Futures Markets (2001-2006), and Regional Commercial Treasurer and Senior Vice President Trading- North America (1996-2001); formerly, Trustee at St. Edmund Preparatory School in New York City.	208	None

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Judith M. Stockdale c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1947	Board Member	Term: Annual or Class I Board Member until 2013 Length of Service: Since 1997	Formerly, Executive Director, Gaylord and Dorothy Donnelley Foundation (1994-2012); prior thereto, Executive Director, Great Lakes Protection Fund (1990-1994).	208	None
Carole E. Stone c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1947	Board Member	Term: Annual or Class I Board Member until 2013 Length of Service: Since 2007	Director, Chicago Board Options Exchange, Inc. (since 2006); Director, C2 Options Exchange, Incorporated (since 2009); formerly, Commissioner, New York State Commission on Public Authority Reform (2005-2010); formerly, Chair, New York Racing Association Oversight Board (2005-2007).	208	Director, CBOE Holdings, Inc. (since 2010)
Virginia L. Stringer c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1944	Board Member	Term: Annual or Class I Board Member until 2013 Length of Service: Since 2011	Board Member, Mutual Fund Directors Forum; former Member, Governing Board, Investment Company Institute s Independent Directors Council; former owner and president, Strategic Management Resources, Inc., a management consulting firm; previously, held several executive positions in general management, marketing and human resources at IBM and The Pillsbury Company.	208	Previously, Independent Director (1987-2010) and Chair (1997-2010), First American Fund Complex.

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Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Terence J. Toth[3] c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1959	Board Member	Term: Annual or Class II Board Member until 2014 Length of Service: Since 2008	Managing Partner, Promus Capital (since 2008); Director, Fulcrum IT Service LLC (since 2010), Quality Control Corporation (since 2012) and LogicMark LLC (since 2012); formerly, Director, Legal & General Investment Management America, Inc. (2008-2013); formerly, CEO and President, Northern Trust Global Investments (2004-2007); Executive Vice President, Quantitative Management & Securities Lending (2000-2004); prior thereto, various positions with Northern Trust Company (since 1994); Member, Chicago Fellowship Board (since 2005), Catalyst Schools of Chicago Board (since 2008) and Mather Foundation Board (since 2012), and a member of its investment committee; formerly, Member, Northern Trust Mutual Funds Board (2005-2007), Northern Trust Global Investments Board (2004-2007), Northern Trust Japan Board (2004-2007), Northern Trust Securities Inc. Board (2003-2007) and Northern Trust Hong Kong Board (1997-2004).	208	None

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Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served(1)	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Nominees/Board Members who are interested persons of the Funds					
William Adams IV(4) c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1955	Board Member	Term: Class II Board Member until 2014 Length of Service: Since 2013	Senior Executive Vice President, Global Structured Products of Nuveen Investments, Inc. (since 2010); Co- President of Nuveen Fund Advisors, LLC (since 2011); President (since 2011), formerly, Managing Director (2010-2011), of Nuveen Commodities Asset Management, LLC; Board Member of the Chicago Symphony Orchestra and of Gilda s Club Chicago.	137	None
Thomas S. Schreier, Jr.(4) c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 1962	Board Member	Term: Class III Board Member until 2015 Length of Service: Since 2013	Vice Chairman, Wealth Management of Nuveen Investments, Inc. (since 2011); Co-President of Nuveen Fund Advisors, LLC; Chairman of Nuveen Asset Management, LLC (since 2011); Co-Chief Executive Officer of Nuveen Securities, LLC (since 2011); Member of the Board of Governors and Chairman s Council of the Investment Company Institute; formerly, Chief Executive Officer and Chief Investment Officer of FAF Advisors, Inc.; formerly, President of First American Funds (2000-2010).	137	None

(1) Length of Time Served indicates the year in which the individual became a Board Member of a fund in the Nuveen Fund complex.
(2) Mr. Schneider is one of several owners and managing members in two limited liability companies and a general partner and one member of the governing body of a general partnership, each engaged in real estate ownership activities. In connection with their ordinary course of investment activities, court appointed receivers have been named for certain individual properties owned by such entities. The individual properties for which a receiver has been appointed represent an immaterial portion of the portfolio assets owned by these entities.
(3) Mr. Toth serves as a director on the Board of Directors of the Mather Foundation (the Foundation) and is a member of its investment committee. The Foundation is the parent of the Mather LifeWays organization, a non-profit charitable organization. Prior to Mr. Toth joining the Board of the Foundation, the Foundation selected Gresham Investment Management (Gresham), an affiliate of Nuveen Fund Advisors, LLC, to manage a portion of the Foundation s investment portfolio, and pursuant to this selection, the Foundation has invested that portion of its investment portfolio in a private commodity pool managed by Gresham.
(4) Interested person as defined in the 1940 Act, by reason of his positions with Nuveen Investments and certain of its subsidiaries.

The dollar range of equity securities beneficially owned by each Board Member in each Fund and all Nuveen funds overseen by the Board Member as of December 31, 2012 is set forth in Appendix A. The number of shares of each Fund beneficially owned by each Board Member and by the Board Members and officers of the Funds as a group as of December 31, 2012 is set forth in Appendix A. On December 31, 2012, Board Members and executive officers as a group beneficially owned approximately 1,700,000 shares of all funds managed by the Adviser (including shares held by the Board Members through the Deferred Compensation Plan for Independent Board Members and by executive officers in Nuveen s 401(k)/profit sharing plan). As of October 8, 2013, each Board Member s individual beneficial shareholdings of each Fund constituted less than 1% of the outstanding shares of each Fund. As of October 8, 2013, the Board Members and executive officers as a group beneficially owned less than 1% of the outstanding shares of each Fund. As of October 8, 2013, no shareholder beneficially owned more than 5% of any class of shares of any Fund, except as provided in Appendix B.

Compensation

Prior to January 1, 2013, each Independent Board Member received a $130,000 annual retainer plus: (a) a fee of $4,500 per day for attendance in person or by telephone at regularly scheduled meetings of the Board; (b) a fee of $3,000 per meeting for attendance in person or by telephone at special, non-regularly scheduled Board meetings where in-person attendance was required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance was not required; (c) a fee of $2,500 per meeting for attendance in person or by telephone at Audit Committee meetings where in-person attendance was required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance was not required; (d) a fee of $2,500 per meeting for attendance in person or by telephone at Compliance, Risk Management and Regulatory Oversight Committee meetings where in-person attendance was required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance was not required; (e) a fee of $1,000 per meeting for attendance in person or by telephone at Dividend Committee meetings; (f) a fee of $500 per meeting for attendance in person or by telephone at all other committee meetings ($1,000 for shareholder meetings) where in-person attendance was required and $250 per meeting for attendance by telephone or in person at such committee meetings (excluding shareholder meetings) where in-person attendance was not required, and $100 per meeting when the Executive Committee acted as pricing committee for IPOs, plus, in each case, expenses incurred in attending such meetings, provided that no fees were received for meetings held on days on which regularly scheduled Board meetings were held; and (g) a fee of $2,500 per meeting for attendance in person or by telephone at Closed-End Funds Committee meetings where in-person attendance was required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance was not required, provided that no fees were received for meetings held on days on which regularly scheduled Board meetings were held. In addition to the payments described above, the Chairman of the Board received $75,000, the chairpersons of the Audit Committee, the Dividend Committee, the Compliance, Risk Management and Regulatory Oversight Committee and the Closed-End Funds Committee received $12,500 each and the chairperson of the Nominating and Governance Committee received $5,000 as additional retainers. Independent Board Members also received a fee of $3,000 per day for site visits to entities that provided services to the Nuveen funds on days on which no Board meeting was held. When ad hoc committees

were organized, the Nominating and Governance Committee at the time of formation determined compensation to be paid to the members of such committees; however, in general, such fees were $1,000 per meeting for attendance in person or by telephone at ad hoc committee meetings where in-person attendance was required and $500 per meeting for attendance by telephone or in person at such meetings where in-person attendance was not required. The annual retainer, fees and expenses were allocated among the Nuveen funds on the basis of relative net assets, although management might have, in its discretion, established a minimum amount to be allocated to each fund.

Effective January 1, 2013, Independent Board Members receive a $140,000 annual retainer plus: (a) a fee of $4,500 per day for attendance in person or by telephone at regularly scheduled meetings of the Board; (b) a fee of $3,000 per meeting for attendance in person or by telephone at special, non-regularly scheduled meetings of the Board where in-person attendance is required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (c) a fee of $2,500 per meeting for attendance in person or by telephone at Audit Committee meetings where in-person attendance is required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (d) a fee of $2,500 per meeting for attendance in person or by telephone at Compliance, Risk Management and Regulatory Oversight Committee meetings where in-person attendance is required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (e) a fee of $1,000 per meeting for attendance in person or by telephone at Dividend Committee meetings; (f) a fee of $500 per meeting for attendance in person or by telephone at all other committee meetings ($1,000 for shareholder meetings) where in-person attendance is required and $250 per meeting for attendance by telephone or in person at such committee meetings (excluding shareholder meetings) where in-person attendance is not required, and $100 per meeting when the Executive Committee acts as pricing committee for IPOs, plus, in each case, expenses incurred in attending such meetings, provided that no fees are received for meetings held on days on which regularly scheduled Board meetings are held; and (g) a fee of $2,500 per meeting for attendance in person or by telephone at Closed-End Funds Committee meetings where in-person attendance is required and $2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required, provided that no fees are received for meetings held on days on which regularly scheduled Board meetings are held. In addition to the payments described above, the Chairman of the Board receives $75,000, the chairpersons of the Audit Committee, the Dividend Committee, the Compliance, Risk Management and Regulatory Oversight Committee and the Closed-End Funds Committee receive $12,500 each and the chairperson of the Nominating and Governance Committee receives $5,000 as additional retainers. Independent Board Members also receive a fee of $3,000 per day for site visits to entities that provide services to the Nuveen funds on days on which no Board meeting is held. When ad hoc committees are organized, the Nominating and Governance Committee will at the time of formation determine compensation to be paid to the members of such committees; however, in general, such fees will be $1,000 per meeting for attendance in person or by telephone at ad hoc committee meetings where in-person attendance is required and $500 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required. The annual retainer, fees and expenses are allocated among the Nuveen funds on the basis of relative net assets, although management may, in its discretion, establish a minimum amount to be allocated to each fund.

The boards of certain Nuveen funds (the Participating Funds) established a Deferred Compensation Plan for Independent Board Members (Deferred Compensation Plan). Under the Deferred Compensation Plan, Independent Board Members of the Participating Funds may defer receipt of all, or a portion, of the compensation they earn for their services to the Participating Funds, in lieu of receiving current payments of such compensation. Any deferred amount is treated as though an equivalent dollar amount had been invested in shares of one or more eligible Nuveen funds.

The table below shows, for each Independent Board Member, the aggregate compensation paid by each Fund to each Board Member nominee for its last fiscal year:

Aggregate Compensation from the Funds[1]

Robert P. Bremner		Jack B. Evans	W
	323	$ 241	$
	1,125	847	
	1,707	1,285	
	866	649	
	187	139	
	7,633	5,295	
	3,277	2,686	

struments with cash settlement features to account separately for the liability and equity components of the value of its cash flows discounted using the issuer s nonconvertible debt borrowing rate at the time of issuance. The between the proceeds from the issuance of the note and the fair value of the liability. The FSP also requires l life of the debt. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods retrospectively for all periods presented. We are currently evaluating FSP APB 14-1 and have not yet determined ancial statements. However, the impact of this new accounting treatment will be significant and will result in a ng in fiscal year 2010 for financial statements covering past and future periods.

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bylaws may delay or prevent transactions that many stockholders may favor.

ylaws may have the effect of delaying, discouraging or preventing a merger or acquisition that our stockholders
stockholders might receive a premium for their shares. These provisions include:

preferred stock without the need for action by stockholders;

organizational documents only by the affirmative vote of the holders of two-thirds of the

ectors, however occurring, including a vacancy resulting from an enlargement of the
ors then in office;

gs of stockholders, although stockholders are permitted to act by written consent; and

tions and proposing matters to be acted on by stockholders at stockholder meetings.

e price of our common stock may continue to fluctuate substantially.

tial public offering and more recently since the announcement of our anticipated restatement in December 2007. In
ors, broad market and industry factors may adversely affect the market price of our common stock, regardless of
se fluctuations in our stock price may include, among other things:

erating results;

securities analysts who might cover our stock, or our failure to meet the estimates made

panies operating in our industry;

gnificant acquisitions, strategic partnerships or divestitures;

our common stock by our directors and officers or by our principal stockholders.

shares of our common stock outstanding and 11,031,138 shares reserved for issuance under our equity
mon stock authorized under our certificate of incorporation. We are obligated under the terms of our convertible
ares of our common stock. We will seek such an increase in connection with our 2008 annual meeting of
thorized capital, we will be required to pay additional interest on our convertible notes. We will also be unable to
nd new employees, which could materially adversely affect our business.

TS

rehouse and distribution facilities are located in the U.S., Israel, United Kingdom, Turkey, Singapore, China, and
nd totals approximately 288,000 square feet.

istrative offices in the U.S. at approximately 11 locations in eight states or jurisdictions and outside the U.S. at
ocations are leased. We are using substantially all of our currently available productive space to develop,
ur facilities are in good operating condition, suitable for their respective uses and adequate for current needs.

Approximate Square Footage
17,443
155,610
132,377
287,987
241,300
153,557
394,857

tion claims were filed against us and certain of our officers. The various complaints specify different class periods,
2006 through December 3, 2007. These lawsuits have been consolidated in the U.S. District Court for the Northern
curities Litigation, C 07-6140 MHP. The original actions were: *Eichenholtz* 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
Fone Holdings, Inc. et al., C 07-6218 MMC; *Cerini* v. *VeriFone Holdings, Inc. et al.*, C 07-6228 SC; *Westend*
al., C 07-6237 MMC; *Hill* v. *VeriFone Holdings, Inc. et al.*, C 07-6238 MHP; *Offutt* v. *VeriFone Holdings, Inc. et*
t al., C 08-0118 CW. On March 17, 2008, the Court held a hearing on Plaintiffs motions for Lead Plaintiff and
itional briefing on these matters, which was submitted in June 2008. We currently expect that, following the Court s
solidated Complaint will be filed. Each of the consolidated actions alleges, among other things, violations of
of 1934 and Rule 10b-5 thereunder, based on allegations that we and the individual defendants made false or
operations during the putative class periods and seeks unspecified monetary damages and other relief. At this time,
estimate any potential liability.

ons were also filed against certain current and former directors and officers. These derivative lawsuits were filed
f California, as *In re VeriFone Holdings, Inc. Shareholder Derivative Litigation*, Lead Case No. C 07-6347, which
347), *Hilborn v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1132), *Patel v. Bergeron, et al.* (Case
dings, Inc.,

or Court, Santa Clara County, as *In re VeriFone Holdings, Inc. Derivative Litigation*, Lead Case
cal Mission Board v. Bergeron, et al. (Case No. 1-07-CV-100980), and *Carpel v. Bergeron, et al.* (Case
her things, that certain of our current and former directors and officers breached their fiduciary duties to us and
and certain common law doctrines by engaging in alleged wrongful conduct complained of in the securities class
s a nominal defendant against whom the plaintiffs seek no recovery. Amended consolidated complaints are
nsolidated cases.

against us in the Central District Court in Tel Aviv, Israel on behalf of purchasers of our stock on the Tel Aviv
damages allegedly incurred by the class of plaintiffs due to the publication of erroneous financial reports. On
dismiss or stay the proceedings, after which the Court requested that the plaintiff and we submit additional
of Israeli law to dually registered companies. This additional information was submitted to the Court in June 2008
on this issue. At this time, we have not recorded any liabilities as we are unable to estimate the potential liabilities.

d we are not able to quantify the extent of our potential liability, if any. An unfavorable outcome in any of these
ness, financial condition, and results of operations. In addition, defending this litigation is likely to be costly and
operations of our business.

n and documents related to the restatement of our fiscal year 2007 interim financial statements to the Securities and
ew York Stock Exchange, and the Chicago Board Options Exchange. The SEC has also expressed an interest in
nd employees, and we are continuing to cooperate with the SEC in responding to the SEC s requests for information.
investigation by any regulatory agency may have on us. There is no assurance that other regulatory inquiries will
regulatory agencies.

ax assessment regarding Brazilian state value added tax (VAT), for the periods from January 2000 to December
manufacturer. The assessment relates to an asserted deficiency of 8.3 million Brazilian reais (approximately
sessment was based on a clerical error in which our Brazilian subsidiary omitted the required tax exemption number
l ultimately incur a material liability in respect of this assessment, because they believe, based in part on advice of
the proceedings relating to this assessment. On May 25, 2005, we had an administrative hearing with respect to this
administrative body sometime in 2008. In the event we receive an adverse ruling from the administrative body, we
e the determination as to whether an accrual is necessary. It is currently uncertain what impact this state tax
sponding exemption to reduce the Brazilian federal VAT.

part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties that relate
sessments were issued by the Federal Revenue Department in the City of Vitória, the City of São Paulo, and the
cies totaling 26.9 million Brazilian reais (approximately $15.3 million) excluding interest. The tax authorities allege
imulated with the objective of evading taxes levied on the importation by under-invoicing the imported goods; the

ugh a fraudulent interposition of parties, where the real sellers and buyers of the imported goods were hidden.

m 4.7 million Brazilian reais (approximately $2.7 million) to 1.5 million Brazilian reais (approximately
anuary 26, 2007. The proceeding has been remitted to the Taxpayers Council to adjudicate the appeal of the first
We also appealed the first level administrative decision on February 26, 2007. In this appeal, we argued that the tax
at the import transactions were indeed fraudulent and that, even if there were some irregularities in such
sibility since all the transactions were performed by the third-party importer of the goods. Management expects to
in 2008. In the event we receive an adverse ruling from the Taxpayers Council, we will decide whether or not to
anding of the underlying facts, we believe that it is probable that its Brazilian subsidiary will be required to pay
rued 4.7 million Brazilian reais (approximately $2.7 million), excluding interest, which we believe is the probable

ve level decision rendered in the São Paulo tax assessment, which maintained the total fine of 20.2 million
On August 10, 2007, we appealed the first administrative level decision to the Taxpayers Council. A hearing was
out the Taxpayers Council did not render a decision pending its further review of the records. Management expects
ne in 2008. In the event we receive an adverse ruling from the Taxpayers Council, we will decide whether or not to
anding of the underlying facts, we believe that it is probable that our Brazilian subsidiary will be required to pay
, we have accrued 20.2 million Brazilian reais (approximately $11.5 million), excluding interest.

ive level decision rendered in the Itajai assessment, which maintained the total fine of 2.0 million Brazilian reais
t. On May 27, 2008, we appealed the first level administrative level decision to the Taxpayers Council. Based on
ieve that it is probable that our Brazilian subsidiary will be required to pay some amount of fines. Accordingly, at
reais (approximately $1.1 million), excluding interest.

demand from the U.S. Department of Justice (DOJ) regarding an investigation into its acquisition of Lipman which
pally with respect to the Company s integration plans and communications prior to the completion of this
and former employees provided information to a representative of the DOJ in response to this request. We are not
at are the subject of the investigation. On June 20, 2008, our counsel received written confirmation from the DOJ

Fone, Inc., et al.

commenced an action in the United States District Court for the Eastern District of Texas, Marshall Division, against
,093,862 purportedly owned by SPA. The plaintiff is seeking a judgment of infringement, an injunction against
ees. We filed an answer and counterclaims on November 8, 2007, and intend to vigorously defend this litigation. On
Trademark Office (the PTO) perform a re-examination of the patent. The PTO granted the request on April 4, 2008.
Court and on April 25, 2008, the Court agreed to stay the proceedings pending the re-examination.

one, Inc., et al.

ent for the Benefit of Creditors), LLC (Cardsoft) commenced an action in the United States District Court for the
nd others, alleging infringement of U.S. Patents No. 6,934,945 and No. 7,302,683 purportedly owned by Cardsoft.
njunction against further infringement, damages, interest, and attorneys fees. We intend to vigorously defend this

ngs related to commercial, customer, and employment matters that have arisen during the ordinary course of its
timate disposition of these matters, our management has determined, based upon the information available at the
ome of these matters, individually or in the aggregate, will not have a material adverse effect on our consolidated

OTE OF SECURITY HOLDERS

holders during the fourth quarter of our fiscal year ended October 31, 2007.

PART II

COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER ES

ock Exchange under the symbol PAY since April 29, 2005. Prior to that time, there was no public market for our

he high and low sale prices of our common stock.

Fiscal 2007 Quarter Ended				Fiscal 2006 Quarter Ended			
n. 31 007	Apr. 30 2007	Jul. 31 2007	Oct. 31 2007	Jan. 31 2006	Apr. 30 2006	Jul. 31 2006	Oct. 31 2006
0.82	$ 42.72	$ 38.94	$ 50.00	$ 28.55	$ 33.56	$ 33.50	$ 29.55
9.26	$ 34.84	$ 31.45	$ 33.03	$ 21.70	$ 22.85	$ 25.95	$ 21.21

on stock on the New York Stock Exchange was $49.43 and as of July 31, 2008, the closing sale price of our
4.96. As of July 31, 2008 there were approximately 33 stockholders of record. Because many shares of our
on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these holders

tal stock in our most recent three full fiscal years. We do not expect to pay any cash dividends for the foreseeable
to finance our operations and growth. Any future determination to pay cash dividends will be at the discretion of
, financial condition, operating results, capital requirements, any contractual restrictions, and other factors that our
Facility contains limitations on the ability of our principal operating subsidiary, VeriFone, Inc., to declare and pay
h our subsidiaries, as a practical matter these restrictions similarly limit our ability to pay dividends on our common

npensation Plans

uance Under Equity Compensation may be found in Item 12 Security Ownership of Certain Beneficial Owners and Compensation Plan Information, which section is incorporated herein by reference.

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our common stock over the period of April 29, 2005 through October 31, 2007,
arket price on April 29, 2005, the end of the first day our common stock traded on the
and thereafter, based on the closing price of our common stock on the market, with the
x (the Comparables Index). The Comparables Index was selected on an industry basis
International Business Machines Corp., MICROS Systems, Inc., NCR Corp. and

the price indicated and that dividends, if any, were reinvested on the date of payment
formance shown in the graph and table represent past performance and should not be
e.

	4/29/2005	10/31/2005	10/31/2006	10/31/2007
	$ 100.00	$ 232.00	$ 292.10	$ 494.30
	$ 100.00	$ 104.34	$ 119.11	$ 133.93
	$ 100.00	$ 112.71	$ 131.58	$ 172.03

formance Graph shall not be considered filed for purposes of Section 18 of the Securities Exchange Act of 1934 or
es Act of 1933 or the Securities Exchange Act of 1934.

d be read in conjunction with our consolidated financial statements and the accompanying notes and Item 7 ndition and Results of Operations included elsewhere in this report. The selected data in this section is not intended

	Years Ended October 31,				
	2007(3)	2006	2005	2004	2003
	(In thousands, except per share data)				
	$ 902,892	$ 581,070	$ 485,367	$ 390,088	$ 339,331
d core and developed technology					
	565,763	313,900	281,607	231,892	200,291
gy assets	37,897	5,625	6,935	9,745	14,148
	603,660	319,525	288,542	241,637	214,439
	299,232	261,545	196,825	148,451	124,892
	65,430	47,353	41,830	33,703	28,193
	96,295	58,607	52,231	44,002	40,024
	80,704	42,573	29,609	25,503	25,039
	21,571	4,703	4,967	10,200	10,200
	6,752				
	270,752	153,236	128,637	113,408	103,456
	28,480	108,309	68,188	35,043	21,436
	(36,598)	(13,617)	(15,384)	(12,597)	(12,456)
	6,702	3,372	598		
	(7,882)	(6,394)	(6,673)	(11,869)	3,557
	(9,298)	91,670	46,729	10,577	12,537
	24,718	32,159	13,490	4,971	12,296
	(34,016)	59,511	33,239	5,606	241
				4,959	6,916
	$ (34,016)	$ 59,511	$ 33,239	$ 647	$ (6,675)
	$ (0.41)	$ 0.90	$ 0.57	$ 0.01	$ (0.14)
	$ (0.41)	$ 0.86	$ 0.54	$ 0.01	$ (0.14)

(loss) per common share:

82,194	66,217	58,318	50,725	48,869
82,194	68,894	61,460	56,588	48,869
$	$	$	$ 1.72	$
$ 2,998	$ 709	$ 187	$	$
5,937	1,194	358		
8,942	2,057	663		
11,015	2,040	479	400	81
$ 28,892	$ 6,000	$ 1,687	$ 400	$ 81

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	As of October 31, (In thousands)				
	2007(3)	2006	2005	2004	2003
	$ 215,001	$ 86,564	$ 65,065	$ 12,705	$ 5,877
	1,547,309	452,945	327,352	245,619	236,967
ion	553,152	192,889	182,806	262,187	62,634
					81,210
	580,922	98,741	26,538	(135,387)	(39,141)
	$ 157,252	$ 130,445	$ 86,423	$ 57,247	$ 49,854

ment provisions of Statement of Financial Accounting Standards (SFAS)
, 2005 using the modified-prospective transition method. For periods prior to
ition and measurement provisions of Accounting Principles Board (APB) Opinion
For further information see Note 2 to the consolidated financial statements
based compensation allocated to each category of expenses for each period is

ion, and amortization, or EBITDA, as adjusted, as the sum of (1) net income (loss)
ny gain or loss from discontinued operations), (2) interest expense, (3) income
airment, and other non-recurring charges, (5) non-cash charges, including non-cash
counting items, and (6) management fees to our principal stockholder. EBITDA, as
ovenants to which we are subject under our Credit Facility. If we fail to maintain
have a default under our Credit Facility, potentially resulting in an acceleration of
ses EBITDA, as adjusted, only in addition to and in conjunction with results
counting principles (GAAP). Management believes that the use of this non-GAAP
nted in accordance with GAAP, helps it to evaluate our performance and to
iods as well as with the results of other companies in our industry. Our competitors
estment history, have interest, tax, depreciation, amortization, and other non-cash
ement also uses this non-GAAP financial measure in our budget and planning
of this non-GAAP financial measure may be useful to investors for many of the
s useful.

ld be considered as a supplement to, and not as a substitute for, or superior to, disclosures made in accordance with
ITDA or EBITDA, as adjusted, calculated by other companies and is not based on any comprehensive set of
djusted, does not reflect all amounts and costs, such as employee stock-based compensation costs, periodic costs of
those assets, cash expenditures or future requirements for capital expenditures or contractual commitments, cash
or the cash requirements necessary to service interest or principal payments on our debt, income taxes and the
charges and losses from discontinued operations, associated with our results of operations as determined in
nue to incur expenses similar to those amounts excluded from EBITDA, as adjusted. Management compensates for
P financial measure.

ns from EBITDA, as adjusted:

es are directly related to the amount of pre-tax income, they are also impacted by tax
tax laws and our tax structure are not under the control of our operational managers,
enefit from) income taxes should be excluded when evaluating our operational

orking capital supports the business, management does not believe that related interest
ble to the operating performance of our business.

t. Management excludes depreciation because while tangible assets support the business,
eciation costs are directly attributable to the operating performance of our business. In
f current or future capital expenditures.

ment excludes amortization of capitalized software because while capitalized software
elieve the related amortization costs are directly attributable to the operating
rtization of capitalized software may not be indicative of current or future expenditures

ns. We incur amortization of purchased core and developed technology assets,
mortization of step-down in deferred revenue on acquisition, and amortization of step-up
acquisitions. Management excludes these items because it does not believe these
esults in the period incurred. These amounts arise from prior acquisitions and
direct correlation to the operation of our business.

ur IPR&D expenses when technological feasibility for acquired technology has not been
ture alternative use for such technology exists. These amounts arise from prior
they have a direct correlation to the operation of VeriFone s business.

nsist primarily of expenses for employee stock options and restricted stock units under
ck-based compensation expenses from non-GAAP financial measures primarily because
t believes are not reflective of ongoing operating results.

costs. This represents charges incurred for consulting services and other professional
es. These expenses also include charges related to restructuring activities, including
excess facilities. As management does not believe that these charges directly relate to
ieves they should be excluded when evaluating our operating performance.

nagement excludes management fees paid to our majority stockholder (which were paid
does not believe that these charges directly relate to the operation of our business.

Management excludes the refund of foreign unclaimed pension benefits because it does
operation of our business.

nt. This represents the non-cash portion of loss incurred on the extinguishment of our
ted our business, management does not believe the related loss on extinguishment is a
rmance of our business.

omparable U.S. GAAP measure, to EBITDA, as adjusted, for the years ended October 31, 2007, 2006, 2005, 2004

	Years Ended October 31,				
	2007	2006	2005	2004	2003
	$ (34,016)	$ 59,511	$ 33,239	$ 5,606	$ 241
	24,718	32,159	13,490	4,971	12,296
	36,598	13,617	15,384	12,597	12,456
	(6,702)	(3,372)	(598)		
ements	7,766	3,505	3,691	2,451	1,333
	1,220	1,231	1,173	698	108
	59,468	10,328	11,902	19,945	24,348
on	3,735	986	700	519	1,561
	13,823	121			
	6,752				
	28,892	6,000	1,687	400	81
	10,234				
			125	250	250
					(2,820)
	4,764	6,359	5,630	9,810	
	$ 157,252	$ 130,445	$ 86,423	$ 57,247	$ 49,854

ense increased due to the increase in the balance of our debt instruments.

ses increased significantly due to the acquisition of Lipman and PayWare.

Note 3 to the Consolidated Financial Statements included herein.

D ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

orward-looking statements that involve risks and uncertainties. In some cases, forward-looking statements can be believes, plans, predicts, and similar terms. Such forward-looking statements are based on current try, and management s beliefs and assumptions made by management. Forward-looking statements are not may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such d in Item 1A Risk Factors above. The following discussion should be read in conjunction with the consolidated e in this Form 10-K. Unless required by law, we undertake no obligation to update any forward-looking events, or otherwise.

ent had identified errors in accounting related to the valuation of in-transit inventory and allocation of
d that as a

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f our unaudited condensed consolidated financial statements would be required for the following interim periods:

; and

.

nt would result in changes to previously reported results as follows:

	As of and for the Three Months Ended		
	January 31, 2007	April 30, 2007	July 31, 2007
		(In millions)	
	$ 7.7	$ 16.5	$ 30.2
	$ 8.9	$ 7.0	$ 13.8

Audit Committee approved the commencement of an independent investigation into the errors in accounting that engaged independent counsel, Simpson Thacher & Bartlett LLP (Simpson Thacher), to conduct the independent Simpson Thacher engaged Navigant Consulting, Inc. (Navigant) as independent forensic accountants. The scope of onsultation with Navigant and approved by the Audit Committee. The investigation involved a program of forensic

ified by management and described in our December 3, 2007 announcement;

ther restatement in the interim periods of fiscal year 2007 and the adjustments required ements; and

ds prior to fiscal year 2007 may also be required to be restated.

ve team that ultimately consisted of approximately 70 professionals. Information and documents were gathered arch technology, the investigative team evaluated over five million documents in physical and electronic form. d journal entries. The investigative team also conducted more than 25 interviews of senior executives, former nce, accounting and supply chain personnel.

s complete and that the investigation had confirmed the existence of the errors in accounting identified in our stigation confirmed that incorrect manual journal and elimination entries had been made primarily by our th respect to several inventory-related matters.

ith respect to manual journal entries were not followed and that the review processes and controls in place were not anner. The investigation found no evidence that any period prior to fiscal year 2007 required restatement.

e also conducted an internal review for the purpose of restating our fiscal year 2007 interim condensed consolidated
nnual consolidated financial statements and fiscal year 2008 interim condensed consolidated financial statements.
accounting determinations and judgments. As a result, we have also corrected additional errors, including errors

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gregate such errors were not material to our consolidated financial statements. Management also made additional
corded, such as bonuses, which were accrued based upon information which, following the restatement, was no

ted in the following adjustments:

	As of and for the Three Months Ended		
	January 31, 2007	April 30, 2007	July 31, 2007
		(In millions)	
	$ 13.3	$ 23.9	$ 40.6
	$ 12.5	$ 9.9	$ 14.4
	$ 4.7	$ 9.7	$ 55.8

tement were:

ths ended January 31, 2007 that erroneously added manufacturing and distribution
subsidiaries, notwithstanding that overhead had already been allocated to that inventory.
d inventory and reduced reported cost of net revenues by $7.7 million in the three

ded April 30, 2007 and July 31, 2007 that erroneously recorded in-transit inventory of
nd an additional $7.3 million at July 31, 2007 based on erroneous methodology and

of intercompany profit in inventory for the nine months ended July 31, 2007.

d restatement process, we identified material weaknesses in our internal control over financial reporting, as a result
internal control over financial reporting was not effective as of October 31, 2007. These material weaknesses and
r Item 9A Controls and Procedures in this Annual Report.

tions. We provide expertise, solutions, and services that add value to the point of sale with merchant-operated,
he financial, retail, hospitality, petroleum, government, and healthcare vertical markets. We have one of the leading
rgest providers of electronic payment systems worldwide. We believe that we benefit from a number of
ry and success in our industry. These advantages include our globally trusted brand name, large installed base,
industry standards, global operating scale, customizable platform, and investment in research and development. We
ze on the continuing global shift toward electronic payment transactions as well as other long-term industry trends.

g-term shift towards electronic payment transactions and away from cash and checks in addition to the need for
s have been higher because of the relatively low penetration rates of electronic payment transactions in many
eir economies and using electronic payments as a means of improving value-added tax, or VAT, and sales tax
th, including the shift from dial up to internet protocol, or IP, based and wireless communications personal
nd advances in computing technology which enable vertical solutions and non-payment applications to reside at the

k-end loaded as we receive sales orders and deliver our system solutions increasingly towards the end of each
loading may adversely affect our results of operations in a number of ways. First, if we expect to receive sales
ter or if we do not receive them in sufficient time to deliver our systems solutions and recognize revenue in that
ersely affected. In addition, the manufacturing processes at our internal manufacturing facility could become
se labor and other manufacturing costs and negatively impact gross margins. If, on the other hand, we were to hold
bject to the risk of inventory obsolescence. The concentration of orders may also make it difficult to accurately
ld experience a shortage of the components needed for production, possibly delaying shipments and causing lost
d operating profit expectations for a particular quarter and could increase the fluctuation of our quarterly results if
or orders are cancelled by customers.

ur customers endeavor to meet ever escalating governmental statutory requirements related to the prevention of
rom the credit and debit card associations, including Visa International, or Visa, MasterCard Worldwide, or
ices, and JCB Co., Ltd., or JCB. In 2006, these card associations established the Payment Card Industry Council, or
he areas of credit card data security, referred to as the PCI-PED standard which consists of PIN-entry device
PCI-DSS, standard.

d International. We define North America as the United States and Canada, and International as all other countries

 based debit and more secure systems will continue worldwide. In addition, demand in emerging economies will
 collect more VAT. We continue to devote research and development resources to address these market needs.

ngineering Ltd, or Lipman, and in connection with this acquisition, we issued 13,462,474 shares of our common
the outstanding ordinary shares of Lipman. All options to purchase Lipman ordinary shares were exchanged for
ur common stock. In addition, in accordance with the merger agreement, Lipman s Board of Directors declared a
e, or an aggregate amount of $40.4 million. The aggregate purchase price for this acquisition was $799.3 million.

nic payment systems and solutions that enable electronic transactions, which we identify as System Solutions, and
ployment, installation and upgrade services, and customer specific application development, which we identify as

ces, are summarized in the following table (in thousands, except percentages):

Years Ended October 31,			Change in Dollars		Change in Percent	
2007	2006	2005	2007 vs 2006	2006 vs 2005	2007 vs 2006	2006 vs 2005
$ 792,289	$ 517,154	$ 429,741	$ 275,135	$ 87,413	53.2%	20.3%
110,603	63,916	55,626	46,687	8,290	73.0%	14.9%
$ 902,892	$ 581,070	$ 485,367	$ 321,822	$ 95,703	55.4%	19.7%

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or 53%, to $792.3 million for the fiscal year ended October 31, 2007, from $517.2 million for the fiscal year ended
sed 88% of total net revenues for the fiscal year ended October 31, 2007 compared to 89% from the fiscal year

l year ended October 31, 2007 increased $213.1 million, or 90%, to $450.5 million, from $237.5 million for the
gely attributable to growth across emerging economies, in particular Brazil, Turkey, China, and Israel. Factors
were the addition of the Nurit product lines, acquired in the Lipman acquisition, and the continued desire of these
collection of VAT. In Western Europe, sales in the UK, Spain, and Italy, countries where Lipman had a strong
t that the proportion of International System Solutions net revenues, relative to North America System Solutions net
t the next year. In addition, we may experience periodic variations in sales to our International markets.

cal year ended October 31, 2007 increased $61.5 million, or 22%, to $341.8 million, from $280.2 million for the
imarily attributable to an increase in demand for wireless products due to our customers interest in differentiating
n Canada, where customers are preparing for a transition to EMV and Interac Chip acceptance. In addition, sales
CI security compliance. Partially offsetting this increase was a decline in sales for a legacy check processing

or 20%, to $517.2 million for the fiscal year ended October 31, 2006, from $429.7 million for the fiscal year ended
sed 89% of total net revenues for the fiscal year ended October 31, 2006, which was essentially unchanged from

l year ended October 31, 2006 increased $47.4 million, or 25%, to $237.5 million, from $190.1 million for the
gely attributable to growth in emerging economies in Latin America, Gulf States, and Eastern Europe, and to a
declined slightly, partially due to higher sales for the fiscal year ended October 31, 2005 because of a Malaysian
g our China business for the fiscal year ended October 31, 2006. Factors driving the overall international increase
rove collection of VAT, broadening customer acceptance of our Vx Solutions, including our second generation
with EMV requirements.

cal year ended October 31, 2006 increased $40.0 million, or 17%, to $279.7 million, from $239.7 million for the
imarily attributable to the ongoing replacement of the installed base with System Solutions that have IP
factors included greater demand for solutions which address the lower priced single application financial system
reased sales of our legacy check processing solution, but these increases were offset by a decline in our quick
rollouts were largely complete by October 31, 2005.

o $110.6 million for the fiscal year ended October 31, 2007 from $63.9 million for the fiscal year ended October 31,
d to a lesser degree in North America. International growth was due to higher maintenance revenues and
th the acquisition of Lipman. In North America, the growth of services was primarily due to a significant field

$63.9 million for the fiscal year ended October 31, 2006 from $55.6 million for the fiscal year ended October 31,
d to a lesser degree in North America. International growth was driven by increased demand for repair and
cation services provided to a large European petroleum customer. In North America, the growth of services
s partially offset by a decline in services provided to quick service restaurant customers.

lutions and Services (in thousands, except percentages):

Amount Years Ended October 31,			Gross Profit Percentage Years Ended October 31,		
2007	2006	2005	2007	2006	2005
$ 246,294	$ 230,106	$ 170,330	31.1%	44.5%	39.6%
52,938	31,439	26,495	47.9%	49.2%	47.6%
$ 299,232	$ 261,545	$ 196,825	33.1%	45.0%	40.6%

, or 7%, to $246.3 million for the fiscal year ended October 31, 2007, from $230.1 million for the fiscal year ended
esented 31.1% of System Solutions net revenues for the fiscal year ended October 31, 2007, down from 44.5% for
percentage decline reflects higher corporate costs, largely attributable to the acquisition of Lipman. In addition,
nal and North America. Gross profit percentage also declined due to the higher proportion of international net
th American net revenues.

higher proportion of sales, following the Lipman acquisition, in China and Brazil where price competition is
rkey and Mexico. We also discounted non-PCI compliant solutions in order to reduce inventory levels. In addition,
es increased as a proportion of total sales. As international sales typically carry lower gross profit percentages
verse impact on total gross margin.

y due to the lower proportion of Petroleum system solution sales, which carry higher than average gross margins,
wer than average margins. Year end discounting for non-PCI compliant inventory had a slight unfavorable impact
ear over year and carry above average margins, partially offset these declines.

net revenues for the fiscal year ended October 31, 2007 compared to 2.6% of System Solutions net revenues for the
eased as a percentage of System Solutions net revenues, in part due to higher non-cash acquisition related charges
purchased core and developed technology assets, $13.9 million of amortization of step-up in inventory and
venue. In addition, stock-based compensation increased by $2.1 million. The fiscal year 2007 Corporate costs also
inventory, scrap, and accrual of liabilities to purchase excess components from contract manufacturers. The similar
n. Slightly under half of these charges in fiscal year 2007 related to non-PCI compliant inventory as the
he markets in which non-PCI compliant inventory and components could be sold. Corporate costs are comprised of
purchased core and developed technology assets, step-up of inventory and step-down in deferred revenue, and

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ce and scrap at corporate distribution centers, rework, specific warranty provisions, non-standard freight,
d supply chain engineering overhead. Since these costs are generally incurred on a company-wide basis, it is
or International segments.

n of purchased core and developed technology assets, increased $59.8 million, or 35%, to $230.1 million for the
for the fiscal year ended October 31, 2005. Gross profit on System Solutions represented 44.5% of System
31, 2006, up from 39.6% for the fiscal year ended October 31, 2005. Amortization of purchased core and developed
enues for the fiscal year ended October 31, 2006, compared to 1.6% for the fiscal year ended October 31, 2005, as
became fully amortized and System Solutions revenues grew. Gross profit percentage improved due to reduction in
tage in International and North America segments.

, to $52.9 million for the fiscal year ended October 31, 2007, from $31.4 million for the fiscal year ended
7.9% of Services net revenues for the fiscal year ended October 31, 2007, as compared to 49.2% for the fiscal year
her proportion of international services revenues, which carry lower margins relative to North America.

to $31.4 million for the fiscal year ended October 31, 2006, from $26.5 million in the same period of fiscal year
enues for the fiscal year ended October 31, 2006, as compared to 47.6% for the same periods in fiscal year 2005.
wards helpdesk and on site maintenance service to petroleum customers and away from deployment services to
mprovements.

cal years ended October 31, 2007, 2006, and 2005 are summarized in the following table (in thousands, except

Years Ended October 31,			Change in Dollars		Change in Percent	
			2007 vs	2006 vs	2007 vs	2006 vs
2007	2006	2005	2006	2005	2006	2005
$ 65,430	$ 47,353	$ 41,830	$ 18,077	$ 5,523	38.2%	13.2%
7.2%	8.1%	8.6%	5.6%	5.8%		

7 increased compared to the same period ended October 31, 2006, due to $13.6 million of expenses incurred at
pensation, and $2.5 million of expenses incurred at former PayWare entities, all partially offset by $4.8 million of
atement of Financial Accounting Standards (SFAS) No. 86 for the fiscal year ended October 31, 2007 as compared
increase in the number of projects which have software spending.

6 increased compared to the fiscal year ended October 31, 2005, primarily due to $5.4 million of increased
untertop, Mx870 multi-lane retail and other worldwide initiatives as well as $0.9 million of expenses from the
as acquired on March 1, 2005. Partially offsetting this was $1.6 million of lower expenses for petroleum
expenses due to the non-recurrence of certification expenses to support the 2005 introduction of the Vx platform
sed expenses was due to stock-based compensation for the fiscal year ended October 31, 2006.

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October 31, 2007, 2006, and 2005 are summarized in the following table (in thousands, except percentages):

Years Ended October 31,			Change in Dollars		Change in Percent	
			2007 vs	2006 vs	2007 vs	2006 vs
2007	2006	2005	2006	2005	2006	2005
$ 96,295	$ 58,607	$ 52,231	$ 37,688	$ 6,376	64.3%	12.2%
10.7%	10.1%	10.8%	11.7%	6.7%		

ctober 31, 2007 increased compared to the fiscal year ended October 31, 2006. The higher expenses, due primarily
5.7 million of increased personnel costs, $6.9 million of increased stock-based compensation, $6.0 million of
keting communication expenses, and $2.2 million of increased travel expenses.

ctober 31, 2006 increased compared to the fiscal year ended October 31, 2005, due to $2.3 million of increased
les growth, a $1.6 million increase in corporate sales incentive programs and promotional expenses pertaining to
nily and wireless initiatives and acquisition integration expenses, and $0.7 million of increased expenses from the
increased expenses was due to stock-based compensation for the fiscal year ended October 31, 2006.

ended October 31, 2007, 2006, and 2005 are summarized in the following table (in thousands, except percentages):

Years Ended October 31,			Change in Dollars		Change in Percent	
			2007 vs	2006 vs	2007 vs	2006 vs
2007	2006	2005	2006	2005	2006	2005
$ 80,704	$ 42,573	$ 29,609	$ 38,131	$ 12,964	89.6%	43.8%
8.9%	7.3%	6.1%	11.8%	13.5%		

nded October 31, 2007 increased compared to the fiscal year ended October 31, 2006, due to the acquisitions of
gration expenses relating to the acquisition of Lipman and restructuring charges in VeriFone entities, $9.0 million
ncreased personnel costs, $2.7 million of increased outside contracted services, $2.0 million of increased bad debt
).9 million of increased insurance expenses.

nded October 31, 2006 increased compared to the fiscal year ended October 31, 2005, due to a $4.7 million
ting as a public company, including $2.7 million associated with Section 404 of the Sarbanes-Oxley Act of 2002, a
of the payroll tax contingency recorded in 2005, a net $1.6 million increase in bad debt expenses primarily due to
with the collection of specifically reserved accounts receivables, a $1.5 million increase in executive bonuses, a
ts in connection with the acquisition of Lipman and implementation of Enterprise Resource Planning system
was due to stock-based compensation for the fiscal year ended October 31, 2006.

of purchased intangible assets increased $16.9 million, to $21.6 million from $4.7 million for the fiscal year ended
itional purchased intangible assets relating to the acquisition of Lipman, which was completed on November 1,

of purchased intangible assets decreased $0.3 million, to $4.7 million from $5.0 million for the comparable period
hased intangible assets having been fully amortized during the fiscal year ended October 31, 2005, offset in part by
the acquisition of GO Software, which was completed on March 1, 2005.

e fiscal year ended October 31, 2007 in connection with our Lipman acquisition. The products considered to be
communication modules which have subsequently reached technological feasibility.

ving consumer-activated systems in process. The first involved a new category of PIN pad devices with debit,
es to countertop systems and ECRs. The project was 75% complete at November 1, 2006. The estimated cost of
e expected completion date was December 2006. The project was completed during the three months ended

er-activated payment systems for multi-lane retailers. New features include a faster processor, more memory,
3 option, and smart card option. The project was in the pilot stage. The estimated cost of completion at
ct was completed during the three months ended January 31, 2007 for approximately the estimated cost.

eveloping new modem, Ethernet, and ISDN communication modules for countertop system solutions, consisting of
achieve desired functions, operating system drivers, library, and application modifications. The project was 50%
mpletion at the acquisition date was $0.2 million and the expected completion date was December 2006. The
31, 2007 for approximately the estimated cost.

s and those forecasts were used to develop a discounted cash flow model. The discount rate assigned to in-process
k associated with these in-process projects.

nse increased $23.0 million to $36.6 million, from $13.6 million for the fiscal year ended October 31, 2006. The
primarily attributable to the principal amount of debt outstanding due to the completion of our acquisition of
es paid following issuance of our convertible debt. We will pay 1.375% interest per annum on the principal amount
in cash on June 15 and December 15 of each year, commencing on December 15, 2007. As a result of the
gister the notes and the underlying shares with the SEC, we have been subject since December 20, 2007 to
nnum, which increased to 0.50% per annum on March 19, 2008 relating to our registration obligations relating to
d not increase our authorized capital to permit conversion of all of the notes at the initial conversion rate, since
terest of 2.0% per annum on the principal amount of the notes, which will increase by 0.25% per annum on each
en increased. In addition, the interest rate on the notes increased an additional 0.25%

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interest described above), because we failed to timely file and deliver this Annual Report on Form 10-K.

Amendment to the Credit Agreement (the Second Amendment) with the Lenders under our Credit Facility. In
n increase in the interest rate payable on the term loan and any revolving commitments of 0.75% per annum. On
e Credit Agreement (the Third Amendment) with the Lenders under the Credit Facility. The Third Amendment
financial information for the three-month periods ended January 31, April 30 and July 31, 2007, the fiscal year
ed January 31 and April 30, 2008 to August 31, 2008. There are no changes to interest rates with the Third

ludes 3.1 million Brazilian reais (approximately $1.5 million) of interest recorded in fiscal 2007 related to interest
ary for the items disclosed in Note 11. There was no such interest expense in fiscal 2006.

nse decreased $1.8 million to $13.6 million, from $15.4 million for the fiscal year ended October 31, 2005. The
attributable to the repayment of our Second Lien Loan in May 2005 with the proceeds that we received from our

(FASB) issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon*
PB 14-1 requires the issuer of convertible debt instruments with cash settlement features to account separately for
e debt would be recognized at the present value of its cash flows discounted using the issuer s nonconvertible debt
onent would be recognized as the difference between the proceeds from the issuance of the note and the fair value of
tant debt discount over the expected life of the debt. The FSP is effective for fiscal years beginning after
ars. Entities are required to apply the FSP retrospectively for all periods presented. We are currently evaluating
s adoption will have on our consolidated financial statements. However, the impact of this new accounting
nt increase to non-cash interest expense beginning in fiscal year 2010 for financial statements covering past and

October 31, 2007 increased from $3.4 million for the fiscal year ended October 31, 2006. The increase was
ded October 31, 2007 relative to the fiscal year ended October 31, 2006.

October 31, 2006 increased from $0.6 million for the fiscal year ended October 31, 2005. The increase was
s that we received from our secondary offering which closed in September 2005.

e, net was $7.9 million resulting primarily from the write-off of debt issuance costs of $4.8 million related to the
2.3 million resulting from the net effects of currency conversion transactions, currency translation, and settlements
ded October 31, 2006, other expense, net was $6.4 million resulting primarily from a $6.4 million loss on early
Facility.

on for the fiscal year ended October 31, 2007 compared to a provision for income taxes of $32.2 million for the

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decrease in global pre-tax income and changes in the jurisdictional mix of income, partially offset by increases in

ed October 31, 2007 as compared to 35% for the fiscal year ended October 31, 2006. The effective tax rate was
fiscal year ended October 31, 2007 due to the decrease in global pre-tax income and changes in the jurisdictional
ion allowance during the year ended October 31, 2007.

on for the fiscal year ended October 31, 2006, compared to $13.5 million in fiscal year 2005. The increase in the
n the fiscal year ended October 31, 2005 is primarily attributable to an increase in our pre-tax income and
he fiscal year ended October 31, 2006, our effective tax rate was 35.1% as compared to 28.9% for the fiscal year
rimarily attributable to the net effect of increases in pre-tax income, a smaller reduction in our valuation allowance
credit offset by increases in the amount of income considered permanently reinvested in foreign operations and

ssets on our consolidated balance sheet after recording a valuation allowance against foreign tax credits
tain tax deductible intangible assets reversing beyond 2010 and various non-U.S. net operating losses. The
sufficient U.S. and foreign taxable income. The amount of deferred tax assets considered realizable may increase
he underlying basis for our estimates of future domestic and certain foreign taxable income.

rvice, or IRS, for our fiscal years 2003 and 2004. Although we believe we have correctly provided appropriate
o audit, the IRS may adopt different interpretations. We have not yet received any final determinations with respect

, or ITA, for our fiscal years 2004 through 2006 and the Brazil tax authority for calendar tax years 2003 through
ppropriate amounts for income taxes payable for the years subject to audit, the ITA may adopt different
minations with respect to these audits.

ct non-cash acquisition charges, including amortization of purchased core and developed technology assets, step-up
er Corporate charges, including inventory obsolescence and scrap at corporate distribution centers, rework, specific
absorption of materials management, and supply chain engineering overhead.

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nd operating income to totals for the fiscal years ended October 31, 2007, 2006 and 2005.

Years Ended October 31,			Change in Dollars		Change in Percent	
			2007 vs	2006 vs	2007 vs	2006 vs
2007	2006	2005	2006	2005	2006	2005
$ 400,433	$ 333,673	$ 289,720	$ 66,760	$ 43,953	20.0%	15.2%
506,195	248,383	196,347	257,812	52,036	103.8%	26.5%
(3,736)	(986)	(700)	(2,750)	(286)	278.9%	40.9%
$ 902,892	$ 581,070	$ 485,367	$ 321,822	$ 95,703	55.4%	19.7%
$ 156,562	$ 129,358	$ 104,867	$ 27,204	$ 24,491	21.0%	23.4%
110,795	60,965	37,375	49,830	23,590	81.7%	63.1%
(238,877)	(82,014)	(74,054)	(156,863)	(7,960)	191.3%	10.7%
$ 28,480	$ 108,309	$ 68,188	$ (79,829)	$ 40,121	(73.7)%	58.8%

nded October 31, 2007 as compared to the prior year was primarily driven by an increase of approximately
Services net revenues following the Lipman acquisition. See Results of Operations Net Revenues for additional

r ended October 31, 2007 as compared to the prior year was primarily driven by an increase of approximately
rvices net revenues following the Lipman acquisition. See Results of Operations Net Revenues for additional

scal year ended October 31, 2007 compared to the prior year was due to higher revenue as a result of both the
et by a declining gross profit percentage and higher operating expenses. See Results of Operations Gross Profit for

the fiscal year ended October 31, 2007 was due to higher revenue, and gross profit, partially offset by a declining
ross Profit for additional commentary. In addition, North America research and development expenses for the fiscal
rojects which have since been broadened in scope and will benefit customers outside the North America segment.
year ended October 31, 2007 are charged to Corporate.

l year ended October 31, 2007 was primarily due to higher non-cash acquisition related charges including an
ore and developed technology assets, $16.9 million of amortization of purchased intangible assets, $13.8 million of
million of in-process research and development charges, and $2.7 million of amortization of step-down in deferred
sation increased by $22.9 million. Furthermore, in fiscal year 2007, Corporate costs included $15.3 million in
rual of liabilities to purchase excess components from contract manufacturers, compared to $4.2 million for fiscal
7 charges related to non-PCI compliant inventory as the December 31, 2007 PCI deadline significantly reduced the
ponents could be sold. Also, product warranty cost increased $3.7 million primarily due to product situation reserve
million of engineering expenses for projects which previously benefited North America in the fiscal year ended
the Corporate engineering function and charged

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urthermore, Corporate operating expenses increased $36.9 million primarily due to the acquisitions of Lipman and

cal year ended October 31, 2006 compared to the prior year was mainly due to increased net revenues and a higher
higher margin Vx wireless solutions and favorable product mix, partially offset by higher operating expenses.

the fiscal year ended October 31, 2006 compared to the prior year was mainly due to higher net revenues and a
oduct mix in both System Solutions and to a lesser extent Services, which was partially offset by higher operating

	Years Ended October 31,		
	2007	2006	2005
	(In thousands)		
	$ 89,270	$ 16,747	$ 40,159
	(311,696)	(4,025)	(35,004)
	349,920	7,834	47,319
n	943	943	(114)
	$ 128,437	$ 21,499	$ 52,360

ervice our debt, finance working capital, and to make capital expenditures and investments. At October 31, 2007,
valents of $215 million and our $40 million unused revolving credit facility.

pital amounted to $76.7 million for the fiscal year ended October 31, 2007. A net loss of $34.0 million was offset
rily of acquisition-related charges of $66.2 million; stock-based compensation expense of $28.9 million;
and equipment, capitalized software, and debt issuance costs totaling $10.7 million; and the non-cash portion of the

pital netted to $12.5 million during the fiscal year ended October 31, 2007. The main drivers are as follows:

s reduction occurred primarily because the beginning balance of inventory for the period
inventory for our initial stocking of inventory for new product releases. In addition, we
mand changes triggered by the acquisition of Lipman;

on due to timing of purchases of inventory and services;

on due to an increased in deferred service such as customer support and installations;

8.1 million, which included increases in deferred tax liabilities of $38.3 million and
y offset by an increase in deferred tax assets of $29.1 million and the reclassification of
f $11.5 million;

illion due to higher sales and sales orders being received more towards the end of our

t assets of $41.5 million and in other assets of $5.1 million.

cal year ended October 31, 2006, which was attributable to net income of $59.5 million and depreciation,
n, offset by $71.5 million used by net operating assets and liabilities. The principal uses of net operating assets and
e largely attributable to an increase in inventories of $52.0 million, an increase in accounts receivable of
million, an increase in prepaid expenses and other current assets of $4.4 million, an increase in other assets of
of $3.4 million, a decrease in accrued warranty of $1.3 million, and a decrease in accrued expenses and other
ce for the previous year, as measured by inventory turns, was at an unusually low balance due to a number of
itional issues with two contract manufacturers. In addition, we increased inventory as a result of balancing our
by the acquisition of Lipman. The accounts receivable increase was primarily driven by higher sales in addition to
gher days sales outstanding (DSO). This was partially offset by an increase in accounts payable of $17.2 million
ome tax payable of $1.5 million, an increase in accrued compensation of $2.7 million, and an increase in deferred

e fiscal year ended October 31, 2007. The acquisition of Lipman used cash of $263.6 million, net of cash and cash
st in VeriFone Transportation Systems (VTS) for cash of $4.1 million, net of cash and cash equivalents acquired. In
totaling $5.7 million. Purchases of property, plant, and equipment totaled $30.2 million, including an increase in
d to our migrating to a new enterprise resource planning information system, which will replace our existing
pment costs was $7.7 million.

ing the fiscal year ended October 31, 2006. Cash generated by the sale of marketable securities was $141.9 million,
f $125.0 million, capitalization of software development of $2.0 million, purchases of other assets of $0.9 million,
on, transaction costs for pending acquisitions of $3.4 million, and acquisition of PayWare, net of cash and cash of

the fiscal year ended October 31, 2007. In November 2006, we drew $305.3 million, net of costs, on our Term B
e issued 1.375% Senior Convertible Notes (the Senior Notes) for net proceeds of $307.9 million. We used
pay down our Term B loan in addition to other payments totaling $3.8 million against our Term B loan and other
e used $80.2 million to purchase a hedge on the Senior Notes and received $31.2 million from the sale of warrants.
he exercise of stock options and $11.5 million from the tax benefit derived from stock-based compensation.

l year ended October 31, 2006, primarily due to tax benefits related to exercise of stock options of $3.4 million,
ds from stock options exercises of $3.0 million, partially offset by principal payments of $182.6 million on the
ases.

om prior periods as well as from those currently planned. These requirements will depend on a number of factors,

nay make in product or market development such as our current investments in expanding our International
y affected by any acquisition we may make in the future. Based upon our current level of operations, we believe
requirements for the next year, including capital expenditures, working capital requirements, and future strategic
.

y (the Old Credit Facility) with a syndicate of financial institutions. The Old Credit Facility consisted of a Revolver
of $190 million, and a Second Lien Loan of $72 million.

, Inc. (the Borrower), entered into a credit agreement consisting of a Term B Loan facility of $500 million and a
40 million. The proceeds from the Term B loan were used to repay all outstanding amounts relating to the Old
fund the cash consideration in connection with the acquisition of Lipman on November 1, 2006. Through
of $263.8 million, leaving a Term B Loan balance of $236.2 million at October 31, 2007.

