VERIFONE SYSTEMS, INC.
Form PREM14A
May 07, 2018
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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

(Rule 14a-101)

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

VeriFone Systems, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

common stock, par value $0.01

(2) Aggregate number of securities to which transaction applies:

The maximum number of shares of common stock to which this transaction applies is estimated to be 117,353,265, which consists of (a) 110,722,946 shares of common stock outstanding; (b) 818,710 shares of common stock issuable pursuant to outstanding options with exercise prices below the per share merger consideration of $23.04; (c) 4,474,702 shares of common stock representing existing restricted stock units entitled to receive the merger consideration of $23.04 and new restricted stock unit awards that may be granted prior to the closing of the merger; (d) 1,253,021 shares of common stock representing performance restricted stock units entitled to receive the merger consideration of $23.04 (assuming, solely for purposes of this fee computation, maximum vesting of such performance restricted stock units); and (e) 83,886 shares of common stock representing deferred stock units entitled to receive the merger consideration of $23.04, in each case as of April 30, 2018.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Solely for the purpose of calculating the filing fee, the underlying value of the transaction was calculated based on the sum of (a) the product of 110,722,946 shares of common stock and the per share merger consideration of $23.04; (b) the product of (i) 818,710 shares of common stock issuable upon exercise of options to purchase shares of common stock and (ii) the difference between $23.04 and the weighted average exercise price of such options of $21.06; (c) the product of 4,474,702 shares of common stock representing restricted stock units and the per share merger consideration of $23.04; (d) the product of 1,253,021 shares of common stock representing performance restricted stock units and the per share merger consideration of $23.04; and (e) the product of 83,886 shares of common stock representing deferred stock units and the per share merger consideration of $23.04.

(4) Proposed maximum aggregate value of transaction:

$2,686,577,193.00

(5) Total fee paid:

$334,478.86

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or

the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

88 West Plumeria Drive

San Jose, CA 95134

, 2018

Dear Stockholder,

We cordially invite you to attend a special meeting of the holders of our common stock, par value $0.01, which we refer to as common stock, of VeriFone Systems, Inc. a Delaware corporation, which we refer to as the Company, we or us, to be held on , 2018 at , California Time, at the Company s executive offices, located at 88 W. Plumeria Drive, San Jose, CA 95134, which we refer to as the special meeting.

On April 9, 2018, the Company entered into an Agreement and Plan of Merger, which we refer to as the merger agreement, by and among the Company, Vertex Holdco LLC, a Delaware limited liability company, and Vertex Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Vertex Holdco LLC. Pursuant to the merger agreement, Vertex Merger Sub LLC will be merged with and into the Company, which transaction we refer to as the merger, with the Company continuing as the surviving corporation and a wholly owned subsidiary of Vertex Holdco LLC. Vertex Holdco LLC and Vertex Merger Sub LLC are owned by an investor group led by the private equity investment firm Francisco Partners, which we refer to as the investor group. At the special meeting you will be asked, among other things, to consider and vote upon a proposal to adopt the merger agreement.

If the merger is completed, you will be entitled to receive $23.04 in cash, without interest, for each share of common stock owned by you, which represents a premium of approximately 54% to the closing price of common stock as of April 9, 2018, the last trading day prior to the public announcement of the execution of the merger agreement.

Our board of directors, which we refer to as the Board, has unanimously (i) determined that the merger agreement and the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company and its stockholders, (ii) authorized, approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement (iii) resolved to submit the merger agreement to the stockholders for consideration and (iv) recommended that the stockholders approve the proposal to adopt the merger agreement and the other proposals being submitted for stockholder approval as described below and in the accompanying proxy statement. The Board made its determination after consultation with its legal and financial advisors and consideration of a number of factors. Approval of the proposal to adopt the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote on the proposal. **Our Board recommends that you vote FOR approval of the proposal to adopt the merger agreement.**

The proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger requires the affirmative vote of holders of a majority of the outstanding shares of common stock present or represented by proxy at the special meeting and entitled to vote at the special meeting. **Our Board recommends that you vote FOR the proposal to approve, by non-binding, advisory**

vote, certain compensation arrangements for the Company s named executive officers in connection with the merger.

The approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by

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proxy at the special meeting to constitute a quorum at the special meeting requires the affirmative vote of holders of a majority of the outstanding shares of common stock present in person or represented by proxy at the special meeting and entitled to vote at the special meeting. **Our Board recommends that you vote FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting.**

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of holders of a majority of the outstanding shares of the common stock entitled to vote on the proposal to adopt the merger agreement. Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope, or submit your proxy by telephone or the Internet. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. **The failure to return your proxy or vote at the special meeting in person will have the same effect as a vote AGAINST approval of the proposal to adopt the merger agreement.**

If your shares of common stock are held in street name by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares of common stock without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares of common stock in accordance with the procedures provided by your bank, brokerage firm or other nominee. **The failure to instruct your bank, brokerage firm or other nominee to vote your shares of common stock FOR approval of the proposal to adopt the merger agreement will have the same effect as voting AGAINST approval of the proposal to adopt the merger agreement.**

The accompanying proxy statement provides you with detailed information about the special meeting and the merger agreement. A copy of the merger agreement is attached as **Annex A** to the proxy statement, and is incorporated by reference therein. We encourage you to read the entire proxy statement and its annexes, including the merger agreement, carefully. You may also obtain additional information about the Company from documents we have filed with the Securities and Exchange Commission.