Inc. and certain of its subsidiaries and is secured by collateral including substantially all of our assets and stock of
nt discussed below, at October 31, 2007 and October 31, 2006, the interest rates were 7.11% and 7.12% on the
n, respectively. We pay a commitment fee on the unused portion of the revolving loan under the Credit Facility at a
depending upon its consolidated total leverage ratio. As of October 31, 2007 and 2006, the commitment fee was
etter of credit fee on the unused portion of any letter of credit issued under the Credit Facility at a rate that varies
ur consolidated total leverage ratio. At October 31, 2007 and October 31, 2006, we were subject to a letter of credit
.

bears interest at a rate of 1.25% over the three-month LIBOR, which was 5.36%, or 0.25% over the lender s base
ption, the revolving loan bore interest at a rate of 1.50% over the three-month LIBOR, which was 5.37%, or 0.50%
ober 31, 2007, the entire $40 million revolving loan was available for borrowing to meet short-term working capital
06, the Term B Loan bore interest at a rate of 1.75% over the three-month LIBOR or 0.75% over the lender s base

based on one, two, three, or six-month periods. The lender s base rate is the greater of the Federal Funds rate plus
ve maturity dates on the components of the Credit Facility are October 31, 2012 for the revolving loan and
Term B Loan are due in equal quarterly installments of $1.2 million over the seven-year term on the last business
urity.

h financial covenants, including maintaining leverage and fixed charge coverage ratios at the end of each fiscal
st rates, and limits on annual capital expenditure levels. As of October 31, 2007, we were required to maintain a
ed charge coverage ratio of at least 2.0 to 1.0. Total leverage ratio is equal to total debt less cash as of the end of a
DA for the most recent four consecutive fiscal quarters. Some of the financial covenants become more restrictive
any of the financial covenants without cure or waiver would constitute an event of default under the Credit
financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of
termination of the revolving loan. The Credit Facility also contains non-financial covenants that restrict some of
ncur additional debt, pay

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expenditures, and engage in specified transactions with affiliates. The terms of the Credit Facility permit
ncipal upon the occurrence of certain events including among others, the receipt of proceeds from the sale of assets,
t of proceeds of certain debt issues. The Credit Facility also contains customary events of default, including defaults
ent of principal, interest, or fees when due, subject to specified grace periods, breach of specified covenants, change
d warranties. We were in compliance with our financial and non-financial covenants as of October 31, 2007.

ediate Holdings, Inc. entered into a First Amendment to the Credit Agreement and Waiver (the First Amendment)
31, 2006. The First Amendment extends the deadlines for delivery of certain required financial information for the
y 31, 2007, the year ended October 31, 2007 and the three-month period ended January 31, 2008. In connection
ing Lenders a fee of $0.7 million, or 0.25% of the aggregate amount outstanding under the Term B loan and
enting Lenders, and agreed to an increase in the interest rate payable on the term loan of 0.25% per annum.

iate Holdings, Inc. entered into a Second Amendment to the Credit Agreement (the Second Amendment) with the
nt extends the time periods for delivery of certain required financial information for the three-month periods ended
October 31, 2007, and the three-month periods ended January 31 and April 30, 2008 to July 31, 2008. In connection
enting Lenders a fee of $0.7 million, or 0.25% of the aggregate amount outstanding under the term loan and
enting Lenders, agreed to an additional increase in the interest rate payable on the Term B loan and any revolving
of 0.125% per annum to the commitment fee for unused revolving commitments, and agreed to an increase of
ch are effective from the date of the Second Amendment.

ate Holdings, Inc. entered into a Third Amendment to the Credit Agreement (the Third Amendment) with the
extends the time periods for delivery of certain required financial information for the three-month periods ended
October 31, 2007 and the three-month periods ended January 31 and April 30, 2008 to August 31, 2008. In
d to consenting Lenders a fee of $0.3 million, or 0.125% of the aggregate amount outstanding under the Term B
made available by the consenting Lenders. Following the Third Amendment, the Borrower pays interest on the
(the Borrower may elect at the end of an interest period to have the term loan bear interest at 1.75% over the
nterest, at the Borrower s option, at either 2.0% over LIBOR or 1.0% over the lender s base rate, assuming the
l consolidated leverage ratio.

rs agreed that no default that may have arisen under the Credit Agreement by virtue of any failure to deliver
for the fiscal quarters being restated would be a Default or an Event of Default as defined under the Credit
ult or Event of Default would for all purposes of the Credit Agreement and related loan documents be waived.

cipal amount of 1.375% Senior Convertible Notes due 2012 (the Notes) in an offering through Lehman Brothers
chasers) to qualified institutional buyers pursuant to Section 4(2) and Rule 144A under the Securities Act. The net
osts, were approximately $307.9 million. We incurred

ransaction costs, consisting of the initial purchasers discounts and offering expenses, were primarily recorded in
st expense using the effective interest method over five years. We will pay 1.375% interest per annum on the
arrears in cash on June 15 and December 15 of each year, commencing on December 15, 2007, subject to increase

k National Association, as trustee. Each $1,000 of principal of the Notes will initially be convertible into
valent to a conversion price of approximately $44.02 per share, subject to adjustment upon the occurrence of
Notes prior to maturity during specified periods as follows: (1) on any date during any fiscal quarter beginning
er) if the closing sale price of our common stock was more than 130% of the then current conversion price for at
trading days ending on the last trading day of the previous fiscal quarter; (2) at any time on or after March 15, 2012;
rights or warrants (other than pursuant to a rights plan) entitling them to purchase, for a period of 45 calendar days
he average closing sale price for the ten trading days preceding the declaration date for such distribution; (4) if we
her assets, debt securities, or rights to purchase our securities (other than pursuant to a rights plan), which
closing sale price of our common stock on the trading day preceding the declaration date for such distribution;
ntal changes occur; or (6) during the five business-day period following any five consecutive trading-day period in
of the average of the closing sale price of our common stock for each day during such five trading-day period
version, we would pay the holder the cash value of the applicable number of shares of our common stock, up to the
rincipal amount, if any, will be paid in stock. Unless and until we obtain stockholder approval to amend our
pital, the maximum number of shares available for issuance upon conversion of each $1,000 principal amount of
0,000 shares allocable to such Note, which equates to 10.2766 shares per $1,000 principal amount of Notes. We
ch stockholder approval within one year of the issuance of the Notes. Because we did not increase our authorized
ial conversion rate by June 21, 2008, beginning on June 21, 2008 the Notes began to bear additional interest at a
erest described below) on the principal amount of the Notes, which will increase by 0.25% per annum on each
en increased. If stockholder approval to increase our authorized capital is received, such additional interest will

holders of the Notes to convert had been met. If a fundamental change, as defined in the Indenture, occurs prior to
repurchase all or a portion of their Notes for cash at a repurchase price equal to 100% of the principal amount of
d interest (including additional interest, if any) to, but excluding, the repurchase date.

al in right of payment with all of our existing and future senior unsecured indebtedness. The Notes are effectively
f the value of the related collateral and structurally subordinated to indebtedness and other liabilities of our
subsidiaries.

a registration rights agreement, dated as of June 22, 2007, with the initial purchasers of the Notes (the Registration
eement, we agreed (1) to use reasonable best efforts to cause a shelf registration statement covering resales of the
nversion of the Notes to be declared effective by December 19, 2007 or to cause an existing shelf registration
original issuance of the Notes and (2) to use our reasonable best efforts to keep effective the shelf registration
rs of transfer restricted Notes and shares of common stock issued upon conversion of the Notes are able to sell all

d (the Securities Act), (ii) the date when all transfer-restricted Notes and shares of common stock issued upon
ion statement and sold pursuant thereto and (iii) the date when all transfer-restricted Notes and shares of common
be outstanding. If we fail to meet these terms, we will be required to pay additional interest on the Notes at a rate
0.50% per annum thereafter.

rm 10-K, we have not yet been able to register the Notes and the shares underlying the Notes. Accordingly, the
on December 20, 2007 and by an additional 0.25% per annum on March 19, 2008 relating to our obligations under
tatement covering the Notes and shares underlying the Notes is declared effective, such additional interest will
derivatives was valued at $0.6 million and has been accrued as of October 31, 2007.

ditional 0.25% per annum on May 1, 2008 (in addition to the additional interest described above) because we failed
ch additional 0.25% interest will cease to accrue upon the filing of this Form 10-K.

into note hedge transactions with affiliates of the initial purchasers (the counterparties) whereby we have the option
at a price of approximately $44.02 per share. The cost to us of the note hedge transactions was approximately
o mitigate the potential dilution upon conversion of the Notes in the event that the volume weighted average price
conversion period or other relevant valuation period is greater than the applicable strike price of the convertible
e conversion price of the Notes and is subject, with certain exceptions, to the adjustments applicable to the

by they have the option to purchase up to approximately 7.2 million shares of our common stock at a price of
lion in cash proceeds from the sale of these warrants. If the volume weighted average price of our common stock
ty of the warrants exceeds the applicable strike price of the warrants, there would be dilution to the extent that such
ceeds the applicable strike price of the warrants. Unless and until we obtain stockholder approval to amend our
pital, the maximum number of shares issuable upon exercise of the warrants will be 1,000,000 shares of our
to amend our certificate of incorporation to increase our authorized capital by the date of the second annual
of the Notes, the number of shares of our common stock underlying the warrants will increase by 10%, and the
terparties.

sactions, net of the related tax benefit and the proceeds from the sale of the warrants, is included as a net reduction
dated balance sheets as of October 31, 2007, in accordance with the guidance in Emerging Issues Task Force
nancial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock.

the Notes will have no impact on diluted earnings per share, or EPS, until the price of our common stock exceeds
cipal amount of the Notes will be settled in cash upon conversion. Prior to conversion we will include the effect of
tock price exceeds $44.02 per share, using the treasury stock method. If the price of our common stock exceeds
ditional potential shares that may be issued related to the warrants, using the treasury stock method. Prior to
d for purposes of the EPS calculation as their effect would be anti-dilutive.

ons as of October 31, 2007 (in thousands):

Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
$ 326,720	$ 20,959	$ 40,809	$ 39,488	$ 225,464
338,605	4,374	9,284	324,947	
64	37	26	1	
47,277	10,256	15,014	10,915	11,092
47,428	47,428			
$ 760,094	$ 83,054	$ 65,133	$ 375,351	$ 236,556

rate in effect at October 31, 2007.

ract manufacturers and component suppliers with facilities in China, Singapore, Israel, and Brazil to supply our
ct manufacturers and subsequently agrees to a build schedule to drive component material purchases and capacity
e order to cover the manufacturing requirements, which constitutes a binding commitment by us to purchase
he purchase order. The total amount of purchase commitments as of October 31, 2007 was approximately
f this amount, $4.4 million has been recorded in accrued expenses in the accompanying consolidated balance sheet
cted not to have future value to us.

ligations and commitments with cash flows from operations. To the extent we are unable to fund these obligations
ntend to fund these obligations and commitments with proceeds from our $40.0 million revolving loan under our
.

nortization (EBITDA, as adjusted)

nd amortization, or EBITDA, as adjusted, as the sum of (1) net income (loss) (excluding extraordinary items of
ations), (2) interest expense, (3) income taxes, (4) depreciation, amortization, goodwill impairment, and other
on-cash stock-based compensation expense and purchase accounting items, and (6) management fees to our
y component of the financial covenants to which we are subject under our Credit Facility. If we fail to maintain
a default under our Credit Facility, potentially resulting in an acceleration of all of our outstanding indebtedness.

n to and in conjunction with results presented in accordance with GAAP. Management believes that the use of this
s presented in accordance with GAAP, helps it to evaluate our performance and to compare our current results with
r companies in our industry. Our competitors may, due to differences in capital structure and investment history,
on-cash expenses that differ significantly from ours. Management also uses this non-GAAP financial measure in
hat the presentation of this non-GAAP financial measure may be useful to investors for many of the same reasons

ld be considered as a supplement to, and not as a substitute for, or superior to, disclosures made in accordance with
ITDA or EBITDA, as adjusted, calculated by other companies and is not based on any comprehensive set of
adjusted, does not reflect all amounts and costs, such as employee stock-based compensation costs, periodic costs of

nents for capital expenditures or contractual commitments, cash requirements for working capital needs, interest
terest or principal payments on our debt, income taxes and the related cash requirements, restructuring and
ions, associated with our results of operations as determined in accordance with GAAP. Furthermore, we expect to
uded from EBITDA, as adjusted. Management compensates for these limitations by also relying on the comparable

ns from EBITDA, as adjusted:

es are directly related to the amount of pre-tax income, they are also impacted by tax
tax laws and our tax structure are not under the control of our operational managers,
enefit from) income taxes should be excluded when evaluating our operational

orking capital supports the business, management does not believe that related interest
ble to the operating performance of our business.

t. Management excludes depreciation because while tangible assets support the business,
eciation costs are directly attributable to the operating performance of our business. In
f current or future capital expenditures.

ment excludes amortization of capitalized software because while capitalized software
elieve the related amortization costs are directly attributable to the operating
rtization of capitalized software may not be indicative of current or future expenditures

ns. We incur amortization of purchased core and developed technology assets,
mortization of step-down in deferred revenue on acquisition and amortization of step-up
acquisitions. Management excludes these items because it does not believe these
esults in the period incurred. These amounts arise from prior acquisitions and
direct correlation to the operation of our business.

ur IPR&D expenses when technological feasibility for acquired technology has not been
ture alternative use for such technology exists. These amounts arise from prior
they have a direct correlation to the operation of VeriFone s business.

nsist primarily of expenses for employee stock options and restricted stock units under
k-based compensation expenses from non-GAAP financial measures primarily because
t believes are not reflective of ongoing operating results.

costs. This represents charges incurred for consulting services and other professional
es. These expenses also include charges related to restructuring activities, including
xcess facilities. As management does not believe that these charges directly relate to the
es they should be excluded when evaluating our operating performance.

nagement excludes management fees paid to our majority stockholder (which were paid
does not believe that these charges directly relate to the operation of our business.

Management excludes the refund of foreign unclaimed pension benefits because it does
operation of our business.

nt. This represents the non-cash portion of loss incurred on the extinguishment of our
ted our business, management does not believe the related loss on extinguishment is a
rmance of our business.

omparable U.S. GAAP measure, to EBITDA, as adjusted, for the years ended October 31, 2007, 2006, and 2005 is

	Years Ended October 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	$ (34,016)	$ 59,511	$ 33,239	$ 5,606	$ 241
	24,718	32,159	13,490	4,971	12,296
	36,598	13,617	15,384	12,597	12,456
	(6,702)	(3,372)	(598)		
ements	7,766	3,505	3,691	2,451	1,333
	1,220	1,231	1,173	698	108
	59,468	10,328	11,902	19,945	24,348
on(2)	3,735	986	700	519	1,561
	13,823	121			
	6,752				
	28,892	6,000	1,687	400	81
	10,234				
			125	250	250
					(2,820)
	4,764	6,359	5,630	9,810	
	$ 157,252	$ 130,445	$ 86,423	$ 57,247	$ 49,854

ense increased due to the increase in the balance of our debt instruments.

ses increased significantly due to the acquisition of Lipman and PayWare.

tem 303(a)(4)(ii) of the SEC s Regulation S-K, consist of interest rate cap agreements and forward foreign currency
titative and Qualitative Disclosures about Market Risk below.

quivalents, and receivables, are not affected by inflation because they are short-term and in the case of cash are
ly of inventory, intangible assets, goodwill, and prepaid expenses and other assets, are not affected significantly by
t, furniture, and leasehold improvements will not materially affect our operations. However, the rate of inflation
e for employee compensation, which may not be readily recoverable in the price of system solutions and services

ndition and Results of Operations are based upon our Consolidated Financial Statements, which have been prepared
Principles. We base our estimates on historical experience and on various other assumptions that are believed to be
form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent
estimates under different assumptions or conditions.

s an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the
ly could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically,
nents. We believe the following critical accounting policies include our more significant estimates and assumptions
ements. Our significant accounting policies are described in Note 2 Summary of Significant Accounting Policies to
ded in Item 8 of this Annual Report on Form 10-K.

n shipment, delivery, or customer acceptance of the product as required pursuant to the customer arrangement. Net
ially deferred and then recognized on a straight-line basis over the term of the contract. Net revenues from services
rrangements, training, and consulting are recognized as the services are rendered. For arrangements with multiple
the residual method based on objective and reliable evidence of the fair value of the undelivered element. We
ctive evidence of fair value of the undelivered elements until they are delivered.

dard business terms and conditions, there are some transactions that contain non-standard business terms and
is sometimes required to determine the appropriate accounting including: (1) whether an arrangement exists and
ment consideration should be allocated among the deliverables if there are multiple deliverables; (3) when to
undelivered elements are essential to the functionality of delivered elements; and (5) whether we have fair value for
nition policy requires an assessment as to whether collection is probable, which inherently requires us to evaluate
nents on these assumptions and estimates could materially impact the timing of revenue recognition.

nent contracts with our customers that we recognize as net revenues on a completed contract basis. As a result,
e are necessary since we are required to record a provision for such loss in the period when the loss is first

solete or excess inventory and inventory that is not of saleable quality. The determination of obsolete or excess
our products within specific time horizons, generally twelve months to eighteen months. If our demand forecast for
il to reduce manufacturing output accordingly, we could be required to record additional inventories write-offs,
percentage.

a quarterly basis. For production inventory, our methodology involves matching our on-hand and on-order
and eighteen months. We then evaluate the inventory found to be in excess of the twelve-month demand estimate

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solescence. For on-hand and on-order inventory in excess of eighteen month requirements we generally record a
l by our sales estimates. If actual demand were to be substantially lower than estimated, additional inventories
equired.

nue is recognized based on an estimate of future warranty costs for delivered product. Our warranty obligation
ipment. We estimate such obligations based on historical experience and expectations of future costs. Our estimate
and actual costs to repair. These estimates and judgments are more subjective for new product introductions as
ucts versus actual history.

Accounts

turns related to current period net revenues based upon historical experience. Material differences may result in the
/e maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to
dequacy of our accounts receivable allowance after considering the size of the accounts receivable balance, each
ceivable balances, and our collection history with each customer. We make estimates and judgments about the
ich could change significantly if their financial condition changes or the economy in general deteriorates.

ould certain events or indicators of impairment occur between annual impairment tests, we perform the impairment
pairment of goodwill, we: (1) allocate goodwill to our various reporting units to which the acquired goodwill relates;
determine the carrying value (book value) of those reporting units, as some of the assets and liabilities related to
s but by corporate headquarters. Furthermore, if the estimated fair value of a reporting unit is less than the carrying
assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired
ain internally generated and unrecognized intangible assets such as in-process research and development and
ed can the amount of goodwill impairment, if any, be determined.

odwill is subjective and requires significant judgment at many points during the analysis. In estimating the fair
r periodic analyses, we make estimates and judgments about the future cash flows of that reporting unit. Although
e consistent with our plans and estimates we are using to manage the underlying businesses, there is significant
ows attributable to a reporting unit over its estimated remaining useful life. In addition, we make certain judgments
heets of our reporting units. We also consider our and our competitor s market capitalization on the date we perform
and estimates could result in a goodwill impairment charge.

equipment, capitalized software development costs, and identifiable intangible assets for indicators of impairment
at the carrying amount of the assets may not be fully recoverable. Determining if such events or changes in
al. Should we determine such events have occurred, we

d on estimated future undiscounted net cash flows and fair value. If future undiscounted net cash flows and fair
rite down that asset to its fair value.

unted cash flows and fair value. Although our cash flow forecasts are based on assumptions that are consistent with
ved in determining the cash flows attributable to a long-lived asset over its estimated remaining useful life. Our
ed significantly in the future. As a result, the carrying amount of our long-lived assets could be reduced through
in estimated future cash flows could result in a shortening of estimated useful lives for long-lived assets including

r pending litigation in accordance with SFAS No. 5, *Accounting for Contingencies*. We assess the likelihood of any
gal proceeding, as well as potential ranges of probable losses, when the outcomes of the claims or proceedings are
he amount of accrued liabilities required, if any, for these contingencies is made after the analysis of each matter.
e our estimates on the information available at the time. As additional information becomes available, we reassess
tion and may revise our estimates. Any revisions in the estimates of potential liabilities could have a material
.

), *Share-Based Payment*, which requires us to measure compensation cost for all outstanding unvested share-based
e requisite service period for awards expected to vest. The estimation of stock awards that will ultimately vest
from our estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised.
equired in determining the expected volatility of our common stock and the expected term individuals will hold their
ty of the stock is based on a blend of our peer group in the industry in which we do business and the historical
s granted is derived from the historical actual term of option grants and represents the period of time that options
expected volatility and expected term may change which could substantially change the grant-date fair value of
e we record.

d companies to the tangible and intangible assets acquired and liabilities assumed, as well as IPR&D, based on their
ent to make significant estimates and assumptions, especially with respect to intangible assets. The significant
mer relationship, developed and core technology and the trade name.

t are not limited to: future expected cash flows from customer contracts, customer lists, distribution agreements and
osts to develop IPR&D into commercially viable products and estimating cash flows from projects when
l as assumptions about the period of time the brand will continue to be used in our product portfolio; and discount
pon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result,

ucture and associated operating expenses. Depending on events and circumstances, we may decide to take
business requirements evolve. In determining restructuring charges, we analyze our future operating requirements,
nd facility space requirements. Our restructuring costs, and any resulting accruals, involve significant estimates
ates are made. These restructuring costs are accounted for under SFAS No. 146, *Accounting for Costs Associated*
eserves, we accrue a liability when all of the following conditions have been met: management, having the
nination; the plan identifies the number of employees to be terminated, their job classifications and their locations,
ated such that the terms of the benefit arrangement are explained in sufficient detail to enable employees to
ive if they are involuntarily terminated; and actions required to complete the plan indicate that it is unlikely that
lan will be withdrawn. In recording facilities lease loss reserves, we make various assumptions, including the time
, expected sublease terms, expected sublease rates, anticipated future operating expenses, and expected future use
and uncertainties, some of which are beyond our control, including future real estate market conditions and our
nation agreements with terms as favorable as those assumed when arriving at our estimates. We regularly evaluate a
easonableness of our restructuring and lease loss accruals including the various assumptions noted above. If actual
e required to adjust our restructuring and lease loss accruals in the future.

s of companies acquired in business combinations. These costs are recognized as a liability on the date of the
n Connection with a Purchase Business Combination, when both of the following conditions are met: management
vity; and the exit plan identifies the activities to be disposed, the locations of those activities, the method of
e plan, and the expected date of completion of the plan.

expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported
differences are expected to reverse. In evaluating our ability to recover our deferred tax assets we consider all
ast operating results, the existence of cumulative losses in past fiscal years and our forecast of future taxable income

ax credits carryforwards, foreign taxes on basis differences, and tax deductible intangible assets reversing beyond
realization of these tax benefits through future taxable income cannot be reasonably assured. We intend to maintain
e exists to support that it is more likely than not the deferred tax assets will be realized. An increase in the valuation
iod the balance increases. We make estimates and judgments about our future taxable income that are based on
ates. Should the actual amounts differ from our estimates, the amount of our valuation allowance could be

nining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation
rtain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for
est and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an
period.

(FASB) issued FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be n Settlement)*. FSP APB 14-1 requires the issuer of convertible debt instruments with cash settlement features to ts of the instrument. The debt would be recognized at the present value of its cash flows discounted using the issuer s ce. The equity component would be recognized as the difference between the proceeds from the issuance of the note accretion of the resultant debt discount over the expected life of the debt. The FSP is effective for fiscal years within those years. Entities are required to apply the FSP retrospectively for all periods presented. We are currently he impact its adoption will have on our consolidated financial statements. However, the impact of this new n a significant increase to non-cash interest expense beginning in fiscal year 2010 for financial statements covering

ncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 will ts, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. In FAS No. 160 will significantly change the accounting for partial and/or step acquisitions. SFAS No. 160 will be rly adoption is not permitted. We are currently evaluating SFAS No. 160 and have not yet determined the impact, if statements.

Business Combinations. SFAS No. 141(R) changes the accounting for business combinations including the or a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and ess research and development as an indefinite-lived intangible asset until approved or discontinued rather than as an nection with an acquisition rather than adding them to the cost of an acquisition, the treatment of acquisition-related rer s income tax valuation allowance, and accounting for partial and/or step acquisitions. SFAS No. 141(R) is tions for which the acquisition date is on or after the beginning of the first annual period subsequent to g for valuation allowances on deferred taxes and acquired tax contingencies under SFAS No. 109, *Accounting for* AS No. 141(R) becomes effective (which will be in the first quarter of our fiscal year 2010), any adjustments made ax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) will be the accounting treatment would require any adjustment to be recognized through the purchase price. We are determined the impact, if any, its adoption will have on our consolidated financial statements.

Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to elect to measure ective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate ed assets and liabilities differently, without having to apply complex hedge accounting provisions. SFAS No. 159 is 007 and interim periods within those fiscal years, provided the provisions of SFAS No. 157 are applied. We are he impact, if any, its adoption will have on our consolidated financial statements.

ir Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in s, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value idance found in various prior accounting

d FSP FAS 157-2, *Effective Date of FASB Statement No. 157*. FSP FAS 157-2 defers the implementation of
ancial liabilities. The remainder of SFAS No. 157 is effective for us beginning in the first quarter of fiscal year
cted to have a material impact on our consolidated financial statements.

48 (FIN 48), *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109*,* which
ecognized in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition
tement recognition and measurement of a tax position. FIN 48 indicates that an enterprise shall initially recognize
s more likely than not of being sustained on examination, based on the technical merits of the position. In addition,
hat meets the more likely than not threshold shall consider the amounts and probabilities of the outcomes that could
is effective for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. We
on initial adoption, the Company expects the impact on its financial position and results of operations to be an
This will be reported as a $1.4 million decrease to the opening balance of retained earnings, an increase to the
4 million increase to goodwill. There will also be a reclassification of $17.7 million from current taxes payable to
Company expects an increase in the effective income tax rate in future years along with greater volatility in the

onjunction with the Consolidated Financial Statements and Notes and Item 7 Management s Discussion and
ns in this Annual Report on Form 10-K. This information has been derived from our unaudited consolidated
ring adjustments necessary to fairly present

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our Consolidated Financial Statements and Notes. The results of operations for any quarter are not necessarily
iod.

2007

	Year Ended October 31, 2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data) (Unaudited)			
	$ 188,966	$ 191,469	$ 205,972	$ 205,882
	27,397	25,414	25,729	32,063
	216,363	216,883	231,701	237,945
d core and developed technology				
	123,682	116,365	122,990	145,061
gy assets	9,609	9,586	9,278	9,424
	133,291	125,951	132,268	154,485
	14,449	13,286	13,837	16,093
	147,740	139,237	146,105	170,578
	68,623	77,646	85,596	67,367
	16,898	16,009	15,365	17,158
	23,040	22,823	23,686	26,746
	17,376	25,565	19,364	18,399
	5,351	5,690	5,416	5,114
	6,560	90		102
	69,225	70,177	63,831	67,519
	(602)	7,469	21,765	(152)
	(9,756)	(9,507)	(9,468)	(7,867)
	991	1,534	2,226	1,951
	(261)	(2)	(4,156)	(3,463)
	(9,628)	(506)	10,367	(9,531)
	(3,949)	4,312	52,753	(28,398)
	$ (5,679)	$ (4,818)	$ (42,386)	$ 18,867
	$ (0.07)	$ (0.06)	$ (0.51)	$ 0.22

$ 917	$ 930	$ 570	$ 581
1,466	1,433	1,443	$ 1,595
1,829	1,683	1,974	$ 3,456
3,584	4,253	1,872	$ 1,306
$ 7,796	$ 8,299	$ 5,859	$ 6,938

alue of $10.3 million and $3.4 million in the first quarter and second quarter of

million of consulting and legal integration expenses supporting a review of the
duction of documents in response

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ted to the Lipman acquisition and a $1.0 million charge to terminate a distributor
een Lipman and VeriFone.

expenses of $4.8 million related to the write-off of debt issuance costs in

d $5.3 million of excess obsolescence and scrap charges, $3.1 million of charges
ponents from our contract manufacturers, and $3.2 million for a product specific

s ended July 31, 2007 and the three months ended October 31, 2007, are an expense
spectively. These amounts are substantially different than tax computed at a
n the statutory rate due to two principal factors. First, under FIN 18, our quarterly
ed annual effective rate to our pretax income for the quarter as adjusted for discrete
es was 340%. This results in a tax expense of $55.0 million and a tax benefit of
the three months ended July 31, 2007 and the three months ended October 31, 2007,
mately ($2.2) million of discrete tax benefit and $0.3 million of discrete tax
ree month periods ended July 31, 2007 and October 31, 2007, respectively.
valuation allowance for deferred tax assets during the fiscal year ended October 31,
in a significantly larger provision for taxes which has been allocated to the

2006

	Year Ended October 31, 2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data) (Unaudited)			
	$ 118,685	$ 128,136	$ 131,960	$ 138,373
	15,945	14,054	15,657	18,260
	134,630	142,190	147,617	156,633
d core and developed technology				
	65,522	70,346	71,633	73,922
gy assets	1,593	1,419	1,071	1,542
	67,115	71,765	72,704	75,464
	7,913	7,026	8,452	9,086
	75,028	78,791	81,156	84,550
	59,602	63,399	66,461	72,083
	11,407	12,221	11,726	11,999
	14,201	14,404	14,181	15,821
	9,698	9,993	10,936	11,946
	1,159	1,159	1,159	1,226
	36,465	37,777	38,002	40,992
	23,137	25,622	28,459	31,091
	(3,279)	(3,197)	(3,438)	(3,703)
	687	927	938	820
	201	65	(195)	(6,465)
	20,746	23,417	25,764	21,743
	6,952	8,381	9,009	7,817
	$ 13,794	$ 15,036	$ 16,755	$ 13,926
	$ 0.20	$ 0.22	$ 0.24	$ 0.20

$ 153	$ 162	$ 204	$ 190
180	210	326	478
331	409	569	748
259	408	587	786
$ 923	$ 1,189	$ 1,686	$ 2,202

d expenses of $6.4 million associated with debt refinancing.

IVE DISCLOSURES ABOUT MARKET RISK

est rates and foreign currency exchange rates. To mitigate some of these risks, we utilize derivative financial

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g purposes. We do not anticipate any material changes in our primary market risk exposures in fiscal 2008.

which bears interest based upon the three-month LIBOR rate. We have reduced our exposure to interest rate
vering a portion of our variable rate debt. In fiscal year 2006, we purchased two-year interest rate caps for $118,000
to $150 million after one year with an effective date of November 1, 2006 under which we will receive interest
Based on effective interest rates at October 31, 2007, a 50 basis point increase in interest rates on our borrowings
se our interest expense by approximately $1.2 million annually.

omers outside the United States. A substantial portion of the net revenues we receive from such sales is
ditionally, portions of our costs of net revenues and our other operating expenses are incurred by our International
uctuations in the value of these net revenues, costs, and expenses as measured in U.S. dollars have not materially
assure you that adverse currency exchange rate fluctuations will not have a material impact in the future. In
minated assets and liabilities which can be adversely affected by fluctuations in currency exchange rates. In certain
ations.

ard contracts and other arrangements intended to hedge our exposure to adverse fluctuations in exchange rates. As
d contracts outstanding. On November 1, 2007, we entered into foreign currency forward contracts with aggregate
non-functional currencies. If we had chosen not to enter into foreign currency forward contracts to hedge against
lue 5% to 10% against the U.S. dollar, results of operations would include a foreign exchange loss of approximately

ective to protect our results of operations against currency exchange rate fluctuations, particularly in the event of
liabilities. Accordingly, if there were an adverse movement in exchange rates, we might suffer significant losses.
, 2006 and 2005, we suffered foreign currency contract losses of $2.3 million, $0.5 million, and $0.8 million,
espite our hedging activities.

l amount of 1.375% Senior Convertible Notes due 2012 (the Notes). Holders may convert their Notes prior to
Jpon conversion, we would pay the holder the cash value of the applicable number of shares of VeriFone common
in excess of the principal amount, if any may be paid in cash or in stock at our option. Concurrent with the issuance
d separately, warrant transactions, to reduce the potential dilution from the conversion of the Notes and to mitigate
ce of our common stock.

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PPLEMENTAL DATA

DEX TO CONSOLIDATED FINANCIAL STATEMENTS

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rm	69
06	71
rs ended October 31, 2007, 2006, and 2005	72
quity and Comprehensive Income for the fiscal years ended October 31, 2007,	73
ars ended October 31, 2007, 2006, and 2005	74
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F INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

e sheets of VeriFone Holdings, Inc. (and subsidiaries) as of October 31, 2007 and 2006, and the related consolidated
prehensive income and cash flows for each of the three years in the period ended October 31, 2007. These financial
agement. Our responsibility is to express an opinion on these financial statements based on our audits.

ds of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and
whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,
financial statements. An audit also includes assessing the accounting principles used and significant estimates made
al statement presentation. We believe that our audits provide a reasonable basis for our opinion.

present fairly, in all material respects, the consolidated financial position of VeriFone Holdings, Inc. (and
olidated results of their operations and their cash flows for each of the three years in the period ended October 31,
nting principles.

ancial Statements, under the heading Stock-Based Compensation, in fiscal 2005 VeriFone Holdings, Inc. changed

of the Public Company Accounting Oversight Board (United States), VeriFone Holdings, Inc. s internal control over
eria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of
19, 2008 expressed an adverse opinion on the effectiveness of internal control over financial reporting.

F INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

trol over financial reporting as of October 31, 2007, based on criteria established in *Internal Control Integrated* anizations of the Treadway Commission (the COSO criteria). VeriFone Holdings, Inc. s management is responsible eporting and for its assessment of the effectiveness of internal control over financial reporting included in the ol over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over

s of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and whether effective internal control over financial reporting was maintained in all material respects. Our audit included cial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating sk, and performing such other procedures as we considered necessary in the circumstances. We believe that our

a process designed to provide reasonable assurance regarding the reliability of financial reporting and the in accordance with generally accepted accounting principles. A company s internal control over financial reporting the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions urance that transactions are recorded as necessary to permit preparation of financial statements in accordance with ts and expenditures of the company are being made only in accordance with authorizations of management and surance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s tatements.

financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to come inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures

eficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material ial statements will not be prevented or detected on a timely basis. In its assessment management has identified paration, review, approval and entry of manual, nonstandard journal entries; maintaining sufficient qualified toring and monthly financial statement review processes; and, the identification, documentation and review of ed supporting documentation. These material weaknesses were considered in determining the nature, timing, and ncial statements, and this report does not affect our report dated August 19, 2008 on those financial statements.

knesses described above on the achievement of the objectives of the control criteria, VeriFone Holdings, Inc. has eporting as of October 31, 2007, based on the COSO criteria.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	October 31, 2007	October 31, 2006
	(In thousands, except par value)	
ASSETS		
	$ 215,001	$ 86,564
,364	194,146	119,839
	107,168	86,631
	23,854	13,267
	63,413	12,943
	603,582	319,244
	48,293	7,300
	170,073	16,544
	611,977	52,689
	67,796	21,706
	12,855	10,987
		12,350
	32,733	12,125
	$ 1,547,309	$ 452,945
LIABILITIES AND STOCKHOLDERS EQUITY		
	$ 105,215	$ 66,685
	19,530	5,951
	21,201	16,202
	11,012	4,902
	43,049	23,567
	6,154	6
	8,755	4,752
		12,000
	84,773	13,655
	5,386	1,985
	1,692	2,963
	306,767	152,668
	655	530
	11,274	7,371
	547,766	190,904
	87,142	859
	10,296	1,872

	963,900	354,204
	2,487	
31, 2007 and 2006; No shares issued and oustanding as of October 31, 2007		
zed at October 31, 2007 and 2006; 84,060 and 68,148 shares issued and		
	841	682
	635,404	140,569
	(77,484)	(43,468)
	22,161	958
	580,922	98,741
	$ 1,547,309	$ 452,945

nying notes are an integral part of these consolidated financial statements.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended October 31,		
	2007	**2006**	**2005**
	(In thousands, except per share data)		
	$ 792,289	$ 517,154	$ 429,741
	110,603	63,916	55,626
	902,892	581,070	485,367
	545,995	287,048	259,411
	57,665	32,477	29,131
	603,660	319,525	288,542
	299,232	261,545	196,825
	65,430	47,353	41,830
	96,295	58,607	52,231
	80,704	42,573	29,609
	21,571	4,703	4,967
	6,752		
	270,752	153,236	128,637
	28,480	108,309	68,188
	(36,598)	(13,617)	(15,384)
	6,702	3,372	598
	(7,882)	(6,394)	(6,673)
	(9,298)	91,670	46,729
	24,718	32,159	13,490
	$ (34,016)	$ 59,511	$ 33,239
	$ (0.41)	$ 0.90	$ 0.57
	$ (0.41)	$ 0.86	$ 0.54
et income (loss) per share:			
	82,194	66,217	58,318
	82,194	68,894	61,460

nying notes are an integral part of these consolidated financial statements.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

Common Stock						Retained	Accumulated	
Voting		Non Voting		Additional	Deferred	Earnings	Other	Total
				Paid-in	Stock-Based	(Accumulated	Comprehensive	Stockholders
es	Amount	Shares	Amount	Capital	Compensation	Deficit)	Income	Equity
				(In thousands)				
430	$ 564	19	$	$ 146	$ (146)	$ (136,218)	$ 267	$ (135,387)
211	112	39		125,947				126,059
58		(58)						
(53)								
					52			52
				442	(442)			
				(536)	536			
				1,635				1,635
				441				441
						33,239		33,239
							341	341
							(2)	(2)
							134	134
								33,712
				26				26
646	676			128,101		(102,979)	740	26,538
502	6			3,056				3,062
				5,998				5,998
				3,414				3,414
						59,511		59,511
							300	300
							1	1

						(83)	(83)
							59,729
148	682		140,569		(43,468)	958	98,741
450	24		37,744				37,768
462	135		417,471				417,606
			17,622				17,622
			28,892				28,892
			11,464				11,464
			(49,546)				(49,546)
			31,188				31,188
					(34,016)		(34,016)
						21,221	21,221
						(1)	(1)
						(17)	(17)
							(12,813)
060	$ 841	$	$ 635,404	$	$ (77,484)	$ 22,161	$ 580,922

nying notes are an integral part of these consolidated financial statements.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended October 31,		
	2007	**2006**	**2005**
		(In thousands)	
	$ (34,016)	$ 59,511	$ 33,239
ovided by operating activities:			
	59,468	10,328	11,902
uipment	7,766	3,505	3,691
	1,220	1,231	1,173
	6,752		
	271		
	14	236	109
	1,756	1,105	1,150
	28,892	6,000	1,687
	4,764	6,359	2,898
other	(149)	(52)	(17)
in working capital	76,738	88,223	55,832
	(39,493)	(28,938)	(8,817)
	45,133	(51,983)	(3,407)
	(29,092)	(5,801)	(9,853)
	(41,512)	(4,444)	(269)
	(5,136)	(2,106)	(1,118)
	28,144	17,189	3,227
	20,391	1,542	2,403
	(11,464)	(3,414)	(441)
	(2,975)	2,656	838
	(1,910)	(1,301)	1,448
	14,495	7,150	3,464
	38,295	64	(2,047)
	(2,344)	(2,090)	(1,101)
	89,270	16,747	40,159
	(7,740)	(1,999)	(863)
	(30,225)	(3,666)	(3,121)
	(500)	(903)	(863)
		(125,034)	(23,952)
		141,869	7,200
		(3,425)	
	(5,700)		
ts acquired	(267,531)	(10,867)	(13,405)

	(311,696)	(4,025)	(35,004)
evolver			19,680
revolver			(19,680)
	613,197	184,060	
	(80,236)		
	31,188		
	(263,804)	(182,552)	(78,972)
	11,464	3,414	441
	(55)	(144)	(409)
	1,050		
			136,950
			(11,444)
	37,088	3,015	753
	28	41	
	349,920	7,834	47,319
n	943	943	(114)
	128,437	21,499	52,360
	86,564	65,065	12,705
	$ 215,001	$ 86,564	$ 65,065
	$ 29,765	$ 12,402	$ 14,843
	$ 27,301	$ 37,253	$ 22,350
	$ 8,388	$ 8,720	$
ion	$ 435,228	$	$ 250
	$	$	$ 1,250

nying notes are an integral part of these consolidated financial statements.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

OTES TO CONSOLIDATED FINANCIAL STATEMENTS

Presentation

) was incorporated in the state of Delaware on June 13, 2002. Prior to the Company s initial public offering on May 4, , L.P., an equity fund managed by GTCR Golder Rauner, LLC (GTCR), a private equity firm. VeriFone designs, nable secure electronic payments among consumers, merchants, and financial institutions.

outstanding ordinary shares of Lipman Electronic Engineering Ltd. (Lipman). The consideration paid to acquire f common stock of the Company, and assumption of all outstanding Lipman stock options. See Note 3 Business ments for additional information related to this business combination.

cies

lude the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and

th U.S. generally accepted accounting principles requires management to make estimates and assumptions that osures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of Company bases its estimates on historical experience and various other assumptions that are believed to be differ from those estimates, and such differences may be material to the consolidated financial statements.

reclassified to conform to the current period presentation. The reclassifications did not impact previously reported income, or stockholders equity.

he local currency is the functional currency, are translated from their respective functional currencies into , with resulting foreign currency translation adjustments recorded as accumulated other comprehensive income in and expense amounts are translated at average rates during the period.

tercompany balances not considered to be a permanent investment, denominated in currencies other than an entity s the accompanying consolidated statements of operations.

with applicable revenue recognition guidance and interpretations, including the requirements of Emerging Issues *ments with Multiple Deliverables,* Statement of Position (SOP) 97-2, *Software Revenue Recognition*, SOP 81-1, *Certain Production Type Contracts,* Staff

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ition, and other applicable revenue recognition guidance and interpretations.

wing criteria are met: (i) there is persuasive evidence that an arrangement exists; (ii) delivery of the products and/or terminable; and (iv) collection is reasonably assured. Cash received in advance of revenue recognition is recorded

esellers, value-added resellers, and distributors are recognized upon shipment of the product with the following

on, revenue is recognized when the shipment is delivered, or

, revenue is recognized upon the earlier of receipt of the acceptance letter or when the

rs generally have no rights of return, stock rotation rights, or price protection.

e that is incidental to the electronic payment devices and services included in its sales arrangements.

vidual products or services. As a System Solutions provider, the Company s sales arrangements often include s (multiple deliverables). These services may include installation, training, consulting, customer support, product

aluated to determine if the deliverables (items) should be divided into more than one unit of accounting. An item if all of the following criteria are met:

on a standalone basis;

air value of the undelivered item(s); and

eturn relative to the delivered item(s), delivery or performance of the undelivered y in the control of the Company.

ed into a single unit of accounting.

r all units of accounting, the arrangement consideration is allocated to the separate units of accounting based on e and reliable evidence of the fair value(s) of the undelivered item(s) in an arrangement but no such evidence for l is used to allocate the arrangement consideration. In cases in which there is no objective and reliable evidence of defers all revenues for the arrangement until the period in which the last item is delivered.

on shipment of its electronic payment devices, the Company defers revenue for the aggregate fair value for all ual amount within the arrangement as revenue for the delivered items as prescribed in EITF 00-21. Fair value is nt is sold separately and/or the price charged by third parties for similar services.

d product maintenance are initially deferred and then recognized on a straight-line basis over the term of the
s, equipment repairs, refurbishment arrangements, training, and consulting are recognized as the services are

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

nizes revenue using the completed contract method pursuant to SOP 81-1. During the period of performance of balance sheet, but no profit is recorded before completion or substantial completion of the work. The Company ific criteria to determine when such contracts are substantially completed. Provisions for losses on software come evident.

es the revenue ratably over the term of the lease.

anies that, in turn, lease these products to end-users. In transactions where the leasing companies have no recourse he Company recognizes revenue at the point of shipment or point of delivery, depending on the shipping terms and met. In arrangements where the leasing companies have substantive recourse to the Company in the event of e product revenue and the related cost of the product as the payments are made to the leasing company by the

America, consisting of the United States and Canada, and International, consisting of all other countries in which d Canada.

t funds, and other highly liquid investments with maturities of three months or less when purchased.

h equivalents, marketable securities, accounts receivable, accounts payable, long-term debt, foreign currency ir value of cash, accounts receivable, and accounts payable approximates their carrying value due to the short e of long-term debt related to the Term B loan approximates its carrying value since the rate of interest on the s. The fair value of the Company s 1.375% Senior Convertible Notes as of October 31, 2007 was $404.3 million valents, marketable securities, foreign currency forward contracts, and interest rate caps are recorded at fair value.

able-for-sale in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for* able-for-sale securities are carried at fair value, with unrealized holding gains and losses reported in accumulated nent of stockholders equity, net of tax, in the accompanying consolidated balance sheets. The amortization of gains and losses, determined by specific identification based on the trade date of the transactions, are recorded in nents of operations. As of October 31, 2007 and October 31, 2006, the Company had no marketable securities.

hedge certain existing and anticipated foreign currency denominated transactions. The terms of foreign currency

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

er its foreign currency risk management strategy, the Company utilizes derivative instruments to protect its
cash flows caused by volatility in currency exchange rates. This financial exposure is monitored and managed by
ement program which focuses on the unpredictability of financial markets and seeks to reduce the potentially
ave on its operating results. The Company has entered into interest rate caps in order to manage its variable interest

n currency forward contracts, interest penalties on the Company s 1.375% Senior Convertible Notes, and interest
he fair value of derivatives that do not qualify or are not effective as hedges are recognized currently in earnings.
nts for speculative or trading purposes, nor does it hold or issue leveraged derivative financial instruments.

n hedging instruments and associated hedged items. This documentation includes: identification of the specific
being hedged; the nature of the risk being hedged; the hedge objective; and the method of assessing hedge
both at hedge inception and on an ongoing basis, to determine whether the derivatives used in hedging transactions
ency denominated assets, liabilities, and anticipated cash flows of hedged items. When an anticipated transaction is
strument is ineffective as a hedge, and changes in fair value of the instrument are recognized in net income.

inated in currencies other than the U.S. dollar. For sales in currencies other than the U.S. dollar, the volatility of the
s profit margins. The Company defines its exposure as the risk of changes in the functional-currency-equivalent
s in the related foreign currency exchange rates. From time to time the Company enters into certain foreign
antially match those of the underlying exposure. The Company does not qualify these foreign currency forward
e changes in the fair value of these derivatives immediately in other expense, net in the accompanying consolidated
tober 31, 2006, the Company did not have any outstanding foreign currency forward contracts. On November 1,
d contracts with aggregate notional amounts of $40.2 million to hedge exposures to non-functional currencies. The
turities of 95 days or less.

portion of its debt, which bears interest based upon the three-month LIBOR rate. On October 31, 2006, the
into a credit agreement with a syndicate of financial institutions, led by J.P. Morgan Chase Bank, N.A. and Lehman
dit Facility consists of a Term B Loan facility of $500.0 million and a revolving credit facility permitting borrowings of
were used to repay all outstanding amounts relating to the Old Credit Facility, pay certain transaction costs, and
he acquisition of Lipman on November 1, 2006. Through October 31, 2007, the Company repaid an aggregate of
2 million at October 31, 2007. Under the Credit Facility, the Company is required to fix the interest rate through
spect to at least 30.0% of the outstanding principal amount of all loans and other indebtedness that have floating

o-year interest rate caps for a total premium of $118,000. The interest rate caps have an initial notional amount of
under which the Company will receive interest payments if the three-month LIBOR rate exceeds 6.5%. The
elated to the existing secured credit facility, or any

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

r value of the interest rate caps as of October 31, 2007 was $308 which was recorded in prepaid expenses and other
e related $104,000 unrealized loss recorded as a component of accumulated other comprehensive income, net of a
, 2007, the Company received no payments from these interest rate caps as the three-month LIBOR did not exceed

received interest of $269,000 from two interest rate caps that expired in March and July 2006, as a result of the
5.0% and 4.0%, respectively. This amount was recorded as an offset to interest expense in the consolidated
er 31, 2005, the Company did not receive any interest payment, as the three-month LIBOR during that period

rket. Standard costs approximate actual costs under the first-in, first-out (FIFO) method. The Company regularly
downs for excess and obsolete inventories based primarily on the Company s estimated forecast of product demand
a new cost-basis of accounting for the related inventory. Actual inventory losses may differ from management s

ccumulated depreciation and amortization. Property, plant, and equipment are depreciated on a straight-line basis
o to ten years, except buildings which are depreciated over 40 years. The cost of equipment under capital leases is
m lease payments or the fair value of the assets and is amortized on a straight-line basis over the shorter of the term
et. Amortization of assets under capital leases is included with depreciation expense.

as incurred. Costs eligible for capitalization under SFAS No. 86, *Accounting for the Costs of Computer Software to*
on, $2.0 million, and $0.9 million for the fiscal years ended October 31, 2007, 2006, and 2005, respectively.
and $7.5 million at October 31, 2007 and 2006, respectively, are being amortized on a straight-line basis over the
nging from three to five years. These costs, net of accumulated amortization of $4.4 million and $3.2 million as of
other assets in the consolidated balance sheets.

orded as a result of the Company s acquisitions. Goodwill is not amortized for accounting purposes. Purchased
l lives, generally one and one-half to seven years.

ent test of goodwill. Should certain events or indicators of impairment occur between annual impairment tests, the
l when those events or indicators occurred. In the first step of the analysis, the Company s assets and liabilities,
re assigned to the identified reporting units to determine the carrying value of the reporting units. Based on how the
its. Goodwill is allocated to each reporting unit based on its relative contribution to the Company s operating

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ss of its fair value, an impairment may exist, and the Company must perform the second step of the analysis, in
to its carrying value to determine the impairment charge, if any.

the income approach. The income approach focuses on the income-producing capability of an asset, measuring the
e of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition.
l cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the
articular investment. No impairment charges have been recorded for the fiscal years ended October 31, 2007, 2006,

ave occurred that would require revision of the remaining useful life of property, plant, and equipment and
le. If such circumstances arise, the Company uses an estimate of the undiscounted value of expected future
l assets are impaired. If the aggregate undiscounted cash flows are less than the carrying value of the assets, the
based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value
sh flows. For the fiscal years ended October 31, 2007, 2006, and 2005, no impairment charges have been recorded.

l amortization. Amortization expense is calculated using the effective interest method and is recorded in interest
operations. During the fiscal year ended October 31, 2007, the Company recorded a $4.8 million write-off of debt
which was repaid.

expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported
differences are expected to reverse. The recording of deferred tax assets depends on the ability to generate current
n foreign jurisdictions. Each period the Company evaluates the need for a valuation allowance and adjusts it if
uation allowances. The Company records a valuation allowance to reduce deferred tax assets to the amount that is

48 (FIN 48), *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109*,* which
ecognized in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition
tement recognition and measurement of a tax position. FIN 48 indicates that an enterprise shall initially recognize
s more likely than not of being sustained on examination, based on the technical merits of the position. In addition,
hat meets the more likely than not threshold shall consider the amounts and probabilities of the outcomes that could
is effective for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The
as required. Upon initial adoption, the Company expects the impact on its financial position and results of
ately $3.3 million. This will be reported as a $1.4 million decrease to the opening balance of retained earnings, an

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

llion, and a $1.4 million increase to goodwill. There will also be a reclassification of $17.7 million from current of adoption. The Company expects an increase in the effective income tax rate in future years along with greater FIN 48.

by dividing income (loss) attributable to common stockholders by the weighted average number of common shares mber of common shares subject to repurchase. Diluted net income (loss) per common share is computed using the plus the effect of common stock equivalents, unless the common stock equivalents are anti-dilutive. The potential ng from the assumed exercise of outstanding stock options and equivalents and the assumed exercise of the warrants ffect of the senior convertible notes are determined under the treasury stock method.

based employee compensation plans under the intrinsic value recognition and measurement provisions of *Accounting for Stock Issued to Employees* and related Interpretations as permitted by SFAS No. 123, *Accounting for* based compensation expense recorded by the Company was $0.1 million for the fiscal year ended October 31,

lue recognition and measurement provisions of SFAS No. 123(R), *Share-Based Payment.* SFAS No. 123(R) is ee services and in certain circumstances for non-employee directors. Pursuant to SFAS No. 123(R), stock-based n the fair value of the award, and is recognized as expense over the requisite service period. The Company elected provided by SFAS No. 123(R). Accordingly, prior period amounts have not been restated. Under this transition n expense for all awards granted after the date of adoption using the grant-date fair value estimated in accordance ested portion of previously granted awards as of May 1, 2005 using the grant-date fair value estimated in

presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the FAS No. 123(R) requires the cash flows resulting from the tax benefits due to tax deductions in excess of the ax benefits) to be classified as financing cash flows.

ome per share has been determined as if the Company had applied the fair value recognition provisions of stock option plans in all periods presented prior to the Company s adopting SFAS No. 123(R) on May 1, 2005. The

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended October 31, 2005
	4 years
	4.3%
	58%
	0%

value of the options is amortized to expense over the options vesting periods using the straight-line method. The
sands, except per share data):

	Year Ended October 31, 2005
	$ 33,239
ded in reported net income	1,687
determined under fair value based method for all awards	(1,935)
	97
	$ 33,088
	$ 0.57
	$ 0.57
	$ 0.54
	$ 0.54

ompany records restructuring liabilities of the acquired company in accordance with EITF Issue No. 95-3,
Business Combination. These costs represent liabilities that are recorded as part of the purchase price allocation.
No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. In recording severance reserves, the
nditions have been met: management, having the authority to approve the action, commits to a plan of termination;
ated, their job classifications and their locations, and the expected completion date; the plan is communicated such
sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are
e the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be
Company makes various assumptions, including the time period over which the facilities are expected to be vacant,
ated future operating expenses and expected future use of the facilities.

employees is calculated pursuant to Israeli severance pay law based on the most recent salary of the employee
h employee as of the applicable balance sheet date. Employees are entitled to one month s salary for each year of

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

funds the liability by monthly deposits in insurance policies and severance pay funds. Severance pay expense
ded October 31, 2007.

s when revenue is recognized based on an estimate of future warranty costs for delivered products. Such estimates
ture costs. The Company periodically evaluates and adjusts the accrued warranty costs to the extent actual warranty
warranty period typically extends from 13 months to five years from the date of shipment. Costs associated with
tracts, are expensed when they are incurred. Actual warranty costs may differ from management s estimates.

omers are expensed as incurred and are included in cost of net revenues in the accompanying consolidated
ompany bills shipping and handling costs to customers, the amounts billed are classified as revenue.

pproximately $1.4 million, $0.3 million, and $0.2 million for the fiscal years ended October 31, 2007, 2006, and

n the United States and other countries. Such deposits may be in excess of insured limits. Management believes
ash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

ions in high credit quality securities based on its investment policy. The investment policy has limits based on
, and maturity that the Company believes will result in reduced risk of loss of capital. Investments are of a
ket funds and corporate debt securities.

s due to institutional failure or bankruptcy.

les to a large number of direct customers, resellers, and distributors in the Americas, Europe, and the Asia Pacific
ts customers financial condition and limits the amount of credit extended when deemed necessary, but generally

espect to those amounts that the Company has determined to be doubtful of collection using specific identification
s based on invoice due dates. Actual collection losses may differ from management s estimates, and such differences
ial position, results of operations, and cash flows. Uncollectible receivables are written off against the allowance for
een exhausted and recoveries are recognized when they are received. Generally, accounts receivable are past due
ms are provided.

accounted for more than 10% of net revenues. For the fiscal years ended October 31, 2006 and 2005, one customer,
3% and 12%, respectively, of net revenues which were included in both North America and International segments.
an 10% of accounts receivable. At October 31,

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for 13% of accounts receivable. No other customer accounted for 10% or more of accounts receivable at

nperformance by counterparties to the foreign currency forward contracts used to mitigate the effect of exchange
fect of interest rate changes, and the purchased call option for the Company s stock related to the senior convertible
ial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. The
ounterparties.

panies. These investments are accounted for under the equity method if the Company can exert significant
hod if the Company does not have significant influence over the investee company. The investments are included in
heets. Gains and losses recorded for equity method investments are included in other expense, net in the
e Company periodically monitors its investments for impairment and will record a reduction in the carrying value,

s) and other comprehensive income (loss). Other comprehensive income (loss) includes certain changes in equity
, foreign currency translation adjustments, changes in the fair value of derivatives designated as hedges, and
ble securities are included in accumulated other comprehensive income in the accompanying consolidated balance

(FASB) issued FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be*
n Settlement). FSP APB 14-1 requires the issuer of convertible debt instruments with cash settlement features to
s of the instrument. The debt would be recognized at the present value of its cash flows discounted using the issuer s
e. The equity component would be recognized as the difference between the proceeds from the issuance of the note
ccretion of the resultant debt discount over the expected life of the debt. The FSP is effective for fiscal years
within those years. Entities are required to apply the FSP retrospectively for all periods presented. The Company is
mined the impact its adoption will have on the Company s consolidated financial statements. However, the impact
will result in a significant increase to non-cash interest expense beginning in fiscal year 2010 for financial

ncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. SFAS No. 160 will
s, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. In
AS No. 160 will significantly change the accounting for partial and/or step acquisitions. SFAS No. 160 will be
ar 2010. Early adoption is not permitted. The Company is currently evaluating SFAS No. 160 and has not yet
he Company s consolidated financial statements.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business Combinations. SFAS No. 141(R) changes the accounting for business combinations including the
or a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and
ess research and development as an indefinite-lived intangible asset until approved or discontinued rather than as an
nection with an acquisition rather than adding them to the cost of an acquisition, the treatment of acquisition-related
rer s income tax valuation allowance, and accounting for partial and/or step acquisitions. SFAS No. 141(R) is
tions for which the acquisition date is on or after the beginning of the first annual period subsequent to
g for valuation allowances on deferred taxes and acquired tax contingencies under SFAS No. 109, *Accounting for*
AS No. 141(R) becomes effective, which for the Company will be in the first quarter of fiscal 2010, any
xes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of
xpense, whereas currently the accounting treatment would require any adjustment to be recognized through the
AS No. 141(R) and has not yet determined the impact, if any, its adoption will have on the Company s consolidated

Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to elect to measure
of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in
l liabilities differently, without having to apply complex hedge accounting provisions. SFAS No. 159 is effective
nterim periods within those fiscal years, provided the provisions of SFAS No. 157 are applied. The Company is
impact, if any, its adoption it will have on the Company s consolidated financial statements.

ir Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in
s, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value
idance found in various prior accounting pronouncements. On February 12, 2008 the FASB issued FASB Staff
atement No. 157. FSP FAS 157-2 defers the implementation of SFAS No. 157 for certain nonfinancial assets and
is effective for the Company beginning in the first quarter of fiscal year 2009. The aspects that have been deferred
ginning in the first quarter of fiscal year 2010. The implementation of SFAS No. 157 is not expected to have a
l statements.

48 (FIN 48), *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109*,* which
ecognized in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition
tement recognition and measurement of a tax position. FIN 48 indicates that an enterprise shall initially recognize
s more likely than not of being sustained on examination, based on the technical merits of the position. In addition,
hat meets the more likely than not threshold shall consider the amounts and probabilities of the outcomes that could
is effective for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The
as required. Upon initial adoption, the Company expects the impact on its financial position and results of
ately $3.3 million. This will be reported as a $1.4 million decrease to the opening balance of retained earnings, an
llion, and a $1.4 million increase to goodwill. There will

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

xes payable to non-current taxes payable as of the date of adoption. The Company expects an increase in the
er volatility in the effective tax rate due to the adoption of FIN 48.

outstanding common stock of Lipman. The Company acquired Lipman to enhance the Company s ability to reach
lude (i) extending the Company s product and service offerings to include Lipman s products, (ii) enabling the
nal presence, customer base, and brand recognition to accelerate Lipman s market penetration and growth,
as where the Company is already strong by offering complementary products and services developed by Lipman,
e product areas, and (v) enhancing the Company s manufacturing capacity.

illion in cash, 13,462,474 shares of common stock of the Company, and assumption of all outstanding Lipman
n, the Company used $307.2 million of the Term B Loan proceeds under its Credit Facility on November 1, 2006.
ated to the Credit Facility.

$	347,350
	417,606
	38,008
	15,686
	818,650
	(19,356)
$	799,294

merger agreement, the total merger consideration consisted of (i) a number of shares of the Company s common
ber of Lipman ordinary shares issued and outstanding on the closing date and (ii) an amount in cash equal to the
ordinary shares issued and outstanding on the closing date, as reduced by the aggregate amount of the special cash
any issued 13,462,474 shares of common stock and paid $344.7 million in cash (excluding the aggregate amount of
pany subsequently paid an additional $2.6 million in cash to acquire the remaining minority interest of Lipman s

hare based on an average of the closing prices of the Company s common stock for a range of trading days two days
posed merger, the announcement date, and two days after the announcement date.

d, generally on a one-for-one basis, all Lipman share options outstanding at closing. The Company assumed options
ordinary shares at a weighted average exercise price of $24.47. The fair value of the outstanding vested and
a Black-Scholes valuation model using the following

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

r share (determined as described above), expected term of 2.5 years, expected volatility of 41%, and risk free

ns as of the closing date is considered unrecognized share-based compensation and is deducted in determining the
ation is being recognized as compensation expense on a straight-line basis over the estimated remaining service
ested options of $19.4 million was determined using a Black-Scholes valuation model using the assumptions noted
$30.00 per share was used, as required, instead of the average price around the announcement date of $31.02 per
options based on the ratio of the number of months of service remaining to be provided by employees as of
ons.

hase price as shown in the table above is allocated to Lipman s tangible and intangible assets acquired and liabilities
based on their estimated fair values as of the closing date. The excess of the purchase price over the net tangible

:

$	95,931
	33,201
	65,315
	18,603
	12,778
	(8,890)
	(93,073)
	(60,345)
	(7,933)
	55,587
	135,690
	110
	66,250
	3,450
	205,500
	6,752
	1,030
	530,425
$	799,294

has been allocated to net tangible assets acquired. Except for inventory, property, plant, and equipment, deferred
pany has valued net tangible assets at their respective carrying amounts as of November 1, 2006, as the Company
ue.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ventory by $13.9 million to adjust inventory to an amount equivalent to the selling price less an appropriate profit
e of deferred revenue by $3.6 million to adjust deferred revenue to an amount equivalent to the estimated cost plus
ted to Lipman s service contracts. The Company reduced Lipman s historical net book value of property, plant, and
equipment to estimated fair value.

ated to certain pre-acquisition contingencies of $22.3 million related to liabilities that are probable and reasonably

ccrued $6.6 million of costs for severance, costs of vacating facilities, and costs to exit or terminate other
s of EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (see Note 8).

upon conclusions regarding the tax positions expected to be taken. Included in the amounts recorded is a foreign
orded in connection with undistributed pre-acquisition foreign earnings subject to an approved enterprise status in

cts that have reached technological feasibility, includes products in Lipman s product lines, principally the NURIT
gned for hardware, software, solutions, and services, serving the point of sale market internationally. This
to develop new technology and improved products and manufacturing processes. The Company expects to
ted lives of 18 months to 7 years.

ls through which Lipman sells the majority of its products and services. The Company expects to amortize the fair

assets which have been developed internally but have not previously been capitalized. The Company expects to
es of 5 to 7 years.

on using an income approach, as well as discussions with Lipman management and a review of certain
the Company and Lipman management. The rate utilized to discount net cash flows to their present values is 13%.
the Company s weighted average cost of capital specific to this transaction.

d on historical experience with technology life cycles, product roadmaps, branding strategy, historical and
t of the Company s acquisition-related intangible assets, and the Company s intended future use of the intangible

in-process research and development and was charged to expense during the fiscal year ended October 31, 2007.
ete Lipman research and development projects that had not reached technological feasibility and had no alternative
alify as in-process research and development in multiple product areas. Lipman s research and development projects
ew technologies, improving product performance, and broadening features and functionalities. The

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

e related primarily to three products. There is a risk that these developments and enhancements will not be
logies that offer comparable functionality.

ent was determined by considering the importance of each project to the overall development plan, estimating costs
pment into commercially viable products, estimating the resulting net cash flows from the projects when completed,
The revenue estimates used to value the purchased in-process research and development were based on estimates
nds in technology, and the nature and expected timing of new product introductions by Lipman and its competitors.

present value were based on the Company s weighted average cost of capital. The weighted average cost of capital
n completing each project and thereby achieving technological feasibility, the percentage of completion of each
market growth rates, and risks related to the impact of potential changes in future target markets. Based on these
for valuing the in-process research and development.

es based generally on a one-for-one exchange ratio, which differed from the all-stock exchange ratio of 0.9336 (the
ced by the per share value of the $1.50 per share special cash dividend) for Lipman ordinary shares. As a result, the
nsation for the excess over fair value of vested options in the fiscal year ended October 31, 2007.

n was allocated to goodwill. Goodwill represents the excess of the purchase price of an acquired business over the
ssets, in-process research and development, and excess over fair value of vested options. Goodwill arose because of
s strategic and business objectives. Goodwill will not be amortized but instead will be tested for impairment at least
t). In the event that the management of the combined company determines that the value of goodwill has become
g charge for the amount of impairment during the fiscal quarter in which the determination is made. The goodwill
gment and $6.5 million to the North America segment. Most of the goodwill is expected to be deductible for income

Company s consolidated financial statements from November 2006. The following table presents unaudited pro
ition of Lipman as if the acquisition had been consummated at the beginning of fiscal year 2006. The unaudited pro
of what would have occurred had the acquisition been made as of the beginning of the period or of the results that
ff of acquired in-process research and development of $6.8 million, additional interest expense of $23.1 million,
ep up of inventory of $13.9 million, stock-based compensation for the excess fair value on vested options of

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ear ended October 31, 2006. The unaudited pro forma information is as follows:

	Year Ended October 31, 2006 (In millions, except per share amounts)
	$ 831.1
	$ 19.8
	$ 0.25
	$ 0.24

welve-month period ended September 30, 2006 for Lipman and the twelve-month period ended October 31, 2006

investment of $4.0 million in VeriFone Transportation Systems, Inc. (VTS) to increase its ownership percentage to the original investment of $1.2 million and $0.2 million of transactions costs, was allocated to the net assets of VTS ngible assets, comprised of customer relationships of $3.8 million and internal use software of $0.8 million; million to minority interest. All of the goodwill has been allocated to the North America segment. In May 2007, the in VTS to increase its ownership percentage from 51.0% to 63.2%. In addition, the Company has provided VTS 2007, VTS issued capital stock to a third party, reducing the Company s equity interest in VTS from 63.2% to s VTS results of operations are not material to the Company s results of operations.

the payment systems business of Trintech Group PLC for approximately $10.7 million, comprised of $9.6 million s. The cash consideration includes $2.0 million that has been placed in an escrow account pending resolution of n the Company s EMEA presence at the point of sale beyond its core solutions. The Company s consolidated business acquired from the date of acquisition. Pro forma results of operations have not been presented because the n was accounted for using the purchase method of accounting.

s follows: $12.4 million to goodwill (not deductible for income tax purposes); $7.7 million to intangible assets, klog of $1.4 million, and customer relationships of $3.3 million; and $9.4 million to net tangible liabilities assumed. ntangible assets acquired are 3 to 5 years for the developed technology, one year for backlog, and 4 to 6 years for zation period for developed technology and customer relationships was 3.7 years. All of the goodwill has been

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ne GO Software business from Return on Investment Corporation for approximately $13.4 million in consideration, aid $13.0 million in cash and could have paid up to $2.0 million in contingent consideration, based on the future 6. No contingent payments were required. GO Software provides PC-based point of sale payment processing acquired the assets of GO Software to broaden the Company s presence at the point of sale beyond its core ents include the operating results of the business acquired from the date of acquisition. Pro forma results of the acquisition was not material. This transaction was accounted for using the purchase method of accounting.

o our North America segment as follows: $4.7 million to goodwill (amortizable and deductible for income tax f developed technology of $4.5 million and customer relationships of $4.1 million; and $0.1 million to net tangible tion, the weighted average amortization period for developed technology and customer relationships was 2.5 years. 313,000 of restructuring costs related to the integration of GO Software s Savannah helpdesk facility with the

ons Details

onsisted of the following (in thousands):

	Balance at Beginning of Year	Charges to Costs and Expenses	Deductions, Write-offs	Balance at End of Year
	$ 2,364	$ 2,654	$ (748)	$ 4,270
	$ 1,571	$ 1,623	$ (830)	$ 2,364
	$ 2,868	$ (675)	$ (622)	$ 1,571

	October 31, 2007	October 31, 2006
	$ 29,548	$ 4,095
	3,849	808
	73,771	81,728

	$ 107,168	$ 86,631

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

e following (in thousands):

	October 31, 2007	October 31, 2006
	$ 38,390	$ 5,241
	15,266	3,208
	7,827	750
	1,930	3,744
	$ 63,413	$ 12,943

g (in thousands):

	October 31, 2007	October 31, 2006
	$ 13,519	$ 7,049
	4,288	3,972
	10,579	5,602
	11,061	3,897
	18,532	966
	1,633	
	4,832	
	64,444	21,486
	(16,151)	(14,186)
	$ 48,293	$ 7,300

year ended October 31, 2007 was $17.6 million. This increase was primarily attributable to the Company s
tion system, which will replace certain of the Company s existing systems in fiscal year 2008.

ng for the Costs of Computer Software Developed or Obtained for Internal Use, the Company capitalizes certain
tware. These assets are amortized over the assets useful lives of 3 years. The Company s new enterprise resource
eful life of 7 years.

nting to $1.3 million was capitalized under capital leases. Related accumulated amortization as of October 31, 2007
million, respectively.

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

sted of the following (in thousands):

	October 31, 2007			October 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	$ 172,564	$ (64,981)	$ 107,583	$ 35,164	$ (28,616)	$ 6,548
	14,442	(14,442)		14,442	(12,517)	1,925
	22,225	(22,225)		22,225	(19,942)	2,283
	4,485	(853)	3,632			
	91,023	(32,165)	58,858	19,314	(13,526)	5,788
	$ 304,739	$ (134,666)	$ 170,073	$ 91,145	$ (74,601)	$ 16,544

ollows (in thousands):

	Years Ended October 31,		
	2007	2006	2005
	$ 37,897	$ 5,625	$ 6,935
	21,571	4,703	4,967
	$ 59,468	$ 10,328	$ 11,902

ts as of October 31 is as follows (in thousands):

	Cost of Net Revenues	Operating Expenses	Total
	$ 32,025	$ 25,682	$ 57,707
	31,774	20,507	52,281
	24,894	12,059	36,953
	15,120	3,612	18,732
	3,770	630	4,400
	$ 107,583	$ 62,490	$ 170,073

n thousands):

	October 31,	
	2007	2006
	$ 52,689	$ 47,260
	540,043	6,352
ves and valuation allowances established in purchase accounting, and tax	(5,229)	(923)
	24,474	
	$ 611,977	$ 52,689

l related to the acquisition of Lipman of $530.4 million and goodwill related to the additional investment in VTS of

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

he purchase price allocation for PayWare. During fiscal year 2006, the Company initially recorded goodwill related

n restricted cash of which $619,000 was related to guarantees provided to customers, $429,000 was related to an
ny s credit facility, all of which are recorded in other assets in the consolidated balance sheets. As of October 31,
hich $380,000 was related to an escrow account, $46,000 was related to an office facility, and $205,000 was related
ed in other assets in the consolidated balance sheets.

n thousands):

	Years Ended October 31, 2007	2006
	$ 5,432	$ 5,243
	3,664	3,311
	(13,089)	(3,815)
	4,768	693
	10,892	
	11,667	5,432
	(11,012)	(4,902)
	$ 655	$ 530

ted to a product specific warranty reserve for an acquired product, following the
remainder of the change in estimate is due a combination of higher failure rates for
ompany s outsourced repair vendors.

llowing (in thousands):

	October 31, 2007	2006
	$ 58,992	$ 34,309

	(4,669)	(3,371)
	54,323	30,938
	(11,274)	(7,371)
	$ 43,049	$ 23,567

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

usands):

October 31,	
2007	2006
$ 39,310	$ 1,990
16,246	7,511
4,693	3,135
2,620	5
21,904	1,014
$ 84,773	$ 13,655

acquired as part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties ds. The Company has accrued $19.4 million, including interest, related to these assessments. See Note 11 for

ds):

Years Ended October 31,		
2007	2006	2005
$ (4,764)	$ (6,359)	$ (5,630)
2,534	397	428
(4,804)	(866)	(1,227)
(848)	434	(244)
$ (7,882)	$ (6,394)	$ (6,673)

he following (in thousands):

October 31,	
2007	2006

2,664 and $1,068	$ 22,224	$ 1,003
41 and $29	(63)	(46)
x of zero and $1		1
	$ 22,161	$ 958

mulated other comprehensive income consisted of the following (in thousands):

	Years Ended October 31,		
	2007	**2006**	**2005**
	$ 1,596	$ 234	$ 299
	12	18	85
	$ 1,608	$ 252	$ 384

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

n thousands):

	October 31,	
	2007	2006
	$ 236,250	$ 192,780
	316,250	
	652	109
	553,152	192,889
	(5,386)	(1,985)
	$ 547,766	$ 190,904

redit facility (the Old Credit Facility) with a syndicate of financial institutions. The Old Credit Facility consisted of Term B Loan of $190.0 million, and a Second Lien Loan of $72.0 million. On May 4, 2005, the Company used a l public offering to repay in full the Second Lien Loan and to pay a prepayment premium of $2.2 million.

agreement (the Credit Facility) consisting of a Term B Loan facility of $500.0 million and a revolving credit e proceeds from the Term B loan were used to repay all outstanding amounts relating to the Old Credit Facility, pay sideration in connection with the acquisition of Lipman on November 1, 2006. Through October 31, 2007, the ving a Term B Loan balance of $236.2 million at October 31, 2007.

ertain of its subsidiaries and is secured by collateral including substantially all of the Company s assets and stock of ctober 31, 2006, the interest rates, per annum, were 7.11% and 7.12% on the Term B Loan and 6.61% and 6.87% on mmitment fee on the unused portion of the revolving loan under its Credit Facility at a rate that varies between olidated total leverage ratio. The Company was paying a commitment fee at a rate of 0.300% per annum as of 31, 2006. The Company pays a letter of credit fee on the unused portion of any letter of credit issued under the 25% per annum depending upon its consolidated total leverage ratio. At October 31, 2007 and October 31, 2006, of 1.25% and 1.50% per annum, respectively.

evolving loan bears interest at a rate of 1.25% over the three-month LIBOR, which was 5.36%, or 0.25% over the 2006, at the Company s option, the revolving loan bore interest at a rate of 1.50% over the three-month LIBOR, which was 8.25%. As of October 31, 2007, the entire $40.0 million revolving loan was available for borrowing to

ober 31, 2007, at the Company s option, the Term B Loan bears interest at a rate of 1.75% over the three-month
r 31, 2006, the Term B loan bore interest at a rate of 1.75% over the three-month LIBOR, or 0.75% over the lender s

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on one, two, three, or six-month periods. The lender s base rate is the greater of the Federal Funds rate plus ive maturity dates on the components of the Credit Facility are October 31, 2012 for the revolving loan and Term B Loan are due in equal quarterly installments of $1.2 million over the seven-year term on the last business turity.

comply with financial covenants, including maintaining leverage and fixed charge coverage ratios at the end of on in interest rates, and meeting limits on annual capital expenditure levels. As of October 31, 2007, the Company ater than 4.0 to 1.0 and a fixed charge coverage ratio of at least 2.0 to 1.0. Total leverage ratio is equal to total debt ed by consolidated EBITDA, as adjusted, for the most recent four consecutive fiscal quarters. Some of the financial Credit Facility. Noncompliance with any of the financial covenants without cure or waiver would constitute an event esulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in t outstanding and a termination of the revolving loan. The Credit Facility also contains non-financial covenants that bility to dispose of assets, incur additional debt, pay dividends, create liens, make investments, make capital ffiliates. The terms of the Credit Facility permit prepayments of principal and require prepayments of principal thers, the receipt of proceeds from the sale of assets, the receipt of excess cash flow as defined, and the receipt of contains customary events of default, including defaults based on events of bankruptcy and insolvency; nonpayment ed grace periods; breach of specified covenants; change in control; and material inaccuracy of representations and ancial and non-financial covenants as of October 31, 2007.

Fone, Inc. (the Borrower) and VeriFone Intermediate Holdings, Inc. entered into a First Amendment to the Credit he Lenders under its Credit Facility, dated October 31, 2006. The First Amendment extends the deadlines for delivery onth periods ended January 31, April 30, and July 31, 2007, the year ended October 31, 2007, and the three-month irst Amendment, the Borrower paid to consenting Lenders a fee of $0.7 million, or 0.25% of the aggregate amount commitment made available by the consenting Lenders, and agreed to an increase in the interest rate payable on the

iate Holdings, Inc. entered into a Second Amendment to the Credit Agreement (the Second Amendment) with the nt extends the time periods for delivery of certain required financial information for the three-month periods ended October 31, 2007, and the three-month periods ended January 31 and April 30, 2008. In connection with the Second fee of $0.7 million, or 0.25% of the aggregate amount outstanding under the term loan and revolving credit agreed to an additional increase in the interest rate payable on the Term B loan and any revolving commitments of nnum to the commitment fee for unused revolving commitments, and agreed to an increase of 0.75% per annum to the date of the Second Amendment.

ate Holdings, Inc. entered into a Third Amendment to the Credit Agreement (the Third Amendment) with the extends the time periods for delivery of certain required financial information for the three-month periods ended

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

October 31, 2007, and the three-month periods ended January 31 and April 30, 2008 to August 31, 2008. In
d to consenting Lenders a fee of $0.3 million, or 0.125% of the aggregate amount outstanding under the Term B
made available by the consenting Lenders. Following the Third Amendment, the Borrower pays interest on the
(the Borrower may elect at the end of an interest period to have the term loan bear interest at 1.75% over the
nterest, at the Borrower s option at either 2.0% over three-month LIBOR or 1.0% over the lender s base rate, assuming
total consolidated leverage ratio.

rs agreed that no default that may have arisen under the Credit Agreement by virtue of any failure to deliver
for the fiscal quarters being restated would be a Default or an Event of Default as defined under the Credit
ult or Event of Default would for all purposes of the Credit Agreement and related loan documents be waived.

regate principal amount of 1.375% Senior Convertible Notes due 2012 (the Notes) in an offering through Lehman
nitial purchasers) to qualified institutional buyers pursuant to Section 4(2) and Rule 144A under the Securities Act.
action costs, were approximately $307.9 million. The Company incurred approximately $8.3 million of debt
itial purchasers discounts and offering expenses, were primarily recorded in debt issuance costs, net and are being
method over five years. The Company will pay 1.375% interest per annum on the principal amount of the Notes,
December 15 of each year, commencing on December 15, 2007, subject to increase in certain circumstances as

ompany and U.S. Bank National Association, as trustee. Each $1,000 of principal of the Notes will initially be
k, which is equivalent to a conversion price of approximately $44.02 per share, subject to adjustment upon the
convert their Notes prior to maturity during specified periods as follows: (1) on any date during any fiscal quarter
fiscal quarter) if the closing sale price of the Company s common stock was more than 130% of the then current
of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter; (2) at any time on
to all holders of its common stock, rights or warrants (other than pursuant to a rights plan) entitling them to
of the Company s common stock at a price less than the average closing sale price for the ten trading days
f the Company distributes, to all holders of its common stock, cash or other assets, debt securities, or rights to
to a rights plan), which distribution has a per share value exceeding 10% of the closing sale price of the Company s
on date for such distribution; (5) during a specified period if certain types of fundamental changes occur; or
e consecutive trading-day period in which the trading price for the Notes was less than 98% of the average of the
ach day during such five trading-day period multiplied by the then current conversion rate. Upon conversion, the
licable number of shares of VeriFone common stock, up to the principal amount of the note. Amounts in excess of
s and until the Company obtains stockholder approval to amend its certificate of incorporation to increase its
able for issuance upon conversion of each $1,000 principal amount of Notes will

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

es allocable to such Note, which equates to 10.2766 shares per $1,000 principal amount of Notes. The Company has
kholder approval within one year of the issuance of the Notes. Because the Company did not increase its authorized
ial conversion rate by June 21, 2008, beginning on June 21, 2008 the Notes began to bear additional interest at a
erest described below) on the principal amount of the Notes, which will increase by 0.25% per annum on each
en increased. If stockholder approval to increase the Company s authorized capital is received, such additional

holders of the Notes to convert had been met. If a fundamental change, as defined in the Indenture, occurs prior to
ompany to repurchase all or a portion of their Notes for cash at a repurchase price equal to 100% of the principal
and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date.

al in right of payment with all of the Company s existing and future senior unsecured indebtedness. The Notes are
he extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of
tedness of such subsidiaries.

ntered into a registration rights agreement, dated as of June 22, 2007, with the initial purchasers of the Notes (the
on Rights Agreement, the Company has agreed (1) to use reasonable best efforts to cause a shelf registration statement
stock issuable upon conversion of the Notes to be declared effective by December 19, 2007 or to cause an existing
80 days after the original issuance of the Notes and (2) to use its reasonable best efforts to keep effective the shelf
en the holders of transfer restricted Notes and shares of common stock issued upon conversion of the Notes are able
under Rule 144(k) under the Securities Act of 1933, as amended (the Securities Act), (ii) the date when all
ued upon conversion of the Notes are registered under the registration statement and sold pursuant thereto and
s of common stock issued upon conversion of the Notes have ceased to be outstanding. If the Company fails to meet
on the Notes at a rate of 0.25% per annum for the first 90 days and at a rate of 0.50% per annum thereafter.

orm 10-K, the Company has not yet been able to register the Notes and the shares underlying the Notes.
0.25% per annum on December 20, 2007 and by an additional 0.25% per annum on March 19, 2008 relating to the
greement. Once a registration statement covering the Notes and shares underlying the Notes is declared effective,
er 31, 2007, the Company accrued $0.6 million related to the interest penalty on the Notes.

ditional 0.25% per annum on May 1, 2008 (in addition to the additional interest described above) because the
Form 10-K. Such additional 0.25% interest will cease to accrue upon the filing of this Form 10-K.

ny entered into note hedge transactions with affiliates of the initial purchasers (the counterparties) whereby the
res of its common stock at a price of approximately $44.02 per share. The cost to the Company of the note hedge
hedge transactions are intended to mitigate the potential dilution upon conversion of the Notes in the event that the
non stock on each trading day of the relevant conversion period or other relevant valuation

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nvertible note hedge transactions, which initially corresponds to the conversion price of the Notes and is subject, the conversion price of the Notes.

rties whereby they have the option to purchase up to approximately 7.2 million shares of VeriFone common stock at roximately $31.2 million in cash proceeds from the sale of these warrants. If the volume weighted average price of e measurement period at maturity of the warrants exceeds the applicable strike price of the warrants, there would be price of the Company s common stock exceeds the applicable strike price of the warrants. Unless and until the ificate of incorporation to increase its authorized capital, the maximum number of shares issuable upon exercise of common stock. If the Company does not obtain stockholder approval to amend its certificate of incorporation to nnual meeting of the Company s stockholders after the date of the pricing of the Notes, the number of shares of the increase by 10%, and the warrants will be subject to early termination by the counterparties.

sactions, net of the related tax benefit and the proceeds from the sale of the warrants, is included as a net reduction dated balance sheets as of October 31, 2007, in accordance with the guidance in EITF 00-19, *Accounting for ially Settled in, a Company s Own Stock*.

he Notes will have no impact on diluted earnings per share, or EPS, until the price of the Company s common stock e the principal amount of the Notes will be settled in cash upon conversion. Prior to conversion the Company will ued if its common stock price exceeds $44.02 per share, using the treasury stock method. If the price of the will also include the effect of the additional potential shares that may be issued related to the warrants, using the ge transactions are not considered for purposes of the EPS calculation as their effect would be anti-dilutive.

n under capital leases totaled $63,000 and $109,000, respectively. Of these amounts, $37,000 and $57,000, -term debt and $26,000 and $52,000, respectively, were included in long-term debt, net of current portion in the 6.

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leases, over the next five years and thereafter are as follows (in thousands):

	$ 5,386
	5,261
	5,004
	5,001
	321,250
	211,250
	553,152
	(2)
	$ 553,150

wing (in thousands):

	Years Ended October 31, 2007	2006	2005
	$ (15,390)	$ 74,267	$ 40,625
	6,092	17,403	6,104
	$ (9,298)	$ 91,670	$ 46,729

of the following (in thousands):

	Years Ended October 31, 2007	2006	2005
	$ 8,964	$ 28,618	$ 19,717
	1,843	5,257	3,754
	12,250	4,179	2,984

	23,057	38,054	26,455
	2,127	(4,744)	(11,215)
	735	(476)	(1,640)
	(1,201)	(675)	(110)
	1,661	(5,895)	(12,965)
	$ 24,718	$ 32,159	$ 13,490

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y income tax rate to the provision for income taxes is as follows (in thousands):

	Years Ended October 31,		
	2007	2006	2005
	$ (3,254)	$ 32,084	$ 16,355
	1,651	3,108	1,374
	1,445	(1,488)	1,175
	23,571	(2,304)	(4,836)
	1,302	568	548
	(763)	(190)	(301)
	766	381	(825)
	$ 24,718	$ 32,159	$ 13,490

orary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the omponents of the Company s deferred tax assets and liabilities were as follows (in thousands):

	Years Ended October 31	
	2007	2006
	$ 7,516	$ 4,457
	27,151	13,576
	13,719	7,809
	12,815	9,378
	5,908	1,400
	33,900	23,887
	1,862	603
	7,635	2,542
	30,728	
	63,247	
	7,163	
	211,644	63,652
	(119,536)	(25,248)
	(28,841)	(2,150)
	(788)	(88)

	(7,714)	(1,021)
	(53,645)	(96)
	(2,766)	(941)
	(93,754)	(4,296)
	$ (1,646)	$ 34,108

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deferred tax liability of $1.6 million. The realization of the deferred tax assets is primarily dependent on the le income in future fiscal years. Management has determined that it is more likely than not the deferred tax assets reign taxes on basis differences, certain foreign net operating losses, and tax deductible intangible assets reversing allowance has been recorded at October 31, 2007. Although realization is not assured, management believes that it sets will be realized. The amount of deferred tax assets considered realizable, however, may increase or decrease ng basis for its estimates of future taxable income.

ed a valuation allowance for deferred tax assets of $119.5 million and $25.2 million, respectively. The Company s 3 million for the fiscal year ended October 31, 2007, increased by $4.6 million for the fiscal year ended October 31, nded October 31, 2005. The increase of $94.3 million during fiscal year 2007 is primarily attributable to foreign tax es associated with the acquisition of Lipman Electronic Engineering Ltd. Approximately $79.3 million of deferred ble to acquisition-related items that, when realized, will reduce goodwill. During the fiscal years ended October 31, $1.0 million and $0.2 million, respectively, as a result of a reduction in the valuation allowance for

arily related to tax losses in Ireland of $152.9 million, France of $7.0 million, the United Kingdom of $8.1 million, es of $4.9 million. Approximately $174.2 million of foreign NOLs may be carried forward indefinitely. The gn NOLs is subject to limited carry forward terms of 5 to 15 years. NOLs of $0 million, $0.4 million, and espectively, if not utilized. The Company recorded tax benefits in the amount of $3.8 million net of valuation ed October 31, 2007.

ign tax credit carryforwards of $7.2 million, which will expire beginning in 2018, if not utilized.

$0.8 million, for the fiscal years ended October 31, 2007 and 2006, respectively, due to the resolution of certain abilities resulted in a reduction of goodwill by $0.9 million and $0.7 million for the fiscal years ended October 31, prior to the Company s 2002 acquisition.

ed with outside basis differences on investment in foreign subsidiaries unless the difference is considered 7, the Company has recorded a deferred tax liability of $53.6 million associated with $162.6 million of taxable anently reinvested. The Company has not recorded deferred taxes on approximately $33.0 million of taxable outside vested. As of October 31, 2007, the determination of the unrecorded deferred tax liability related to these earnings es apparent that some or all of the undistributed earnings will not be invested indefinitely, or will be remitted in the l be recorded for some or all of the outside basis difference.

rations in Singapore commencing November 1, 2005. The tax rate for enterprises granted pioneer status in expire on November 1, 2011. The tax benefit of the tax holiday for the year ended October 31, 2007 was

Brazil are currently under audit by the Israeli and Brazilian taxing authorities for its fiscal years 2004 to 2006 and

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e years subject to audit, the Israeli and Brazilian taxing authorities may adopt different interpretations. The
ith respect to these audits.

rnal Revenue Service, or IRS, for its fiscal years ended October 31, 2003 and 2004. Although the Company believes
t, the Internal Revenue Service may adopt different interpretations. The Company has not yet received any final
adjustments have been agreed with the IRS. The tax liability associated with the agreed adjustments has been

f Incorporation to authorize 100,000,000 shares of Common Stock, par value $0.01 per share, and
he holder of each share of Common Stock has the right to one vote. The board of directors has the authority to issue
nd to fix the rights, preferences, privileges and restrictions thereof. At October 31, 2007 and October 31, 2006,
there were 84,060,120 and 68,148,245 shares of Common Stock outstanding, respectively.

restatement of its Certificate of Incorporation, the Company converted all Nonvoting shares of Common Stock to
with a corresponding effective conversion of all outstanding options to purchase Nonvoting shares of Common
unders Stock Option Plan. As a result of that modification, the Company recognized additional compensation
d October 31, 2006 and 2005, respectively.

ic offering of 15.4 million shares of its Common Stock at a price of $10.00 per share. Of the shares sold, 8.5 million
were sold by the Company and 9.2 million shares, with an aggregate offering price of $92.1 million were sold by
lotment of 2.3 million shares.

w-on public offering of 13.1 million shares of its Common Stock at a price of $20.78 per share. Of the shares sold,
1.9 million, were sold by the Company and 10.6 million shares, with an aggregate offering price of $219.8 million
d approximately $48.7 million in net proceeds from this offering.

sition of Lipman. As part of the acquisition consideration, the Company issued 13,462,474 shares of its common
onal information.

on Stock sold to the Company s Chief Executive Officer (the CEO) at the original sale price, $0.0333 per share, in
y or any of its subsidiaries. This right lapsed at a rate of 20% of the original 3,910,428 shares per year. Upon the
ld have become vested. At October 31, 2007 and 2006, zero and 782,085 shares of Common Stock issued to the
sed in July 2007.

on Stock sold to certain executives of the Company pursuant to the Company s 2002 Securities Purchase Plan at the

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

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t the executive ceased to be employed by the Company or any of its subsidiaries. This right lapsed at a rate of 20%
of the Company, any remaining unvested shares would have become vested. At October 31, 2007 and 2006, zero
to this repurchase right which lapsed in October 2007.

l stock-based compensation of $446,000 in connection with several sales of Common Stock to the executives before
on represents the difference between the fair value of the Company s Common Stock for accounting purposes and
rred stock-based compensation to expense on a straight-line basis over the vesting period through April 30, 2005.
ompensation pursuant to APB No. 25 on April 30, 2005 upon adoption of SFAS No. 123(R). During the fiscal year
of stock-based compensation expense, which was included in general and administrative expenses in the

ck activity for the fiscal year ended October 31, 2007:

	Shares (In thousands)	Weighted-Average Grant-Date Fair Value
	1,001,070	$ 0.06
	1,001,070	0.06
	1,001,070	

1,637 stock options outstanding with a weighted average exercise price of $27.10 per share. The number of shares
as of October 31, 2007.

ders Stock Option Plan (the New Founders Plan) for executives and employees of the Company. A total of
e reserved for issuance under the New Founders Plan. The Company will no longer grant options under the New
eafter. Option awards under the New Founders Plan were generally granted with an exercise price equal to the
t. Those option awards generally vest in equal annual amounts over a period of five years from the date of grant and

fiscal years ended October 31, 2007, 2006, and 2005 was $14.8 million, $7.1 million, and $1.4 million, respectively.
anted during the fiscal year ended October 31, 2005 was $6.18. No options were granted under the plan in fiscal

here was $672,000 of total unrecognized compensation cost related to non-vested shared-based compensation
ne cost is expected to be recognized over a remaining weighted average period of 1.8 years. The total fair value of

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ch of the fiscal years ended October 31, 2007, 2006, and 2005 was $415,000, $546,000, and $344,000, respectively.

ctors Stock Option Plan (the Directors Plan) for members of the Board of Directors of the Company who are not
tockholders of the Company. A total of 225,000 shares of the Company s Common Stock have been reserved for
o longer grant options under the Directors Plan and retired 135,000 shares available for future grant under the
ptions cancelled thereafter. Option grants for members of the Board of Directors of the Company who are not
tockholders of the Company will be covered under the 2006 Equity Incentive Option Plan. Stock options granted
f grant and have a maximum term of seven years.

of the fiscal years ended October 31, 2007, 2006, and 2005 was $524,000, zero, and zero, respectively. The
e fiscal year ended October 31, 2005 was $6.18. No options were granted under the plan in fiscal years 2006 or

here was $166,000 of unrecognized compensation cost related to non-vested shared-based compensation
st is expected to be recognized over a remaining weighted average period of 1.2 years. The total fair value of options
l years ended October 31, 2007, 2006, and 2005 was $139,000, $231,000, and zero, respectively.

y Incentive Option Plan (the EIP Plan) for executives and employees of the Company, and other individuals who
hares of the Company s Common Stock have been reserved for issuance under the EIP Plan. The Company will no
300 shares available for future grant under the EIP Plan on March 22, 2006 and will retire any options cancelled
exercise price equal to the market price of the Company s stock at the day of grant. Those options generally vest
ve a maximum term of seven years.

of the fiscal years ended October 31, 2007, 2006, and 2005 was $15.8 million, $4.0 million, and zero, respectively.

anted during the fiscal year ended October 31, 2006 and 2005 was $12.07 and $5.35 per share, respectively. No

here was $4.6 million of unrecognized compensation cost related to non-vested share-based compensation
pected to be recognized over a remaining weighted average period of 1.6 years. The total fair value of options
ears ended October 31, 2007, 2006, and 2005 was $4.2 million, $3.1 million, and zero, respectively.

ved the 2006 Equity Incentive Plan (the 2006 Plan) for officers, directors, employees, and consultants of the
s Common Stock have been reserved for issuance under the 2006 Plan. Awards are granted with an exercise price
ock at the date of grant except for restricted stock units

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four years from the date of grant and have a maximum term of seven years. Any shares granted as stock options and r every share granted. Any awards granted other than stock options or stock appreciation rights are counted, for the Plan, as 1.75 shares for every share granted.