If you have any questions or need assistance voting your shares of common stock, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling toll-free at 1-800-322-2885 or collect at 212-929-5500.

The Board has approved and declared advisable the merger agreement and recommends that you vote FOR the proposal to adopt the merger agreement, FOR the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting.

Thank you in advance for your cooperation and continued support.

Sincerely,

Paul Galant

Chief Executive Officer

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This proxy statement and a proxy card are first being mailed on or about , 2018 to stockholders who owned shares of the common stock as of the close of business on , 2018.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THE ACCOMPANYING PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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88 West Plumeria Drive

San Jose, CA 95134

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on , 2018

To the Stockholders of VeriFone Systems, Inc.:

Notice is hereby given that a special meeting of the holders of our common stock, $0.01 par value, which we refer to as common stock, of VeriFone Systems, Inc., a Delaware corporation, which we refer to as the Company, will be held at , California Time, on , 2018, at the Company s executive offices, located at 88 W. Plumeria Drive, San Jose, CA 95134, which we refer to as the special meeting, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of April 9, 2018, as it may be amended from time to time, which we refer to as the merger agreement, by and among the Company, Vertex Holdco LLC, a Delaware limited liability company, and Vertex Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Vertex Holdco LLC. The merger agreement provides for the acquisition by Vertex Holdco LLC of the Company through the merger of Vertex Merger Sub LLC with and into the Company, which we refer to as the merger, with the Company continuing as the surviving corporation and a wholly owned subsidiary of Vertex Holdco LLC. A copy of the merger agreement is attached as **Annex A** to the accompanying proxy statement.

2. To consider and vote on a proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger.

3. To consider and vote on any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum.

The merger agreement and the merger, along with the other transactions that would be effected in connection with the merger, are described more fully in the attached proxy statement, and we urge you to read it carefully and in its entirety.

Adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote on the proposal to adopt the merger agreement. Approval of (i) certain compensation arrangements for the Company s named executive officers in connection with the merger by non-binding, advisory vote and (ii) any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum, each requires the affirmative vote of holders of a majority of the outstanding shares of common stock present in person or represented by proxy at the special meeting and entitled to vote at the special meeting.

The Company s board of directors, which we refer to as the Board, has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company and its stockholders and has unanimously authorized, adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement. The Board made its determination after consultation with its legal and financial advisors and consideration of a number of factors. **The Board recommends that you vote FOR approval of the proposal to adopt the merger agreement, FOR approval of the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a**

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sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting.

Your vote is very important, regardless of the number of shares of common stock of the Company you own. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or submit your proxy by telephone or the Internet prior to the special meeting to ensure that your shares of common stock will be represented at the special meeting if you are unable to attend. If you fail to return your proxy card or fail to submit your proxy by phone or the Internet, it will have the same effect as a vote **AGAINST** approval of the proposal to adopt the merger agreement. If you are a stockholder of record, voting in person at the special meeting will revoke any proxy previously submitted. If you hold your shares of common stock through a bank, brokerage firm or other nominee, you should follow the procedures provided by your banker, brokerage firm or other nominee in order to vote.

The Board has fixed the close of business on , 2018, as the record date for determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote (in person or by proxy) at, the special meeting and at any adjournment or postponement thereof. You will be entitled to one (1) vote for each share of common stock that you owned on the record date. A complete list of our stockholders of record entitled to vote at the special meeting will be available for inspection at our principal executive offices during the ten days prior to the special meeting, during ordinary business hours. The list will also be available at the special meeting for inspection by any stockholder present at the special meeting.

Only stockholders of record, their duly authorized proxy holders, beneficial stockholders with proof of ownership and our guests may attend the special meeting. If you are a stockholder of record, please bring valid photo identification to the special meeting. If your shares of common stock are held through a bank, brokerage firm or other nominee, please bring to the special meeting valid photo identification and proof of your beneficial ownership of common stock. Acceptable proof could include an account statement showing that you owned shares of common stock on the record date. If you are the representative of a corporate or institutional stockholder, you must present valid photo identification along with proof that you are the representative of such stockholder. Please note that cameras, recording devices and other electronic devices will not be permitted at the special meeting.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. IF YOU WILL ATTEND THE SPECIAL MEETING AND VOTE IN PERSON, YOUR VOTE BY BALLOT WILL REVOKE ANY PROXY PREVIOUSLY SUBMITTED. IF YOU HOLD YOUR SHARES OF COMMON STOCK THROUGH A BANK, BROKERAGE FIRM OR OTHER NOMINEE, YOU SHOULD FOLLOW THE PROCEDURES PROVIDED BY YOUR BANK, BROKERAGE FIRM OR OTHER NOMINEE IN ORDER TO VOTE.