7, and October 2007, the Company issued 90,000, 80,000, 14,000, 33,000 and 11,000 RSUs, respectively, to its exercise price. Twenty-five percent of these awards shall vest one year from the date of grant and 1/16th vest s the stock price on March 22, 2006, September 12, 2006, January 3, 2007, July 2, 2007, and October 1, 2007 of .

est, with an aggregate intrinsic value of $7.4 million. The total fair value of RSUs vested during the fiscal year ed in fiscal year 2006. As of October 31, 2007, pursuant to SFAS No. 123(R), there was $4.0 million of total ted RSUs. The cost is expected to be recognized over the remaining weighted average period of 3.0 years.

00,000 RSUs to the Company s CEO. These RSUs may vest in three tranches over a four-year period based upon d, per share and its share price. Two-thirds of the RSUs are performance units that will vest based on achievement of Us are market units that will vest based on achievement of net income, as adjusted, targets and specified targets for e units are earned in three annual tranches of up to 200,000 shares each in the event that the Company meets or sted, per share for fiscal years 2007, 2008, and 2009, based on a target of 20% annual increases. In addition, in may earn a further 100,000 market units if the Company achieves both the targeted improvement in net income, as ment in the Company s share price, with a final target of $62.20 as of October 31, 2009. Each year s RSUs will not which the specified target is met.

d any compensation expense related to these RSUs as the fiscal year 2007 financial targets were not achieved. The related to fiscal year 2007 were cancelled on October 31, 2007. The financial targets for the fiscal 2008 and 2009 asurement date has occurred for those tranches. The Company will value the fiscal 2008 and 2009 tranches when all asurement date has occurred. Because these shares are contingently issuable, they are excluded from the earnings

iscal year ended October 31, 2007 was $3.1 million. There were no exercises in fiscal year 2006. The weighted e each of the fiscal years ended October 31, 2007 and 2006 was $9.59 and $9.68 per share, respectively.

here was $36.1 million of total unrecognized compensation cost related to non-vested share-based compensation he cost is expected to be recognized over a remaining weighted average service period of 3.3 years. The total fair ber 31, 2007 was $7.0 million. No options vested in fiscal year 2006.

06, VeriFone assumed all of Lipman s outstanding options. The Company no longer grants options under the

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'O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

iscal year ended October 31, 2007 was $19.6 million.

here was $9.1 million of total unrecognized compensation cost related to non-vested share-based compensation is expected to be recognized over a remaining weighted average period of 2.2 years. The total fair value of options s $9.4 million.

f employee stock option exercises under all plans for each of the fiscal years ended October 31, 2007, 2006, and pectively. In connection with these exercises, the tax benefits realized by the Company for each of the fiscal years nd $0.4 million, respectively.

options using a Black-Scholes valuation model, consistent with the provisions of SFAS No. 123(R) and l-average assumptions noted in the following table. Expected volatility of the stock is based on a blend of the usiness and the Company s historical volatility for its own stock. The expected term of options granted is derived sents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the US l to the expected term of the options used in the Black-Scholes valuation model. Estimates of fair value are not nately realized by employees who receive equity awards, and subsequent events are not indicative of the de by the Company under SFAS No. 123(R).

SFAS No. 123(R) are as follows:

	Years Ended October 31		
	2007	2006	2005
	2 years	3 years	4 years
	4.8%	5.0%	4.3%
	40%	42%	58%
	0.0%	0.0%	0.0%

on expense recognized in accordance with SFAS No. 123(R) during the fiscal years ended October 31, 2007, 2006,

	Years Ended October 31,		
	2007	2006	2005
	$ 2,998	$ 709	$ 187
	5,937	1,194	358
	8,942	2,057	663
	11,015	2,040	479
	$ 28,892	$ 6,000	$ 1,687

ompensation expense includes $1.0 million related to the excess over fair value of the vested Lipman options

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on plans as of October 31, 2006 and 2005 and the activity for the fiscal years ended on those dates:

Years Ended October 31, 2006						2005	
Shares Under Option	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)		Shares Under Option	Weighted Average Exercise Price
3,478,245	$	8.60				1,292,940	$ 3.06
2,766,220	$	27.04				2,498,700	$ 11.05
(501,966)	$	6.04				(99,495)	$ 3.05
(336,391)	$	15.53				(213,900)	$ 6.40
5,406,108	$	18.75	6.37	$	61,476	3,478,245	$ 8.60
4,801,456	$	19.28	6.36	$	52,604		
860,700	$	7.81	6.29	$	18,414	438,615	$ 3.09

on plans as of October 31, 2007 and the activity for the fiscal year ended that date:

Shares Under Option	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
5,406,108	$	18.75		
3,375,527	$	24.47		
3,279,705	$	35.54		
(2,420,390)	$	15.82		
(1,309,313)	$	26.93		

8,331,637	$	27.10	5.73	$ 186,019
7,664,092	$	27.02	5.70	$ 171,763
1,565,756	$	19.60	5.19	$ 46,705

options granted during each of the fiscal years 2007, 2006, and 2005 was $9.59, $9.82, and $5.83, respectively. The
he fiscal years 2007, 2006, and 2005 was $53.9 million, $11.1 million and $1.4 million, respectively.

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cal year ended October 31, 2007:

	Shares	Weighted Average Purchase Price	Aggregate Intrinsic Value (Thousands)
	170,000	$	
	958,000	$	
	(29,375)	$	
	(348,875)	$	
	749,750	$	$ 37,060
	748,693	$	$ 37,008

RSUs granted during each of the fiscal years 2007 and 2006, excluding the CEO s performance and market RSUs was $36.85 and $28.22, respectively. The total fair value of RSUs that vested in fiscal year 2007 was $1.7 million.

he Company on July 1, 2002, the Company assumed the liability for a restructuring plan (fiscal 2002 restructuring resents primarily future facilities lease obligations, net of estimated future sublease income, which are expected to be ts for the International segment was zero and $8,000 for the fiscal years ended October 31, 2007 and 2006, any paid restructuring costs of $177,000 and $714,000 for the fiscal years ended October 31, 2007 and 2006, s recorded for the North America segment during the fiscal year ended October 31, 2007. As of October 31, 2007, North America segment and International segment, respectively.

e as follows (in thousands):

	Facilities	Other	Total	Short-Term Portion	Long-Term Portion
	$ 1,200	$ 60	$ 1,260	$ 765	$ 495
		8	8	460	(452)
	(714)	(8)	(722)	(722)	

486	60	546	503	43
(261)	(60)	(321)	(300)	(21)
(182)		(182)	(182)	
$ 43	$	$ 43	$ 21	$ 22

) Software business from Return on Investment Corporation on March 1, 2005, the Company accrued in the
related to the integration of GO Software s Savannah helpdesk facility with the Company s helpdesk facility in
ro, $40,000, and $229,000 were made during the fiscal

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ely. The restructuring activities have been completed and the unspent reserve of $44,000 was reversed in the third

lemented a restructuring plan that established the Singapore supply chain operations to leverage a favorable tax
acific region (fiscal 2006 restructuring plan). The plan included reductions in workforce of employees in the United
ted cost of $591,000. For the fiscal year ended October 31, 2006, the Company paid restructuring costs of $345,000
egments, respectively. During the three months ended April 30, 2007, the Company reversed the remaining reserve
vities have been completed.

e as follows (in thousands):

	Employee Costs	Short-Term Portion	Long-Term Portion
	$	$	$
	591	591	
	(583)	(583)	
	8	8	
	(8)	(8)	
	$	$	$

ompleted the acquisition of PayWare, the payment system business of Trintech Group PLC. The Company
costs related to a workforce reduction and future facilities lease obligations which were included in the purchase
f fiscal year 2006, the Company accrued and paid $2.9 million and $0.5 million, respectively, for the International
maining liability of $2.4 million. During the fiscal year ended October 31, 2007, the Company accrued and paid
national segment. As of October 31, 2007, the Company had a liability of $0.9 million for the International segment.

g plan are as follows (in thousands):

	Employee Costs	Facilities	Other	Total	Short-Term Portion	Long-Term Portion
	$	$	$	$	$	$
	1,645	1,148	76	2,869	2,869	
	(411)	(50)		(461)	(461)	

	1,234		1,098		76		2,408		2,408	
	592		544		105		1,241		1,241	
	(1,870)		(729)		(181)		(2,780)		(2,780)	
$	(44)	$	913	$		$	869	$	869	$

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

implemented a restructuring plan that included reductions in workforce of employees in the United States, China,
ed cost of $822,000. For the fiscal year ended October 31, 2007, the Company accrued and paid $727,000 and
n America segment. For the fiscal year ended October 31, 2007, the Company accrued and paid $95,000 and
ational segment. As of October 31, 2007, the Company had a liability of $14,000 for the North America segment

n are as follows (in thousands):

Employee Costs	Facilities	Other	Total	Short-Term Portion	Long-Term Portion
$	$	$	$	$	$
808	10	4	822	822	
(794)	(10)	(2)	(806)	(806)	
$ 14	$	$ 2	$ 16	$ 16	$

pleted the acquisition of Lipman and formulated a restructuring plan. The Company accrued into the purchase price
kforce and future facilities lease obligation. For the fiscal year ended October 31, 2007, the Company accrued and
respectively, for the International segment. For the fiscal year ended October 31, 2007, the Company accrued and
respectively, for the North America segment. As of October 31, 2007, the Company had a liability of $0.8 million

plan are as follows (in thousands):

Employee Costs	Facilities	Other	Total	Short-Term Portion	Long-Term Portion
$	$	$	$	$	$
3,479	3,091		6,570	4,075	2,495
(2,849)	(2,952)		(5,801)	(3,306)	(2,495)
17			17	17	
$ 647	$ 139	$	$ 786	$ 786	$

llion, respectively, of the restructuring liability was included in other current liabilities and $22,000 and $43,000, n the accompanying consolidated balance sheets.

lan that allows eligible employees to contribute up to 60% of their pretax salary up to the maximum allowed under loyer matching contributions of $2.0 million, $1.9 million, and $1.8 million were made to the plan during the fiscal

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ock

mputed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for
f common stock subject to repurchase. Diluted net income (loss) per share of common stock is computed using the
tstanding plus the effect of common stock equivalents, unless the common stock equivalents are anti-dilutive. The
k resulting from the assumed exercise of outstanding stock options and equivalents and the assumed exercise of the
dilutive effect of the senior convertible notes are determined using the treasury stock method.

er share of common stock (in thousands, except per share data):

	Years Ended October 31,		
	2007	2006	2005
	$ (34,016)	$ 59,511	$ 33,239
non stock outstanding	82,862	67,887	60,989
rchase	(668)	(1,670)	(2,671)
come (loss) per share	82,194	66,217	58,318
		1,670	2,671
		1,007	471
iluted net income (loss) per share	82,194	68,894	61,460
	$ (0.41)	$ 0.90	$ 0.57
	$ (0.41)	$ 0.86	$ 0.54

tricted stock units to purchase 9,081,387, 2,681,470, and 250,500 shares of common stock were excluded from the
come (loss) per share as they were anti-dilutive.

nent C securities as defined by EITF 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon*
g to the senior convertible notes is included in the Company s diluted earnings per share calculation, if dilutive. The
k resulting from the assumed settlement of the conversion spread of the senior convertible notes are determined
ethod, the settlement of the conversion spread of the senior convertible notes has a dilutive effect when the average
period exceeds $44.02. The average share price of the Company s common stock during the fiscal year ended

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

s common stock were outstanding at October 31, 2007, but were not included in the computation of diluted earnings
er than the average market price of the Company s common stock during the fiscal year ended October 31, 2007;

nder noncancelable operating leases. Additionally, the Company subleases certain real property to third parties.
ome under these leases as of October 31, 2007, were as follows (in thousands):

	Minimum Lease Payments	Sublease Rental Income	Net Minimum Lease Payments
	$ 10,417	$ 161	$ 10,256
	7,994	93	7,901
	7,118	4	7,114
	5,718		5,718
	5,196		5,196
	11,092		11,092
	$ 47,535	$ 258	$ 47,277

s, insurance, and routine maintenance and include rent escalation clauses and options to extend the term of certain
9.2 million, and $7.7 million for the fiscal years ended October 31, 2007, 2006, and 2005, respectively. Sublease
nd $147,000 for the fiscal years ended October 31, 2007, 2006, and 2005, respectively.

l-party contract manufacturers and component suppliers with facilities in China, Singapore, Israel, and Brazil to
ompany issues a forecast to the third-party contract manufacturers and subsequently agrees to a build schedule to
ng. The Company provides each manufacturer with a purchase order to cover the manufacturing requirements,
y to purchase materials produced by the manufacturer as specified in the purchase order. The total amount of
was approximately $47.4 million and $17.9 million, respectively, and are generally paid within one year. Of this
in accrued expenses in the accompanying consolidated balance sheets as of October 31, 2007 and 2006,
have future value to the Company.

lth and dental costs, but has stop-loss insurance coverage to limit per-incident liability. The Company believes that ability. The accrual for self-insurance is determined based on claims filed and an estimate of claims incurred but not

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

otified of a tax assessment regarding Brazilian state value added tax (VAT), for the periods from January 2000 to
ompany by a contract manufacturer. The assessment relates to an asserted deficiency of 8.3 million Brazilian reais
lties. The tax assessment was based on a clerical error in which the Company s Brazilian subsidiary omitted the
nent does not expect that the Company will ultimately incur a material liability in respect of this assessment,
pany s Brazilian tax counsel, that the Company is likely to prevail in the proceedings relating to this assessment. On
ng with respect to this audit. Management expects to receive the decision of the administrative body sometime in
ng from the administrative body, the Company will decide whether or not to appeal and would reexamine the
currently uncertain what impact this state tax examination may have with respect to the Company s use of a
VAT.

acquired as a part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties
ods. The assessments were issued by the Federal Revenue Department in the City of Vitória, the City of São Paulo,
deficiencies totaling 26.9 million Brazilian reais (approximately $15.3 million) excluding interest. The tax
on of goods was simulated with the objective of evading taxes levied on the importation by under-invoicing the
tion was created through a fraudulent interposition of parties, where the real sellers and buyers of the imported

m 4.7 million Brazilian reais (approximately $2.7 million) to 1.5 million Brazilian reais (approximately
anuary 26, 2007. The proceeding has been remitted to the Taxpayers Council to adjudicate the appeal of the first
The Company also appealed the first level administrative decision on February 26, 2007. In this appeal, the
ugh evidence to determine that the import transactions were indeed fraudulent and that, even if there were some
med to be the Company s responsibility since all the transactions were performed by the third-party importer of the
e Taxpayers Council sometime in 2008. In the event the Company receives an adverse ruling from the Taxpayers
al to the judicial level. Based on the Company s current understanding of the underlying facts, the Company
ill be required to pay some amount of fines. At October 31, 2007, the Company has accrued 4.7 million Brazilian
hich it believes is the probable payment.

ministrative level decision rendered in the São Paulo tax assessment, which maintained the total fine of
) imposed. On August 10, 2007, the Company appealed the first administrative level decision to the Taxpayers
the Taxpayers Council, but the Taxpayers Council did not render a decision pending its further review of the
he Taxpayers Council sometime in 2008. In the event the Company receives an adverse ruling from the Taxpayers
al to the judicial level. Based on the Company s current understanding of the underlying facts, the Company
ill be required to pay some amount of fines. Accordingly, at October 31, 2007, the Company has accrued
), excluding interest.

lministrative level decision rendered in the Itajai assessment, which maintained the total fine of 2.0 million

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

aled the first level administrative level decision to the Taxpayers Council. Based on the Company s current
eves that it is probable that its Brazilian subsidiary will be required to pay some amount of fines. Accordingly, at
Brazilian reais (approximately $1.1 million), excluding interest.

vestigative demand from the U.S. Department of Justice (DOJ) regarding an investigation into its acquisition of
rmation, principally with respect to the Company s integration plans and communications prior to the completion of
certain current and former employees provided information to a representative of the DOJ in response to this
connection with the matters that are the subject of the investigation. On June 20, 2008, the Company s counsel
losed this investigation.

commenced an action in the United States District Court for the Eastern District of Texas, Marshall Division, against
atent No. 5,093,862 purportedly owned by SPA. The plaintiff is seeking a judgment of infringement, an injunction
neys fees. The Company filed an answer and counterclaims on November 8, 2007, and intends to vigorously defend
sted that the U.S. Patent and Trademark Office (the PTO) perform a re-examination of the patent. The PTO granted
motion to stay the proceedings with the Court and on April 25, 2008, the Court agreed to stay the proceedings
minary stages, and it is not possible to quantify the extent of the Company s potential liability, if any. An unfavorable
pany s business, financial condition, results of operations, and cash flow.

ent for the Benefit of Creditors), LLC (Cardsoft) commenced an action in the United States District Court for the
Company and others, alleging infringement of U.S. Patents No. 6,934,945 and No. 7,302,683 purportedly owned
gement, an injunction against further infringement, damages, interest and attorneys fees. The Company intends to
reliminary stages, and it is not possible to quantify the extent of the Company s potential liability, if any. An
t on the Company s business, financial condition, results of operations, and cash flow.

tion claims were filed against the Company and certain of the Company s officers. The various complaints specify
eriod being August 31, 2006 through December 3, 2007. These lawsuits have been consolidated in the U.S. District
iFone Holdings, Inc. Securities Litigation, C 07-6140 MHP. The original actions were: *Eichenholtz* v. *VeriFone*
Holdings, Inc. et al., C 07-6195 JSW; *Vaughn et al.* v. *VeriFone Holdings, Inc. et al.*, C 07-6197 VRW (Plaintiffs
Feldman et al. v. *VeriFone Holdings, Inc. et al.*, C 07-6218 MMC; *Cerini* v. *VeriFone Holdings, Inc. et al.*, C
Fone Holdings, Inc. et al., C 07-6237 MMC; *Hill* v. *VeriFone Holdings, Inc. et al.*, C 07-6238 MHP; *Offutt* v.
VeriFone Holdings, Inc., et al., C 08-0118 CW. On

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

motions for Lead Plaintiff and Lead Counsel and in May 2008, the Court requested additional briefing on these
y currently expects that following the Court s order appointing Lead Plaintiff and Lead Counsel, a Consolidated
alleges, among other things, violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and
npany and the individual defendants made false or misleading public statements regarding the Company s business
s unspecified monetary damages and other relief. At this time, the Company has not recorded any liabilities as the

ons were also filed against certain current and former directors and officers. These derivative lawsuits were filed
California, as *In re VeriFone Holdings, Inc. Shareholder Derivative Litigation*, Lead Case No. C 07-6347, which
347), *Hilborn v. VeriFone Holdings, Inc., et al.* (Case No. 08-CV-1132), *Patel v. Bergeron, et al.* (Case
dings, Inc., et al. (Case No. 08-CV-1301); and (2) California Superior Court, Santa Clara County, as *In re VeriFone*
-CV-100980, which consolidates *Catholic Medical Mission Board v. Bergeron, et al.* (Case No. 1-07-CV-100980),
9). The complaints allege, among other things, that certain of the Company s current and former directors and
nd violated provisions of the California Corporations Code and certain common law doctrines by engaging in
class action litigation described above. The Company is named solely as a nominal defendant against whom the
laints are expected to be filed in September 2008 in each set of consolidated cases.

against the Company in the Central District Court in Tel Aviv, Israel on behalf of purchasers of the Company s stock
ompensation for damages allegedly incurred by the class of plaintiffs due to the publication of erroneous financial
e Company s motion to dismiss or stay the proceedings, after which the Court requested that the plaintiff and the
h respect to the applicability of Israeli law to dually registered companies. This additional information was
urrently awaiting the Court s ruling on this issue. At this time, the Company has not recorded any liabilities as it is

d the Company is not able to quantify the extent of its potential liability, if any. An unfavorable outcome in any of
Company s business, financial condition, results of operations and cash flows. In addition, defending this litigation
tion from the day-to-day operations of the Company s business.

nformation and documents related to the restatement of its fiscal year 2007 interim financial statements to the
f Justice, the New York Stock Exchange and the Chicago Board Options Exchange. The SEC has also expressed an
rs and employees of the Company, and the Company is continuing to cooperate with the SEC in responding to the
to predict what consequences, if any, any investigation by any regulatory agency may have on the Company. There
commenced by other U.S. federal, state or foreign regulatory agencies.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

gs related to commercial, customer, and employment matters that have arisen during the ordinary course of its timate disposition of these matters, the Company s management has determined, based upon the information e expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the perations or cash flows.

y recorded $125,000 of management fees payable to GTCR Golder Rauner, L.L.C., an affiliate of a stockholder. penses in the accompanying consolidated statements of operations. Upon the closing of the Company s public

million to GTCR Golder Rauner, L.L.C., for services related to the credit facility acquired from Banc of America nce costs were amortized over the term of the related debt. The Company recorded amortization of debt issuance espectively, for the fiscal years ended October 31, 2006 and 2005, which is included in interest expense in the r the fiscal year ended October 31, 2005, the Company made prepayments on the credit facility and $712,000 of the was written off. On October 31, 2006, the Company entered into a new secured credit facility with a syndicate of . and Lehman Commercial Paper Inc. The proceeds were used to repay the outstanding amounts due from the and fund the cash consideration in connection with the acquisition of Lipman on November 1, 2006. The Company uance cost of the credit facility acquired from Banc of America Securities and Credit Suisse First Boston in the illion related to the placement fee with GTCR Golden Rauner, L.L.C.

005, respectively, the Company recorded purchases from affiliates of related parties of $158,000, zero and ided or arranged. These purchases are included in general and administrative expenses in the accompanying mpany has an outstanding accounts payable balance of $27,000 related to these purchases.

espectively, the Company recorded sales to affiliates of related parties of $11.9 million, $7.8 million, and zero, on and $5.4 million, respectively, for the years ended October 31, 2007 and 2006. Global Payments is considered a both Global Payments and VeriFone. These sales are included in System Solutions net revenues in the accompanying 2007, the Company has an outstanding accounts receivable balance of $3.3 million related to these sales.

nner. The Company s Chief Executive Officer is identified as the Chief Operating Decision Maker (CODM) as *of an Enterprise and Related Information*. The CODM reviews consolidated financial information on revenues and s. The CODM also reviews operating expenses, certain of which are allocated to the Company s two segments

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

America and International. The Company defines North America as the United States and Canada, and
side the United States and Canada. Total assets and long-lived assets by segment are based on the physical location

ment reflect net revenues generated within the segment, standard cost of System Solutions net revenues, actual cost
fit only that segment. Corporate net revenues and operating income (loss) reflect non-cash acquisition charges,
technology assets, step-up of inventory and step-down in deferred revenue, and other Corporate charges, including
n centers, rework, specific warranty provisions, non-standard freight, over-and-under absorption of materials
rporate loss also reflects the difference between the actual and standard cost of System Solutions net revenues and
minately research and development expenses and centralized supply chain management.

income for the Company s segments (in thousands):

	Years Ended October 31,		
	2007	2006	2005
	$ 400,433	$ 333,673	$ 289,720
	506,195	248,383	196,347
	(3,736)	(986)	(700)
	$ 902,892	$ 581,070	$ 485,367
	$ 156,562	$ 129,358	$ 104,867
	110,795	60,965	37,375
	(238,877)	(82,014)	(74,054)
	$ 28,480	$ 108,309	$ 68,188

y of property, plant and equipment, net by segment were as follows (in thousands):

	October 31,	
	2007	2006
	$ 26,549	$ 6,270
	24,271	3,277
	$ 50,820	$ 9,547

n thousands):

	October 31,	
	2007	2006
	$ 542,186	$ 19,102
	69,791	33,587
	$ 611,977	$ 52,689

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VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

O CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands):

	October 31,	
	2007	2006
	$ 1,122,411	$ 125,681
	424,898	327,264
	$ 1,547,309	$ 452,945

by segment was as follows (in thousands):

	Years Ended October 31,		
	2007	2006	2005
	$ 4,738	$ 900	$ 338
	3,028	2,605	3,353
	$ 7,766	$ 3,505	$ 3,691

llows (in thousands):

	Years Ended October 31,		
	2007	2006	2005
	$ 355,222	$ 315,851	$ 280,126
	281,628	108,889	88,995
	160,867	104,225	71,265
	63,700	35,269	36,087
	41,475	16,836	8,894
	$ 902,892	$ 581,070	$ 485,367

the shipping destination of customer orders. Corporate revenues are included in the United States geographic area

pany accounts, were as follows (in thousands):

October 31,	
2007	**2006**
$ 26,549	$ 6,409
20,694	2,191
2,160	270
1,417	677
$ 50,820	$ 9,547

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TS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

ants on accounting and financial disclosure during the last two fiscal years.

as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are
sed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported
nge Commission rules and forms, and that such information is accumulated and communicated to our management,
al Officer, as appropriate, to allow timely decisions regarding required disclosure.

ntaining our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer
ctiveness of our disclosure controls and procedures as of October 31, 2007.

pation of our Chief Executive Officer and Chief Financial Officer), our Chief Executive Officer and Chief Financial
ight of the material weaknesses described below, our disclosure controls and procedures were not effective to
ed to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed,
ted in the SEC s rules and forms, and that such information is accumulated and communicated to our management,
officer, as appropriate to allow timely decisions regarding required disclosure.

w, we have performed additional analyses and other procedures to enable management to conclude that our
were prepared in accordance with accounting principles generally accepted in the United States of America
, our Chief Executive Officer and Chief Financial Officer have included their certifications as exhibits to this Annual

ncial Reporting

ntaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f)
g the reliability of our financial reporting and the preparation of financial statements for external purposes in
with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we
fectiveness of our internal control over financial reporting as of October 31, 2007 based on the framework in
Committee of Sponsoring Organizations of the Treadway Commission (COSO).

and Chief Financial Officer, does not expect our disclosure controls or our internal control over financial reporting
stem, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the
control system must reflect the fact that there are resource constraints, and the benefits of controls must be
inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that
all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations
an be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented
vo or more people, or by management override of the controls.

certain assumptions about the likelihood of future events, and there can be no assurance that any design will
uture conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over
es in conditions or deterioration in the degree of compliance with policies or procedures.

ion of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that
l statements will not be prevented or detected on a timely basis. Management s assessment identified the following
l reporting as of October 31, 2007.

esign and operation of control activities relating to the preparation, review, approval,
ries. This material weakness contributed to adjustments in several accounts and the
ated financial statements for the quarterly periods during the fiscal year ended
in the restatement included inventories and cost of net revenues; however, this material
accounts.

ol environment related to our period-end financial reporting process due to an
n the required proficiency to apply our accounting policies in accordance with
acquisition of Lipman Electronic Engineering Ltd. This material weakness contributed to
ement of the interim condensed consolidated financial statements for the quarterly
1, 2007. The accounts most affected in the restatement include inventories and cost of
could impact all financial statement accounts, with a higher likelihood for accounts
such as inventory reserves and income taxes.

ctivities related to the design and operation of our supervision, monitoring, and monthly
terial weakness contributed to adjustments in several accounts and the restatement of the
ments for the quarterly periods during the fiscal year ended October 31, 2007. The
uded inventories and cost of net revenues; however, this material weakness could impact

esign and operating effectiveness of controls related to income taxes. Specifically, our
provide for adequate and timely identification, documentation and review of various
lated supporting documentation required to apply our accounting policy for income
arly following the November 1, 2006 acquisition of Lipman Electronic Engineering Ltd.
report financial information related to income tax accounts and resulted in adjustments
deferred tax assets and liabilities, and goodwill accounts during the fiscal year ended

nagement concluded that, as of October 31, 2007, our internal control over financial reporting was not effective.
eporting as of October 31, 2007 was audited by Ernst & Young LLP, our independent registered public accounting
Item 8 of this Annual Report on Form 10-K.

Management s Discussion and Analysis of Financial Condition and Results of Operations Restatement and Audit

ove, we plan to continue the efforts already underway to review and make necessary changes to improve our

olicy, including a more stringent manual journal entry review and approval process that
ting dollar amounts require additional approval by increasingly more senior personnel;

enterprise resource planning (ERP) system. The new ERP system is our principle
unified chart of accounts worldwide. This system was activated for the majority of our
of 2008 and by the end of the second fiscal quarter of 2008 over 90% of our
nues were processed on this system;

qualified accounting and finance personnel having sufficient knowledge and experience
accounting, tax, and management of financial systems;

the monthly financial results by requiring additional documentation and analysis to be
riate key senior personnel from both finance and non-finance areas;

s between the financial planning and the accounting and control functions; and

npliance functions to improve control consciousness and prevention of errors in financial
ication, education, and training for employees involved in the financial reporting
egal and compliance officer.

g

financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control
ber 31, 2007.

PART III

RS OF THE REGISTRANT AND CORPORATE GOVERNANCE

d ages of our directors are set forth below:

Age
47
71
66
68
47
67

61
37

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, including the date that they were first elected to our board of directors, is set forth below:

Executive Officer of VeriFone Holdings, Inc. since July 2001. From December 2000 to June 2002, Mr. Bergeron
om April 1999 to October 2000 served as President and Chief Executive Officer of Geac Computer Corporation.
executive management positions at SunGard Data Systems Inc., including Group CEO of SunGard Brokerage
ns. Mr. Bergeron holds a Bachelor of Arts degree (with Honors) in computer science from York University in
he University of Southern California. Mr. Bergeron is on the board of the Multiple Sclerosis Society of Silicon
Committee of the NYSE.

e January 2005. Since 2001, Dr. Castle has been President and Chief Executive Officer of Castle Information
y and board of directors consulting services. He was formerly the Chairman of the Board and Chief Executive
CS International, Inc.), a position he held from August 1992 to April 2002. DST Systems of California is a
lustry and a provider of billing services to the cable, telephony, financial services, and utility industries. From 1991
fficer of Teradata Corporation, until that company merged with NCR Corporation, a subsidiary of AT&T. From
esident, Chief Executive Officer and a director of Infotron Systems Corporation. Dr. Castle earned a Ph.D. in
f Pennsylvania, an M.S.E.E. from the University of Pennsylvania, and a B.S. from the U.S. Military Academy at

nce January 2005. Dr. Denend was President of Network Associates, Inc. from December 1997 until May 1998.
nerous public and private companies. Dr. Denend also was President and CEO of Network General Corporation
, President, and CEO of Vitalink Communications Corporation from October 1990 until its acquisition by Network
usiness unit president at Network Systems Corp. until December 1992. He was Executive Vice President at 3Com
vas also a partner in McKinsey and Company from December 1984 until January 1989. Dr. Denend served as
ncil on International Economic Policy in the Executive Office of the President from August 1974 until August
f from June 1977 until 1979, when he became the Special Assistant to the Assistant to the President for National
rved as Deputy Director of the Cabinet Council on Economic Affairs from May 1982 until June 1983. Dr. Denend
and a B.S. from the U.S. Air Force Academy. He also currently serves as a director of McAfee, Inc., a supplier of

nce July 2006. Mr. Hart is currently Chairman of the Board and a director of SVB Financial Corp. Mr. Hart has
ndustry since November 1997. From August 1995 to November 1997, he served as Chief Executive Officer and
airman, of Advanta Corporation, a diversified financial services company. From 1988 to 1994, he was President
, the worldwide payment service provider. Mr. Hart holds a bachelor s degree in social relations from Harvard
rectors of Fair Isaac Corporation, a predictive software company (since 2002), Global Payments, Inc., a payment
nline compatibility service (since 2004).

nce January 2005. Mr. Henske has served as a Managing Director of Hellman & Friedman LLC since July 2007.
e President and General Manager of the Consumer Tax Group of Intuit Inc. He was Intuit s Chief Financial Officer
ntuit, he served as Senior Vice President and Chief Financial Officer of Synopsys, Inc., a supplier of electronic

r. Henske was at Oak Hill Capital Management, a Robert M. Bass Group private equity investment firm, where he
board of directors of Activant Solutions, Inc. and as a director of Goodman Global Inc. Mr. Henske was previously
n, Grove Worldwide, Reliant Building Products and American Savings Bank.

er 2007. Mr. Raff has been the chairman of the board of directors of Bank Leumi le-Israel B.M. since 1995.
nittee of Hebrew University of Jerusalem and previously served as the Accountant General (Treasurer) in the Israeli
from the Hebrew University of Jerusalem. Bank Leumi is a party to our bank credit agreement and the aggregate
Bank Leumi to us is less than $10 million.

or since May 2006 and as our non-executive Chairman since March 2008. Mr. Rinehart retired from HF
ings of America in 1998. Mr. Rinehart joined HF Ahmanson in 1989 and shortly thereafter was named President
utive Officer in 1993 and also became Chairman in 1995 and served in these roles through 1998. Mr. Rinehart is a
irector of Kaufman & Broad Home Corporation, Union Bank of California, the Federal Home Loan Board of
helor s degree in mathematics from the University of San Francisco.

e July 2002. Mr. Roche is currently a Principal of GTCR Golder Rauner, L.L.C., which he joined in 1996 and
Business School. Prior to joining GTCR, Mr. Roche worked as an investment banking analyst at Goldman,
received a B.A. in political economy from Williams College. Mr. Roche serves on the boards of directors of
echnology services to wireless telecommunications companies worldwide, Private Bancorp, Inc., a financial
uals, professionals, entrepreneurs and real estate investors, and several private GTCR portfolio companies.

March 31, 2008 were:

Age	Position
47	Chief Executive Officer
59	Executive Vice President and Chief Financial Officer
59	Executive Vice President, Integrated Solutions

rth under Directors above.

e President and Chief Financial Officer since November 2006, joined VeriFone Holdings, Inc. in June 2004 as
Zwarenstein served as Chief Financial Officer of Iomega Corporation from November 2001 to June 2004, of
une 2001, of Acuson Corporation from October 1998 to December 2000, and of Logitech S.A. from July 1996 to
MC Corporation, where he held a variety of financial positions, including, at the time of his departure, Chief
Mr. Zwarenstein is a Director and Chairman of the Audit Committee of DealerTrack, Inc. Mr. Zwarenstein
ersity of Natal, South Africa and an M.B.A. from the Wharton School of Business at the University of
(South Africa). Mr. Zwarenstein has tendered his resignation as our Executive Vice President and Chief Financial
ompletion of the restatement and filing of VeriFone s quarterly reports for fiscal year 2007 and the second quarter of
nnual report with the Securities and Exchange Commission.

President, Integrated Solutions since December 2004 and, since joining VeriFone in 1986, has served in a number
nd General Manager of the Worldwide Petro Division. Prior to working at VeriFone, Mr. Waller worked for
financial management positions. Mr. Waller holds an M.B.A. from Syracuse University.

executive officers of VeriFone.

that provide the framework for the corporate governance principles of VeriFone. These corporate governance
rnance and Nominating Committee, and changes are recommended to the Board for approval as appropriate. Our
estor Relations section of our website, http://ir.verifone.com/, and are available in print to any stockholder who

Ethics, which can be found in the Investor Relations section of our website, http://ir.verifone.com/, and is available
Business Conduct and Ethics applies to all of VeriFone s employees, officers and directors. We will post any
of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal
milar functions and that relates to any element of the code of ethics definition set forth in Item 406(b) of

onally prevent a director from attending a Board or stockholder meeting, the Board expects each director to make
n. In fiscal year 2007, the Board held eight meetings. During that period, each director attended not less than 75%
d on which the director served.

no management directors or employees present at each regularly scheduled Board meeting. The presiding director at
at the relevant meeting. In the absence of such selection, the presiding director will be the Chairman of the

vidual directors, including the presiding director, to a board committee, the independent directors as a group, or to
to the named individual, to the committee, the independent directors as a group, or to the Board as a whole
lace, Suite 600, San Jose, CA, 95110. VeriFone s Secretary or an Assistant Secretary will review all
ssee(s) all communications determined to relate to the business, management or governance of VeriFone.

mmittee, and a Corporate Governance and Nominating Committee.

ommittee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended.
ch is available on the Investor Relations section of our website at http://ir.verifone.com/ and defines the Audit

ing our independent registered public accounting firm;

, systems of internal controls, and financial statements;

d by our internal auditors and independent registered public accounting firm, including

t and our independent registered public accounting firm.

s, and met in executive and private sessions at each such meeting with external counsel and our independent

ng Committee have determined that each member of the Audit Committee is independent within the meaning of the

ort under Report of the Audit Committee.

ter, which is available on the Investor Relations section of our website at http://ir.verifone.com and defines the

objectives relevant to the compensation of VeriFone s Chief Executive Officer (CEO),
those goals and objectives and, either as a committee or together with the other
d), determining and approving the CEO s compensation level based on this evaluation;

espect to non-CEO compensation, incentive compensation plans, and equity-based plans,
06 Equity Incentive Plan, overseeing the activities of the individuals responsible for
responsibilities imposed on the Compensation Committee by any of these plans;

or any material change to an existing plan where stockholder approval has not been

regulatory compliance with respect to compensation matters, including overseeing
ion programs to preserve tax deductibility, and, as and when required, establishing
ance goals have been attained for purposes of Section 162(m) of the Internal Revenue

espect to any severance or similar termination payments proposed to be made to any

on Committee for inclusion in our annual proxy statement.

ght times, and met in executive session at each such meeting.

nd Nominating Committee have determined that each member of the Compensation Committee is independent
e SEC.

n this report under Report of the Compensation Committee.

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ance and Nominating Committee charter, which is available on the Investor Relations section of our website at
nce and Nominating Committee s purposes to include:

me to time as to changes that the Corporate Governance and Nominating Committee
d or any committee thereof;

d to become Board members, consistent with criteria approved by the Board, and
nominees to stand for election as directors at the annual meeting of stockholders or, if
s;

standards to be applied in making determinations as to the absence of material
;

cancies on any committee of the Board (including the Corporate Governance and
hat the Board appoint the identified member or members to the respective committee;

vernance and Nominating Committee to exercise oversight of the evaluation of the Board

set of corporate governance principles applicable to VeriFone and reviewing those

e disclosure in VeriFone s annual proxy statement regarding the operations of the
nittee.

has not established specific minimum education, experience, or skill requirements for potential members, but, in
gerial experience in a complex organization and will be able to represent the interests of the stockholders as a
mittee considers each candidate s judgment, skill, diversity, experience with businesses and other organizations of
ence with the experience other Board members, and the extent to which the candidate would be a desirable addition to
each candidate must have the time and ability to make a constructive contribution to the Board.

have generally identified nominees based upon suggestions by directors, management, outside consultants, and
d Nominating Committee discuss and evaluate possible candidates in detail and suggest individuals to explore in
nsideration, the nominee is referred to the Board for full Board consideration of the nominee. The Corporate
andidates recommended by stockholders in the same manner as other candidates. Stockholders may nominate
otice and other procedures contained in our Bylaws. In fiscal year 2007, our Corporate Governance and Nominating
at each such meeting.

nd Nominating Committee have determined that each member of the Corporate Governance and Nominating
rules of both the NYSE and the SEC. In addition, our Board of Directors and our Corporate Governance and
at Mr. Craig Bondy, a former member of our Corporate Governance and Nominating Committee whose resignation
07, was independent within the meaning of the rules of both the NYSE and the SEC. The report of the Corporate
his report under Report of the Corporate Governance and Nominating Committee.

r each of the Board committees:

	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
			ü (Chairman)
	ü	ü (Chairman)	
		ü	ü
	ü (Chairman)	ü	
			ü
	ü		
		ü	

ctive June 11, 2008.

ommittee effective May 10, 2008.

rnance and Nominating Committee in October 2007.

ified as an Audit Committee financial expert within the meaning of SEC regulations. In making this determination,
derstanding of generally accepted accounting principles (GAAP); (b) ability to apply GAAP to accounting for
g, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of
sues likely to be raised by our financial statements, or experience actively supervising persons engaged in these
ncial reporting; and (e) understanding of Audit Committee functions.

iance

executive officers, directors and persons who own more than 10% of VeriFone s common stock, to file with the SEC
nership of common stock and other equity securities of VeriFone. The officers, directors and 10% stockholders are
pies of all Section 16(a) forms they file.

port on Form 10-K anyone who failed to file on a timely basis reports that were due during the most recent fiscal
of reports we received, or written representations from reporting persons stating that they were not required to file
October 31, 2007, all Section 16(a) filing requirements were satisfied on a timely basis with the exception of the
d Dr. Castle and one late Form 4 filing by each of Mr. Bergeron and Mr. Zwarenstein.

ticipation

onsisted of Leslie G. Denend (Chair), Robert B. Henske, and Collin E. Roche. None of the members is an officer or
rs serves as a member of a board of directors or compensation committee of any entity that has one or more
Compensation Committee.

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escribes the principles, policies, and practices that formed the foundation of our compensation program in fiscal
xecutive officers, who are our Chief Executive Officer, Douglas G. Bergeron, our Executive Vice President and
ve Vice President, Integrated Systems, Elmore Waller, our former Executive Vice President, Global Operations,
lobal Marketing and Business Development, William G. Atkinson. We refer to these executive officers as our

riented management is critical to our growth and long-term success. Our compensation program, which is subject to
ation Committee, is designed to:

nt of high quality;

of our stockholders by providing for a significant portion of compensation in the form of
stock-based awards the value of which depends upon performance of our stock;

our success during the most recent fiscal year, measured in large part by our financial
alue during that period;

pensation to that executive s individual performance in supporting our goals for the fiscal
ual contributions to our overall performance by rewarding individual achievement;

ation is at appropriate and competitive levels relative to each other and to senior

r Compensation Committee, the bonuses paid to our named executives to be tax
sed compensation under Section 162(m) of the Internal Revenue Code.

programs to recognize and accommodate the significant changes that we have undergone over the past three years
ority stockholder to a public company with a diverse stockholder base. As a result, our compensation programs do
to account our performance during the previous fiscal year.

ncentive awards as tools to provide the appropriate incentives to meet our compensation objectives both
es. We believe the most important indicator of whether our compensation objectives are being met is whether we
performance, particularly with respect to financial performance and stockholders returns, and incentivized
ontinue their careers with us.

individual performance and to incentivize both short and long-term performance. Our compensation program
onents:

sed cash bonus awards

ds for exceptional individual performance

rds including restricted stock units and stock options

sation objectives that we have outlined above. The Compensation Committee believes that a mix of both short-term
opriate to implement our overall compensation program. The Compensation Committee sets base salaries and
vide a competitive level of compensation in order achieve our objective of attracting, motivating and retaining
ommittee structures performance-based cash bonus awards to provide our named executives with compensation
goals and other near term stockholder value-creation strategies. The Compensation Committee uses equity
e superior performance over a longer period of time and to tie the majority of each named executive s compensation
he amount of the compensation awarded to a particular named executive, the Compensation Committee considers

of the compensation package, in absolute as well as relative terms, assure that
on value are maintained.

year.

sured against projections of our performance prepared by management for the fiscal
ue and net income, as adjusted, per share.

ation consultant, Compensia, as described under Competitive Data and Role of
information with respect to the compensation plan arrangements of technology companies
peer companies.

Executive Officer with respect to the individual performance of each of our other named
objectives. Our Chief Executive Officer did not make recommendations about his own

described above, the Compensation Committee considers the total compensation that may be awarded to the named
rformance based bonuses, equity incentives and benefits and perquisites. The Compensation Committee s goal in
reasonable in relation to the objectives of our compensation program when all elements of potential compensation

s a limit on the tax deduction for compensation in excess of $1 million paid to certain covered employees of a

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compensated executive officers in the year that the compensation is paid). This limitation applies only to
d under the Section 162(m) rules. The Compensation Committee believes that it is in our best interests and the best
ns of Section 162(m) of the Code to the extent practicable and consistent with retaining, attracting, and motivating
ual compensation in fiscal year 2007 that exceeded the $1,000,000 limit for purposes of Section 162(m). Our
in the meaning of Section 162(m) and the Compensation Committee generally intends to grant awards under the
ng of Section 162(m).

For Named Executives

compensation for executive officers, Mr. Bergeron provides recommendations to the Compensation Committee;
n as to his own compensation. While the Compensation Committee uses this information and values Mr. Bergeron s
ely approves the compensation program for named executives. Mr. Bergeron was not present at any Compensation

permit any employee, including the named executives, to enter into any derivative or hedging transaction on our
s, etc.).

ned executive officers, if we determine that an employment agreement is necessary to obtain a measure of assurance
prevailing market competition for the particular position held by the named executive, or if the Compensation
necessary and appropriate to attract, motivate, and retain executive talent in light of market conditions, the prior
to other similarly situated employees. Based on an evaluation of these factors, we entered into an amended and
e Officer, Mr. Bergeron during the fiscal year ended October 31, 2007. The terms of this employment agreement
h our Chief Executive Officer.

we have adopted provisions in our amended and restated certificate of incorporation that authorize and require us
permitted under Delaware law, subject to limited exceptions. We have also entered, and intend to continue to enter,
ir directors and officers which may be broader than the specific indemnification provisions contained in Delaware

cer

Committee undertook a review of the compensation program for Mr. Bergeron, our Chief Executive Officer. The
equity that Mr. Bergeron had acquired in 2002 in connection with our investment and recapitalization led by
tion of the equity acquired in 2002 that was subject to vesting conditions would become fully vested by the end of

of Mr. Bergeron s 2002 employment agreement was appropriate but also sought to establish a program that provided
ron for achieving operational and financial goals set by the Compensation Committee. The program was

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Bergeron s compensation would be directly correlated to value creation for our stockholders, thus aligning
stockholders.

d employment agreement with Mr. Bergeron that provides for an annual base salary $700,000, subject to annual
ee. The agreement also provides for a potential annual cash bonus, of between 0 and 200% of the target bonus
tial target bonus for fiscal year 2007 of $900,000. The cash bonus is to be based on Mr. Bergeron s performance and
established by the Compensation Committee.

31, 2009, subject to automatic renewal for additional one-year periods six months prior to the termination date. If
e or if Mr. Bergeron terminates his employment for Good Reason (as such terms are defined in the employment
nce equal to one year s current base salary and bonus paid for the prior fiscal year provided that any severance
e with the noncompetition provisions of the employment agreement. We have the option to extend the
Mr. Bergeron an additional year s severance.

o earn up to 900,000 performance restricted stock units (RSUs) over a three year period based upon growth in our
he RSUs will vest in three annual tranches of 200,000 RSUs each in the event that we meet specified financial
,000 RSUs required that we report net income, as adjusted, per share of $1.60, which exceeded management s
t. For fiscal years 2008 and 2009, vesting of 200,000 RSUs will require 20% annual increases in net income, as
ermined on a basis consistent with our reported net income, as adjusted, for the fiscal year ended October 31, 2006.
further 100,000 RSUs but only if we achieve both the targeted improvement in net income, as adjusted, per share
based on the volume weighted average price of our common stock (as reported on the New York Stock Exchange)
ding day following our announcement of financial results for the applicable fiscal year ($43.20 per share for the
the fiscal year ended October 31, 2008, and $62.20 per share for the fiscal year ended October 31, 2009). Each
nent under which any RSUs earned will not vest until the end of the fiscal year following the year for which the net
he Compensation Committee believed that the RSUs provide significant incentives to Mr. Bergeron to remain with
der value. The performance target for the fiscal year ended October 31, 2007 was not met and therefore none of the

nancial Officer

nstein effective April 1, 2008, which, subject to the terms and conditions thereof, provides for the payment of a
arenstein s right to severance under any and all severance agreements and our severance policies, if any, offset by
Zwarenstein with respect to our fiscal year ended October 31, 2007 which Mr. Zwarenstein has agreed to reimburse
rterly bonus targets. Mr. Zwarenstein will also be entitled to receive certain health insurance and similar welfare
ification and confidentiality provisions to which Mr. Zwarenstein is entitled or bound under pre-existing
t. We and Mr. Zwarenstein have agreed to cooperate with one another to ensure an orderly transition and in respect
Zwarenstein also agreed to enter into mutual releases.

to time with executive compensation consultants and consider the compensation levels of companies within our
alent. Neither we nor the Compensation Committee has maintained any long-term contractual relationship with any
ined compensation consultants to assist in the design of programs that affect named executive compensation. As
Committee retained Compensia to provide assistance in reviewing our compensation levels and the proposed
cutive Officer and other named executives.

ed market data and an analysis of compensation paid to our named executives. The data for this study came from
roxy statements from the peer group companies; and (2) the surveys described below. The peer group and survey
Committee are primarily technology companies, some of which compete with us for business or for executive
o choose peer group members or surveys featuring companies that have one or more attributes significantly similar to
cation, general industry, or products. Compensia and representatives of our Human Resources department and
nsation Committee. The following companies made up the peer group for which Compensia provided data:

Intermec	Retalix
Metrologic Instruments	salesforce.com
MICROS Systems	ScanSource
Novell	Sybase, Inc.
Palm	Transaction Systems Architects
	Zebra Technologies

pensia to provide additional compensation information to the Compensation Committee:

ompanies with reported annual revenues of between $500 million and $1 billion; and

panies with reported annual revenues of between $200 million and $1 billion.

umerous factors in its decisions regarding compensation. Generally the data is used as a reference point in making
ve are properly reflected in his compensation. The Compensation Committee also gives great weight to business
cial metrics, and individual performance as described below.

ompensation programs and practices, and analyzed, for each named executive, all existing elements of
nd long-term compensation in the form of equity awards). The Compensation Committee compared these
mpensation at the peer group companies in an effort to set each element of compensation at a level such that the
officer is at or above the top quartile of peers surveyed, due to performance and desire to retain and motivate our

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ation to a named executive that reflects his or her job responsibilities, experience, value to our company, and
utive Officer, Mr. Bergeron, for the 2007 fiscal year was determined by his employment agreement with us. The
rmined by the Compensation Committee based on a variety of factors including the following:

tive s responsibilities.

executive.

aries, including the report that the Compensation Committee received from Compensia.

ive along with the competitiveness of the market for the named executive s role and

Officer based on his subjective evaluation of the individual s performance.

quarter of each fiscal year in connection with annual performance reviews and adjusted to take into account the

year 2007 with respect to salaries of the named executive officers:

Action
$700,000 in accordance with the salary set forth in his employment agreement
Increased from $320,000 to $400,000 effective November 1, 2006
$302,760 effective November 1, 2006. Mr. Angel joined our company on November 1, 2006 following the acquisition of Lipman.
Increased from $300,000 to $315,000 effective November 1, 2006
Increased from $300,000 to $400,000 effective November 1, 2006

laries of Messrs. Zwarenstein, Angel, Atkinson, and Waller primarily based on the evaluation of such individual s
of Mr. Zwarenstein, the Compensation Committee noted his work in building out our financial and accounting
considered the increased job responsibilities that Mr. Zwarenstein undertook in our business and corporate
e noted that Mr. Zwarenstein s efforts were instrumental towards our successful completion of the acquisition of
hould be adjusted accordingly. In the case of Mr. Angel, who joined our company on November 1, 2006, in
ation Committee determined to set his salary primarily at a range that was appropriate within our compensation
w of base salary compensation of our other named executives, with appropriate adjustment to ensure that Mr. Angel
on. The Compensation Committee determined that an increase to Mr. Atkinson s salary was appropriate in light of
arkets. The Compensation Committee also noted that Mr. Atkinson s responsibilities required extensive international
ct these additional requirements on Mr. Atkinson s time. Mr. Waller s compensation was increased as a result of his
The Compensation Committee also considered the fact that Mr. Waller s responsibilities were expanded to include

overall compensation as well as to provide an incentive and reward for superior performance. Quarterly bonuses based on the prior period s performance as compared to pre-determined performance goals and individual and are intended to account for approximately two-thirds of aggregate bonus compensation for our named eives an annual bonus only. Annual bonuses are typically paid in the first fiscal quarter of each year based on our dividual performance of the named executives. From time to time, we may also pay additional special one-time nent of specific accomplishments that the Compensation Committee, after consultation with management, has

ntended to account for all of the bonus compensation of our CEO and at least one-third of overall bonus nsation Committee determines a target dollar value for annual bonus awards at the beginning of the fiscal year and e target annual bonus compensation for our CEO and between 0% and 100% of the target annual bonus e following factors:

on to internal financial performance forecasts prepared by our management and l the Board of Directors in the first quarter of each fiscal year.

nternal stock price appreciation targets and the stock price appreciation of our peers is evaluation, our peers are those companies listed under Competitive Data above.

ed responsibilities performed by an executive during the fiscal year which were not us was established.

seen events during the prior year.

evaluation of the named executive s individual performance.

Committee and the Board of Directors receives financial forecasts from management. Based on its review of the f achieving these forecasts, after consultation with management and the full Board, the Compensation Committee xecutives. These metrics serve as the primary

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ur financial performance. These financial performance metrics are set forth below:

Description

Revenue growth is an essential component of long-term success and viability. Revenue is calculated in accordance with generally accepted accounting principles (GAAP).

Net income, as adjusted, growth provides an indicator as to our ability to generate returns on its operations and fund future growth. This is a non-GAAP financial measure that we report in our annual and quarterly financial releases. Management has historically used this non-GAAP financial metric because it believes that it helps them evaluate our performance and compare our current results with those for prior periods as well as with the results of other companies in its industry.

EBITDA, as adjusted, or earnings before interest, taxes, depreciation, and amortization, provides a good indicator of our financial performance by reference to cash generated by our business. EBITDA, as adjusted, is a non-GAAP measure that we use internally to evaluate the overall operating performance of our business.

nce, along with stock price performance, as the two most important factors in determining a named executive s

ing executive compensation to stock price performance, the Compensation Committee places significant weight on ing annual bonus awards. The stock price performance factor is divided into two elements. The first element price appreciation from the date that we announce results for the prior fiscal year through the date that we price performance period. The second element consists of a relative performance goal that compares our stock price o our peers that are identified under Competitive Data above.

nittee reviews our actual performance against each of the financial and stock price performance metrics. In rice performance metrics are met for a given period, the Compensation Committee exercises its judgment whether principles and extraordinary, unusual, or infrequently occurring events. To the extent appropriate, the nd impact of such events in the context of the bonus determination. Although, the Compensation Committee ased on objective measures of financial and stock performance, the Compensation Committee believes that in important in setting the bonus compensation of named executives.

rtant to reward individual contributions. The Compensation Committee strives to reward individual performance by ve been met and by determining the subjective performance of each named executive during the fiscal year.

Committee sets a list of individual performance goals for our Chief Executive Officer after meeting with him. At

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e Officer has set for the other named executives and makes adjustments to those performance goals as it deems

n Committee has a meeting with the Chief Executive Officer to review whether the Chief Executive Officer s
the Chief Executive Officer with an opportunity to present what he believes are his significant contributions to our
tee also reviews the individual performance of each other named executive officer with the Chief Executive Officer.
h named executive officer other than the Chief Executive Officer, the Compensation Committee places substantial
ns.

nittee has the discretion, in appropriate circumstances, to award a bonus less than the amount determined by the
he Compensation Committee exercised this discretion in 2007 and determined not to award any annual bonuses to

Committee sets a target bonus amount for each named executive officer. The target bonus takes into account all
t, with a focus on the objectives of our compensation program. In particular, the Compensation Committee
e last fiscal year and then existing competitive market conditions for executive talent in determining the target
The Compensation Committee also places significant weight on the recommendation of our Chief Executive Officer
named executives for the fiscal year. For the fiscal year ended October 31, 2007, the Chief Executive Officer s
of his employment agreement with us.

Committee approved the following target bonuses for the named executives:

Target Annual Bonus
$ 900,000
$ 100,000
$ 108,237
$ 100,000
$ 50,000

aeli Shekels to U.S. Dollars at the rate of 3.963 to 1.

0% and 200% of his annual target bonus and each other named executive may receive between 0% and 100% of his
tee s review of the factors listed above, with the goal of allocating at least 80% of a named executive s annual bonus
gly, each named executive may receive a bonus that is greater or less than his annual target bonus (and which could
rmance and other conditions are satisfied and the Compensation Committee s evaluation of the named executive s

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recommendation of management, we announced that our unaudited interim consolidated financial statements for
ix months ended April 30, 2007 and the three and nine months ended July 31, 2007 should no longer be relied
e valuation of in-transit inventory and allocation of manufacturing and distribution overhead to inventory, each of
concluded that we would need to restate these financial statements in order to correct errors that overstated
f January 31, 2007, April 30, 2007 and July 31, 2007, and understated cost of net revenues by material amounts for
), 2007, and July 31, 2007. Following the announcement of the anticipated restatements, our stock price lost a
performance measured in terms of net income, as adjusted, per share, was lower than what we had previously
Committee determined that it would not be appropriate to award any annual bonus compensation to the currently
employed by us on the date that we announced the restatements, received a $50,000 pro-rated annual bonus, which
with the termination of his employment with us.

Committee sets quarterly bonus targets for each of our named executive officers other than our CEO.
enerally be awarded if performance-based goals established by the Compensation Committee for the quarter are
ted of quantitative financial goals of the company for each quarter. Mr. Atkinson s and Mr. Waller s
contributed by their respective business unit to our operating income for the quarter and (B) the gross margin
. If Mr. Atkinson or Mr. Waller s business units contributed between 85% and 100% of their respective
educed portion of their performance-based quarterly bonuses. Mr. Atkinson and Mr. Waller s performance-based
-based quarterly bonus if their business units contributed in excess of 100% of their respective performance-based
on a combination of engineering project schedule goals and supply chain goals including (but not limited to) product
iatives, inventory levels and quality levels. Approximately 20% of the quarterly bonus target will be awarded if the
f our CEO based on our CEO s subjective review of the named executive s individual performance during the
owing target bonuses for the named executives in 2007:

Q1 Individual Target Bonus	Q2 Performance Target Bonus	Q2 Individual Target Bonus	Q3 Performance Target Bonus	Q3 Individual Target Bonus	Q4 Performance Target Bonus	Q4 Individual Target Bonus
$ 10,000	$ 40,000	$ 10,000	$ 40,000	$ 10,000	$ 40,000	$ 10,000
$ 0	$ 54,946	$ 0	$ 54,946	$ 0	$ 54,946	$ 0
$ 10,000	$ 40,000	$ 10,000	$ 40,000	$ 10,000	$ 40,000	$ 10,000
$ 5,000	$ 25,000	$ 5,000	$ 25,000	$ 5,000	$ 25,000	$ 5,000

raeli Shekels to U.S. Dollars at the rate of 3.963 to 1.

le to our named executives:

Q1 rmance arget onus	Q1 Individual Target Bonus	Q2 Performance Target Bonus	Q2 Individual Target Bonus	Q3 Performance Target Bonus	Q3 Individual Target Bonus	Q4 Performance Target Bonus	Q4 Individual Target Bonus
40,000	$ 10,000	$ 40,000	$ 10,000	$ 40,000	$ 10,000	$ 0	$ 0
54,946	$ 0	$ 54,946	$ 0	$ 54,946	$ 0	$ 27,473	$ 0
40,490	$ 10,000	$ 34,000	$ 10,000	$ 50,000	$ 0	$ 0	$ 0
25,000	$ 5,000	$ 12,500	$ 5,000	$ 7,500	$ 5,000	$ 25,613	$ 0

us payments pursuant to his separation agreement with us.

raeli Shekels to U.S. Dollars at the rate of 3.963 to 1.

ompensation in the third or fourth quarter of fiscal year 2007 because of the

n was paid a discretionary bonus of $50,000 for the third quarter of fiscal year 2007. This amount was equal to
bonus for the third quarter. Mr. Atkinson did not receive any quarterly bonus compensation in the fourth quarter of
yment with us.

n the fourth quarter of fiscal year 2007, Mr. Waller received the special one-time

our financial performance in 2007, the fact that Mr. Waller s target bonuses were lower than the other named
onuses to the named executives in 2007 because of the restatement of our financial statements, Mr. Waller was
th quarter of fiscal year 2007.

Committee determines whether to make long-term incentive awards to each named executive, with the exception of
awards are determined solely on the basis of the objective performance-based criteria set forth in his employment
Agreement with our Chief Executive Officer above.

-term incentive compensation, if any, awarded each year to the other named executive officers is determined by the
f Executive Officer, after taking into account our overall compensation program objectives. These grants are
to remain with us and continue that performance and to tie a substantial amount of their overall compensation to
ting awards of options and restricted stock units during fiscal year 2007, the Compensation Committee determined
he named executives other than Mr. Bergeron should be in the form of these awards to ensure that the interests of
s of our stockholders. The Compensation Committee has determined that the value of restricted stock units for

nination should be based on the value of the underlying common stock on the date of grant. We have determined
erm incentive compensation determination should be based on the Black-Scholes value of the stock option on the

the compensation of our named executives directly to value creation for our stockholders, because the amount that a
ely on the increase in value of our common stock from the grant date of the option. We view restricted stock units,
common stock, as a method to economically place each

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a stockholder because the amount that a recipient ultimately receives from a restricted stock unit depends on the underlying the restricted stock units are delivered.

of stock options and restricted stock units should normally be granted to our named executives to provide an ntives that take into account the greater risks associated with options as compared to restricted stock units. The s more towards restricted stock units because this award reflects both increases and decreases in stock price from on more closely to changes in stockholder value at all levels. In addition, weighting toward restricted stock units nt value with less use of authorized shares.

ns granted to executives become exercisable as to 25% of the grant approximately one year after the grant date and ments over the following three years. The stock option life is seven years from the date of grant and offers res of our common stock at an exercise price per share determined on the date of grant. Stock options have value xercise exceeds the applicable exercise price.

e grant approximately one year after the grant date and as to the remainder in equal quarterly installments over the mmon stock are delivered on a one-for-one basis.

nted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based* mittee did not attribute significant weight to the accounting charges associated with grants of options and restricted e fact that these items do not directly relate to the performance of our named executives.

ees are awarded only on dates that the Compensation Committee meets. As a result of this procedure, we have es (other than our Chief Executive Officer) at the Compensation Committee s regularly scheduled meeting in March mittee does not expect to schedule this meeting until after we have completed the restatement of our financial 0-Qs for the first and second quarters of 2008.

Bergeron s employment agreement were met for fiscal year 2007, the 300,000 RSUs that could have vested under cal year 2007 performance were cancelled in the first quarter of fiscal 2008.

50,000 options. This grant was made in order to retain Mr. Angel following our acquisition of Lipman Electronic ittee determined that it would be appropriate to award a significant equity award to Mr. Angel because of the fact the commencement of his employment with us.

5,000 options. This was a special one-time grant that was awarded to Mr. Waller in order to reward Mr. Waller for n acquisition.

5,000 options to each of the named executives other than Mr. Bergeron. This amount was lower than in prior years and the higher Black-Scholes value of each option on a per option basis. The Compensation Committee also f the named executives other than Mr. Bergeron and the fact that each named executive s existing equity awards, vate these named executive to perform in a manner that would provide value creation for our shareholders.

e perquisites or personal benefits (such as financial services, air travel (other than reimbursement for business
the named executives other than standard health benefits available to all employees. We provided Mr. Angel with
s customary for executive employees of Israel, Mr. Angel s home country. We also reimbursed Mr. Angel for the
viously provided to Mr. Angel in connection with his employment at Lipman, which we acquired on November 1,

ned executives primarily towards short-term performance-based compensation and long-term equity compensation.
ating to the mix between base salary, short-term performance-based compensation and long-term equity
etermination as to the particular mix of a named executive s total compensation for a particular year based on its
se salaries, short-term performance-based compensation and long-term equity compensation are set in each year.

paid to, or earned by VeriFone s chief executive officer, chief financial officer, and the three other mostly highly
These executives are referred to in this report as the named executive officers.

Summary Compensation Table

Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Comp Earnings ($)	All Other Compensation ($)	Total ($)
	287,499(3)	564, 631			46,968(4)	1,594,931
30,000(5)	346,744	463,779	120,000(5)		4,864(6)	1,362,054
		3,503,039	192,284		102,173(8)	4,119,396
70,000(10)	834,899	1,740,447	74,490		9,971(11)	3,077,927
50,000	71,875	336,705	70,613		1,907(12)	845,475

ting expense for these restricted stock unit awards and do not reflect whether the
rom the awards (such as by vesting in a restricted stock unit award). This column
cial statement reporting purposes with respect to fiscal year 2007 for the fair value of
ive officers in accordance with SFAS No. 123(R). Pursuant to SEC rules, the
orfeitures related to service-based vesting conditions. No stock awards were forfeited
cal year 2007. For additional information, including information on the valuation
iscal year 2007, refer to

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Consolidated Financial Statements included herein. See the Grants of Plan-Based Awards
ar 2007.

ting expense for these awards and do not reflect whether the recipient has actually
as by exercising stock options). This column represents the dollar amount
oses with respect to fiscal year 2007 for the fair value of stock options granted to the
mated using the Black-Scholes option pricing model in accordance with
s shown exclude the impact of estimated forfeitures related to service-based vesting
information on the valuation assumptions with respect to grants made prior to fiscal
ty of the Notes to Consolidated Financial Statements included herein. See the Grants of
ds made in fiscal year 2007.

) RSUs to Mr. Bergeron. All these RSUs have performance and/or market based
gnized any compensation expense related to these RSUs as the fiscal year 2007
performance units and the 100,000 market units related to fiscal year 2007 were
al targets for the fiscal years 2008 and 2009 tranches have not yet been determined;
hose tranches. We will value the fiscal year 2008 and 2009 tranches when all factors
easurement date has occurred.

en the fair value at the time of the grant of restricted stock and the purchase price for
Purchase Plan. The amount represents the pro rata amount of such discount for the
o includes $7,000 of company 401(k) plan matching contribution and $864 of life

Mr. Zwarenstein during fiscal year 2007. Pursuant to a separation agreement between
mburse to us the quarterly bonuses totaling $150,000 paid in fiscal year 2007 because
onus targets.

tching contribution and $864 of life insurance premium.

his role as Executive Vice President, Global Operations, and became an advisor to
sor, Mr. Angel will receive the statutory minimum employment wage in Israel.

g $42,909 for social benefits, $34,898 for car allowance, including the tax gross-up,
ducation, social security payments, home phone lines, recuperation pay, and medical

nary bonus awarded to Mr. Atkinson in connection with the termination of his

the fair value at the time of the grant of restricted stock and the purchase price for
Purchase Plan. The amount represents the pro rata amount of such discount for the
o includes $6,500 of company 401(k) plan matching contribution and $864 of life

the fair value at the time of the grant of restricted stock and the purchase price for
Purchase Plan. The amount represents the pro rata amount of such discount for the

o includes $864 of life insurance premium.

espect to grants of plan-based awards in fiscal year 2007 to our named executive officers, including cash awards and
ds granted to our named executive officers in fiscal year 2007 were granted under our 2006 Equity Incentive Plan.
after one year, and the remainder vests ratably by quarter over the succeeding three years. Each option award has a

Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($)	($)(2)
				200,000(1)	300,000(1)				7,150,000
							35,000	35.47	321,920
							35,000	35.47	321,920
							150,000	30.00	1,346,760
							35,000	35.47	321,920
							35,000	35.47	321,920
							25,000	35.45	266,560

performance share awards related to fiscal year 2007 financial targets, granted
in Compensation Discussion and Analysis. No compensation expense was
because the fiscal year 2007 financial targets were not achieved. In the first quarter
),000 market units related to fiscal year 2007 financial targets were cancelled.

ity award computed in accordance with SFAS No. 123(R). The assumptions used in
tes to our consolidated financial statements included herein. These amounts do not
ed by the named executive officers.

17, 2007, at which time his fiscal year 2007 option grant was cancelled.

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sed options held by each named executive officer as of October 31, 2007.

Option Awards					Stock Awards			
er of ities lying rcised ns (#) sable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have not Vested (#)	Market Value of Shares or Units of Stock That Have not Vested ($)(15)	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 ($)(15)
375	140,625		28.80	3/22/2013				
					25,000	1,235,750		
							600,000	29,658,000
	35,000		35.47	7/2/2014				
000	50,000		28.86	3/22/2013				
	54,688		10.00	4/29/2012				
570	113,750		3.28	8/9/2014				
					6,250	308,938		
					30,000	1,482,900		
	35,000		35.47	7/2/2014				
	150,000		30.00	11/1/2013				
000			28.52	4/10/2013				
000			9.30	10/21/2010				
500			28.86	11/30/2009				
624			10.00	11/30/2009				
					3,750	185,363		
					10,000	494,300		
	35,000		35.47	7/2/2014				
	25,000		35.45	1/3/2014				
000	25,000		28.86	3/22/2013				
500	62,500		10.00	1/7/2015				
715	2,500		3.05	12/9/2013				
					6,250	308,938		

rcisable as to 1/4 of the shares on March 22, 2007 and 1/16 of shares each quarter

rcisable as to 1/4 of the shares on July 2, 2008 and 1/16 of shares each quarter

rcisable as to 1/4 of the shares on May 1, 2007 and 1/16 of shares each quarter

rcisable as to 1/5 of the shares on July 1, 2005 and 1/20 of shares each quarter

rcisable as to 1/4 of the shares on November 1, 2007 and 1/16 of shares each quarter

rcisable as to 1/2 of the shares on October 21, 2005, 1/4 of the shares on October 21,

rcisable as to 1/2 of the shares on April 10, 2008, 1/4 of the shares on April 10, 2009,

ober 31, 2009, and for a period of thirty calendar days thereafter, if Mr. Atkinson has
Mr. Atkinson will be entitled to exercise his 2005 grant that was fully vested as of

ed that Mr. Atkinson has complied with all of the terms of his agreement, the number
tock units that were vested as of October 31, 2007, will be released on October 31,

rcisable as to 1/4 of the shares on January 3, 2008 and 1/16 of shares each quarter

rcisable as to 1/5 of the shares on December 1, 2006 and 1/20 of shares each quarter

rcisable as to 1/5 of the shares on January 1, 2005 and 1/20 of shares each quarter

isable as to 1/4 of the shares on March 22, 2007 and 1/16 of shares each quarter

RSUs to Mr. Bergeron. All these RSUs have performance based and/or market
erformance based units and 100,000 market units were cancelled as the fiscal year
not achieved. The financial targets for the fiscal 2008 and 2009 RSU tranches have

d is computed by multiplying (1) $49.43, the closing price on October 31, 2007, by

isable as to 1/4 of these shares on September 12, 2007 and 1/16 of shares each

aggregate number of shares for which options were exercised during fiscal year 2007 for each of the named
ation on shares that were acquired upon vesting of stock awards during 2007 for any of the named executive

	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)**
			15,000	563,500
	171,992	5,616,805	13,750	539,375
	135,000	3,915,269		
s Development(3)	56,000	1,681,591	3,125	116,725

72,785	2,152,315	3,750	140,875

he difference between the fair market value of the shares on the date of exercise

market value of the shares on the date of vesting.

17, 2007.

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Control

and Mr. Zwarenstein are included in their agreements with us. Our equity plans also provide for change of control
on, Mr. Angel is entitled to certain statutory severance payments in accordance with Israeli law. The tables below
ch named executive officer in the event of involuntary termination, or change of control, as if such event had
cutives are entitled to a severance payment unless the change of control event is followed by an involuntary or
. would be provided by us.

alary inuation	Cash-Based Incentive Award	Continuation of Benefits	Intrinsic Value of Unvested RSUs	Intrinsic Value of Unvested Options
00,000	$ 1,500,000(3)	$ 33,204		
00,000				
66,852				

ollowing a Change of Control

on	Cash-Based Incentive Award	Continuation of Benefits	Intrinsic Value of Unvested RSUs	Intrinsic Value of Unvested Options
	$ 1,500,000(3)	$ 33,204		
	$ 300,000	$ 20,091	$ 1,791,838(4)	$ 6,766,663(5)
			$ 308,938(6)	$ 1,002,850(7)

ch as Mr. Angel, is entitled to severance pay upon termination of employment by
based on the most recent monthly base salary of such employee multiplied by the
r. Angel was entitled to severance of NIS 3,039,035 as of October 31, 2007, or
rate of 3.963 to 1 as of October 31, 2007.

ctober 31, 2007. As a result, Mr. Atkinson was not entitled to receive any severance

0,000 in 2006. This amount will be reduced to $0 on November 1, 2007 because

e of our common stock on October 31, 2007, of $49.43, and 36,250 RSUs subject

etween the trading price of our common stock on October 31, 2007, of $49.43, and
ptions (113,750 of which have an exercise price of $3.28, 50,000 of which have an
an exercise price of $35.47) subject to acceleration.

e of our common stock on October 31, 2007, of $49.43, and 6,250 RSUs subject to

etween the trading price of our common stock on October 31, 2007, of $49.43, and
ptions (25,000 of which have an exercise price of $28.86 and 35,000 of which have

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yees were entitled to receive annual fees for service on the Board and Board committees as follows:

$ 35,000

$ 20,000
$ 10,000
$ 10,000

$ 10,000
$ 5,000
$ 5,000

tion, under our Outside Directors Stock Option Plan, we have granted to each director who is not our employee,
ions to purchase 30,000 shares of our common stock and plan, each year thereafter, to grant options to purchase an
cise price for these options is the fair market value of our common stock at the time of the grant of the options. For
r one year, and the remainder vest ratably by quarter over the succeeding three years. The options have a term of
per day for each Board and committee meeting attended in person and $1,250 for each telephonic Board and
ed for all reasonable expenses incurred in connection with attendance at any of these meetings. Mr. Roche has

sation earned by our non-employee directors for services in fiscal year 2007:

Cash Fees	Stock Awards	Option Awards(3)	All Other Compensation	Total
$ 84,000		$ 82,593		$ 166,593
$ 87,750		$ 82,592		$ 170,342
$ 57,000		$ 88,310		$ 145,310
$ 92,333		$ 81,405		$ 173,738
$ 3,333		$ 6,915		$ 10,248
$ 68,583		$ 96,638		$ 165,221

October 1, 2007.

ear 2007.

ng expense for these awards and do not reflect whether the recipient has actually
s by exercising stock options). This column represents the dollar amount
es with respect to fiscal year 2007 for the fair value of stock options granted to
ed using the Black-Scholes option pricing model in accordance with
to SEC rules, amounts shown exclude the impact of estimated forfeitures related to
ormation, including information on the valuation assumptions with respect to grants

tockholders Equity of the notes to consolidated financial statements included herein.

ensation Committee) consists exclusively of independent directors.

to (1) review and approve corporate goals and objectives relating to the compensation of VeriFone s CEO, evaluate
tives and, either as a committee or together with the other independent directors (as directed by the Board),
ased on this evaluation and (2) make recommendations to the Board with respect to non-CEO compensation,
mong other things. VeriFone s Board of Directors and its Corporate Governance and Nominating Committee have
mittee is independent within the meaning of the rules of both the NYSE and the SEC.

dation of the Corporate Governance and Nominating Committee, that each member of the Compensation
rules of the NYSE.

its duties and responsibilities under the Compensation Committee s charter. Additionally, as part of its
his Form 10-K entitled Compensation Discussion and Analysis (CD&A), as prepared by management of VeriFone,
; Compensia, an independent compensation consultant to the Compensation Committee, also reviewed and
ussions, the Committee recommended to the Board of Directors that the CD&A be included in the 2008 Proxy

ssist the Board of Directors in fulfilling its oversight responsibility to the stockholders, potential stockholders, the
egrity of VeriFone s financial statements; (ii) VeriFone s compliance with legal and regulatory requirements;
g firm s qualifications and independence; (iv) the performance of VeriFone s internal audit function and independent
riFone s independent registered public accounting firm; and (vi) the preparation of this report.

mendation of the Corporate Governance and Nominating Committee, that each member of the Audit Committee is
YSE and the SEC. The Audit Committee currently consists of Dr. Denend and Mr. Rinehart, as well as Mr. Henske, as
s an Audit Committee financial expert within the meaning of applicable SEC rules. Dr. Castle served as an Audit

t is responsible for the preparation, presentation, and integrity of VeriFone s financial statements, for the
g policies that are used by VeriFone and for implementing and maintaining internal control over financial
firm is responsible for auditing VeriFone s financial statements and for reviewing VeriFone s unaudited interim

embers of the Audit Committee are not full-time employees of VeriFone and are not, and do not represent
accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct field
r procedures or to set auditor independence standards.

information provided to them by management and the independent registered public accounting firm. Accordingly, eferred to below do not assure that the audit of VeriFone s financial statements has been carried out in accordance riFone s auditors are in fact independent.

ommittee has considered and discussed the audited financial statements with management and the independent has also discussed with the independent registered public accounting firm the matters required to be discussed by *n with Audit Committees*, as currently in effect. In addition, the Audit Committee has discussed with the rs independence from VeriFone and its management, including the matters in the written disclosures and letter 1, *Independence Discussions with Audit Committees*, a copy of which the Audit Committee has received. All counting firm must be specifically pre-approved by the Audit Committee or a member thereof.

ove, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in nmended to the Board the inclusion of the audited financial statements in VeriFone s Annual Report on Form 10-K the Securities and Exchange Commission.

AIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER

beneficial ownership of the shares of our common stock as of July 31, 2008, by:

er of 5% of more of our outstanding shares of common stock;

group.

e SEC and generally includes voting or investment power over securities. Except in cases where community s table, we believe that each stockholder identified in the table possesses sole voting and investment power over all the stockholder. Percentage of beneficial ownership is based on 84,194,231 shares of common stock outstanding options that are currently exercisable or exercisable within 60 days of July 31, 2008 are considered outstanding and the purpose of computing the percentage ownership of that person but are not treated as outstanding for the ther

vidual listed below is c/o VeriFone Holdings, Inc., 2099 Gateway Place, Suite 600, San Jose, California 95110.

	Shares Beneficially Owned	
	Number	Percent of Class
	9,658,909	12%
	8,394,830	10%
	8,760,800	10%
	4,609,000	6%
	1,664,270	2%
	364,476	*%
	178,407	*%
	80,590	*%
	35,312	*%
	35,312	*%
	34,999	*%
	21,312	*%
	18,437	*%
	9,658,909	11%
ns)	12,092,024	14%

CR Capital Partners, L.P., GTCR Co-Invest, L.P. and Mr. Roche is c/o GTCR
go, Illinois 60606. Beneficial ownership information includes 8,928,188 shares of
3,984 shares of common stock held by GTCR Capital Partners, L.P., and
o-Invest, L.P. GTCR Golder Rauner, L.L.C. is the general partner of the general
ner of the general partner of the general partner of GTCR Capital Partners, L.P., and
CR Golder Rauner, L.L.C., through a six-person members committee (consisting of
Edgar D. Jannotta, Jr., Joseph P. Nolan, and Bruce V. Rauner, with Mr. Rauner as
e authority over the shares held by GTCR Fund VII, L.P., GTCR Capital Partners,
neficially owns such shares. Decisions of the members committee with respect to the
vote of not less than one-half of its members and the affirmative vote of the
ber of the members committee has voting or dispositive authority over the shares.
i, Jannotta, Nolan, and Rauner, as well as Vincent J. Hemmer, David F. Randell,
als of GTCR Golder Rauner, L.L.C., and each of them disclaims beneficial ownership

s 11100 Santa Monica Blvd., Los Angeles, California 90025. Capital Group
3,300 shares of common stock and sole dispositive power for 8,394,830 shares of
mpany has sole voting power for 5,417,500 shares of common stock and sole
n stock. This information is based solely upon a Schedule 13G, as amended, filed by

rdian Trust Company on February 11, 2008.

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(CRGI) is 333 South Hope Street, Los Angeles, California 90071. CRGI has the sole
common stock. This information is based solely upon a Schedule 13G filed by CRGI

.P. is 111 Huntington Avenue, Boston, Massachusetts 02199. Brookside Capital
ower to vote and dispose of 4,609,000 shares of common stock. Domenic Ferrante, as
Management, LLC (BCM), BCM as the sole general partner of Brookside Capital
eral partner of Brookside, may each be deemed to share voting or investment control
upon a Schedule 13G filed by Brookside on January 14, 2008.

145 shares held by various family trusts the beneficiaries of which are members of
es listed as beneficially owned by Mr. Bergeron represent shares (i) issuable upon the
come exercisable within 60 days after July 31, 2008 and (ii) issuable upon vesting of
of July 31, 2008.

ares held by Mr. Angel directly. In addition, 364,375 shares listed as beneficially
on the exercise of options that are exercisable or will become exercisable within

shares held by Mr. Zwarenstein directly. In addition, 176,399 shares listed as
shares (i) issuable upon the exercise of options that are exercisable or will become
) issuable upon vesting of restricted stock units that will vest prior to or on
t was terminated as of August 19, 2008.

shares held by Mr. Waller directly. In addition, 78,715 shares listed as beneficially
upon the exercise of options that are exercisable or will become exercisable within
vesting of restricted stock units that will vest within 60 days of July 31, 2008.

) shares held by Dr. Castle directly. In addition, 11,312 shares listed as beneficially
on the exercise of options that are exercisable or will become exercisable within

Dr. Denend represent shares issuable upon the exercise of options that are
days after July 31, 2008.

Mr. Henske represent shares issuable upon the exercise of options that are
days after July 31, 2008.

shares held by Mr. Rinehart directly. In addition, 20,312 shares listed as beneficially
upon the exercise of options that are exercisable or will become exercisable within

Mr. Hart represent shares issuable upon the exercise of options that are exercisable
ly 31, 2008.

31, 2007 regarding securities issued under our equity compensation plans that were in effect during fiscal year 2007.

	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
(1) ders	9,081,387(2)	$	27.10(3)	2,288,394(4)
	9,081,387(2)	$	27.10	2,288,394(4)

n, Outside Directors Stock Option Plan, 2005 Employee Equity Incentive Plan, and
ncludes securities issuable pursuant to the Lipman Electronic Engineering Ltd.
eering Ltd. 2004 Stock Option Plan, Lipman Electronic Engineering Ltd.
gineering Ltd. 2006 Share Incentive Plan as a result of our acquisition of Lipman
VeriFone does not plan to issue securities in the future under any of the foregoing

estricted stock unit awards that are subject to performance conditions.

units with an exercise price of $0 that were outstanding as of October 31, 2007.

suance under our 2006 Equity Incentive Plan.

hich we currently make grants of equity awards. Our 2006 Equity Incentive Plan permits grants of stock options,
k units, performance shares and share units, dividend equivalent rights and other stock awards. Grants may be made
duals performing services for us. The plan authorizes the issuance of an aggregate of 9,000,000 shares of our
ock appreciation rights shall be counted as one share issued under the plan for each share so granted. Any shares
eciation rights shall be counted as 1.75 shares issued under the plan for each share so granted. As of October 31,
ghted-average exercise price of $33.09 per share, of which 471,642 were exercisable at a weighted-average exercise
ted stock units outstanding, none of which were exercisable.

ELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

hich an executive officer, director, 5% or more beneficial owner of our common stock, or an immediate family
l interest. The Audit Committee reviews and approves each individual related party transaction exceeding
terms that were reasonable and fair to us. The Audit Committee also reviews and monitors on-going relationships
s that are reasonable and fair to us.

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we have adopted provisions in our amended and restated certificate of incorporation that authorize and require us permitted under Delaware law, subject to limited exceptions. We have also entered, and intend to continue to enter, ur directors and officers which may be broader than the specific indemnification provisions contained in Delaware loyment agreements with our Chief Executive Officer and Chief Financial Officer.

to purchase shares of our common stock to our executive officers and directors and restricted stock units to certain n and Analysis, Executive Compensation and Director Compensation under Item 10 Directors, Executive Officers of

o be considered independent under NYSE rules, the Board must determine that the director does not have a material diaries (either directly or as a partner, stockholder, or officer of an organization that has a relationship with any of , Dr. Denend, Mr. Hart, Mr. Henske, Mr. Rinehart, Mr. Raff, and Mr. Roche are independent under NYSE rules. In r. Craig Bondy, a former member of our Board who resigned from our Board effective October 1, 2007, was

of our directors in accordance with standards that the Board and the Corporate Governance and Nominating g independence determinations. Any relationship listed under the heading Material Relationships below will, if ing director independence. If a director has any relationship that is considered material, the director will not be e heading Immaterial Relationships below will be considered categorically immaterial for the purpose of l Relationships will not collectively create a material relationship that would cause the director to not be considered nship is not addressed under the heading Immaterial Relationships will not automatically cause a director to not be under the standards established by the Board, the Board will review all of the facts and circumstances of the in the Board s judgment, is material.

nships that would prevent a director from being determined to be independent:

mployee of VeriFone s internal or external auditor or a member of the director s immediate family (including the fathers-, brothers-, sisters-, sons-, and daughters-in-law; and anyone who shares the director s home, other than itor who participates in the firm s audit, assurance, or tax compliance (but not tax planning) practice or a current family member of the director was a partner or employee of the firm who personally worked on VeriFone s audit

nother entity that, during any one of the past five years, received payments from VeriFone, or made payments to ter of $1 million or 2% of the other entity s annual consolidated gross revenues. Or a member of the director s er entity that, during any one of the past five

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ents to VeriFone, for property or services that exceeded the greater of $1 million or 2% of the other entity s annual

e at any time during the past five years or a member of the director s immediate family was an executive officer of

he director or an immediate family member of the director was employed as an executive officer by another entity
ed at the same time on the Compensation Committee.

member of a director received more than $100,000 per year in direct compensation from VeriFone, other than

of an investment bank or consulting firm that performs substantial services to VeriFone on a regular basis.

al for purposes of determining director independence:

m a director s status as an executive officer, principal, equity owner, or employee of an entity that is a stockholder

lely from a director s status as an executive officer, employee or equity owner of an entity that has made payments
ervices shall not be deemed a material relationship or transaction that would cause a director not to be independent
e 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

of fees for service as a member of the Board and committees of the Board.

t is not covered by any of the standards listed above in which the amount involved does not exceed $25,000 in any
transaction that would cause a director not to be independent. Notwithstanding the foregoing, no relationship shall
on to the extent that it is required to be disclosed in SEC filings under Item 404 of the SEC s Regulation S-K.

ND SERVICES

ng Firm

y VeriFone and its subsidiaries to Ernst & Young LLP during the fiscal years ended October 31, 2007 and 2006 (in

2007	Percentage of 2007 Services Approved by Audit Committee	2006	Percentage of 2006 Services Approved by Audit Committee
$ 16,776(1)	100%	$ 3,749(2)	100%
27	100	43	100
317	100	118	100
11	100	8	100

$ 17,131	$ 3,918

tement of the Condensed Consolidated Financial Statements for the three months

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SEC registration statements filed in connection with our Lipman acquisition.

and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or bove under Audit Fees. The services for the fees disclosed under this category primarily include employee benefit sultations concerning financial accounting and reporting standards.

s rendered by Ernst & Young LLP, primarily in connection with our tax compliance activities, including the s, consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

cts and services other than the services reported above.

res

ur Audit Committee has adopted a pre-approval policy requiring that the Audit Committee pre-approve all audit rnst & Young LLP. Any proposed service that has received pre-approval but which will exceed pre-approved cost mmittee. In addition, pursuant to Section 10A(i)(3) of the Exchange Act, the Audit Committee has established e to time delegate pre-approval authority to the Chairman of the Audit Committee. If the Chairman exercises this he full Audit Committee at its next meeting.

PART IV

NT SCHEDULES

ual Report on Form 10-K:

l in the Annual Report on Form 10-K are listed in Item 8 hereof.

rporated by reference to the location indicated.

Description

ificate of Incorporation of the Registrant
aws of the Registrant
e
July 1, 2002, by and among VeriFone Holdings, Inc., GTCR Fund VII, L.P., GTCR Co-Invest, CW/Crescent Mezzanine Partners III, L.P., TCW/Crescent Mezzanine Trust III, TCW/Crescent L.P. and TCW Leveraged Income Trust IV, L.P., VF Holding Corp. and the executives who are

s Agreement

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Description

ated as of July 1, 2002, by and among VeriFone Holdings, Inc., GTCR Fund VII, L.P., GTCR
rtners, L.P., TCW/Crescent Mezzanine Partners III, L.P., TCW/Crescent Mezzanine Trust III,
rs III Netherlands, L.P., and TCW Leveraged Income Trust IV, L.P., VF Holding Corp., Jesse
as G. Bergeron, Nigel Bidmead, Denis Calvert, Donald Campion, Robert Cook, Gary Grant, Robert
rnbull and Elmore Waller
s Agreement, dated as of November 30, 2004, by and among VeriFone Holdings, Inc., GTCR
, DGB Investments, Inc., The Douglas G. Bergeron Family Annuity Trust, The Sandra E. Bergeron
rgeron Family Trust
enior Convertible Notes due 2012, dated as of June 22, 2007, between VeriFone Holdings, Inc. and
s trustee
ated as of June 22, 2007, between VeriFone Holdings, Inc. and Lehman Brothers Inc. and

uly 1, 2002, by and among VeriFone Holdings, Inc., GTCR Fund VII, L.P., GTCR Co-Invest, L.P.,
rs III, L.P., TCW/Crescent Mezzanine Trust III, TCW/Crescent Mezzanine Partners III Netherlands,
Trust IV, L.P.
chase Agreement
dated as of July 1, 2002, among VeriFone Holdings, Inc., VeriFone, Inc. and Douglas G. Bergeron
nt Agreement, dated as of June 29, 2004, by and among VeriFone Holdings, Inc., VeriFone, Inc. and

nt Agreement, dated as of December 27, 2004, by and among VeriFone Holdings, Inc., VeriFone,

n
eement, effective July 1, 2004, between VeriFone Holdings, Inc. and Barry Zwarenstein
Plan
ve as of November 1, 2004, by and between NCR Corporation and VeriFone, Inc.
Plan
ent
uity Incentive Plan
an
31, 2006, among VeriFone Intermediate Holdings, Inc., VeriFone, Inc., various financial institutions
he parties thereto, as lenders, JPMorgan Chase Bank, N.A., as the administrative agent for the
er Inc., as the syndication agent for the lenders, Bank Leumi USA and Wells Fargo Bank, N.A., as
he lenders, and J.P. Morgan Securities Inc. and Lehman Brothers Inc., as joint lead arrangers and

td. 2003 Stock Option Plan
td. 2004 Stock Option Plan
td. 2004 Share Option Plan
Engineering Ltd. 2004 Share Option Plan
td. 2006 Share Incentive Plan

Description

ent Agreement, dated January 4, 2007, among VeriFone Holdings, Inc., VeriFone, Inc., and Douglas

e Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman

e Hedge Transaction, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan
n, London Branch

tion, dated June 18, 2007, by and between VeriFone Holdings, Inc. and Lehman Brothers OTC

tion, dated June 18, 2007, by and between VeriFone Holdings, Inc. and JPMorgan Chase Bank,
anch

Varrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and Lehman

Varrant Transaction, dated June 21, 2007, by and between VeriFone Holdings, Inc. and JPMorgan
n, London Branch

nt, dated August 2, 2007, between VeriFone Holdings, Inc. and William G. Atkinson
ant

ed Public Accounting Firm

ve Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.

al Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.

ve Officer and the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of

plan or arrangement.

gistrant s Registration Statement on Form S-1 (File No. 333-121947), filed

gistrant s Registration Statement on Form S-1 (File No. 333-121947), filed March 28,

gistrant s Registration Statement on Form S-1 (File No. 333-121947), filed April 18,

gistrant s Registration Statement on Form S-1 (File No. 333-121947), filed April 21,

gistrant s Registration Statement on Form S-1 (File No. 333-121947), filed April 29,

n Statement on Form S-8 (File No. 333-124545), filed May 2, 2005.

rent Report on Form 8-K, filed March 23, 2006.

port on Form 8-K, filed November 1, 2006.

gistration Statement on Form S-8 (File No. 333-138533), filed November 9, 2006.

port on Form 8-K, filed January 5, 2007.

port on Form 8-K, filed June 22, 2007.

port on Form 8-K, filed August 3, 2007.

SIGNATURES

e Securities Exchange Act of 1934, the registrant has duly caused this report on Annual Report on Form 10-K to be uthorized.

By: /s/ DOUGLAS G. BERGERON

Act of 1934, this report on Annual Report on Form 10-K has been signed below by the following persons on behalf dicated:

Title	Date
Chief Executive Officer (principal executive officer)	August 19, 2008
Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	August 19, 2008
Director	August 19, 2008
Director	August 19, 2008
Director	August 19, 2008
Director	August 19, 2008
Director	August 19, 2008
Director	August 19, 2008

Chairman of the Board of Directors	August 19, 2008

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