By Order of the Board of Directors,
Vikram Varma

General Counsel and Secretary

San Jose, California

Dated: , 2018

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SUMMARY

The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under Where You Can Find More Information beginning on page [ ].

Parties to the Merger (Page [ ])

VeriFone Systems, Inc., or the Company, we, us or our, is a global leader in payments and commerce solutions. W connecting payment devices to the cloud merging the online and in-store shopping experience and creating the next generation of digital engagement between merchants and consumers. We are built on a 35-year history of security with approximately 30 million devices and terminals deployed worldwide. Our people are trusted experts who work with our clients and partners, helping to solve their most complex payments challenges. We have clients and partners in more than 150 countries, including some of the world s best-known retail brands, financial institutions and payment providers.

The Company s common stock is listed on the New York Stock Exchange, which we refer to as the NYSE, under the symbol PAY. The principal executive offices of the Company are located at 88 Plumeria Drive, San Jose, CA 95134 and its telephone number is (408) 232-7800.

Vertex Holdco LLC, or Holdco, is a Delaware limited liability company. Holdco was formed solely for the purpose of engaging in the merger and other related transactions. Holdco has not engaged in any business other than in connection with the merger and other related transactions.

The principal executive offices of Holdco are located at One Letterman Drive, Building C Suite 410, San Francisco, CA 94129 and its telephone number is (415) 418-2900.

Vertex Merger Sub LLC, or Merger Sub, is a Delaware limited liability company. Merger Sub is a wholly owned subsidiary of Holdco and was formed solely for the purpose of engaging in the merger and other related transactions. Merger Sub has not engaged in any business other than in connection with the merger and other related transactions. Upon the completion of the merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation.

The principal executive offices of Merger Sub are located at One Letterman Drive, Building C Suite 410, San Francisco, CA 94129 and its telephone number is (415) 418-2900.

The Special Meeting (Page [ ])

Date, Time and Place of the Special Meeting (Page [ ])

The special meeting will be held on , 2018, at a.m., California Time, at the Company s executive offices, located at 88 W. Plumeria Drive, San Jose, CA 95134.

At the special meeting, holders of our common stock, $0.01 par value, which we refer to as common stock, will be asked to approve the proposal to adopt the merger agreement and the proposal to approve, by a non-binding, advisory

vote, certain compensation arrangements for the Company s

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named executive officers in connection with the merger. If there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting, the special meeting may be adjourned, if necessary or appropriate, by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon.

Record Date and Quorum (Page [ ])

You are entitled to receive notice of, and to vote at, the special meeting if you own shares of common stock at the close of business on , 2018, which the Company has set as the record date for the special meeting and which we refer to as the record date. You will be entitled to one (1) vote for each share of common stock that you owned on the record date. As of the close of business on the record date, there were shares of common stock outstanding and entitled to vote at the special meeting, held by holders of record.

A majority of the votes entitled to be cast by the holders of common stock outstanding at the close of business on the record date and entitled to vote, present in person or represented by proxy, at the special meeting constitutes a quorum. Abstentions and broker non-votes (as described below) are counted as present for the purpose of determining whether a quorum is present.

Vote Required (Page [ ])

Approval of the proposal to adopt the merger agreement requires the affirmative vote by the holders of a majority of the shares of common stock outstanding at the close of business on the record date. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** approval of the proposal to adopt the merger agreement.

The proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger, as described in the section titled Advisory Vote on Merger-Related Compensation for the Company s Named Executive Officers beginning on page [ ], will be adopted if approved by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote **AGAINST** approval of the proposal, and broker non-votes will have no effect on the outcome of the vote.

Any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum will be adopted if approved by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote **AGAINST** the proposal, and broker non-votes will have no effect on the outcome of the vote.

As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, shares of common stock (not including any shares of common stock deliverable upon exercise or conversion of any options, restricted stock units or deferred stock units), representing approximately percent of the outstanding shares of common stock as of the record date.

Proxies and Revocation (Page [ ])

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet or by returning the enclosed proxy card in the accompanying prepaid reply envelope,

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or may vote in person by appearing at the special meeting. If your shares of common stock are held in street name through a bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your shares of common stock using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or to vote in person at the special meeting, or do not provide your bank, brokerage firm or other nominee with instructions, as applicable, your shares of common stock will not be voted on the proposal to adopt the merger agreement, which will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement, and your shares of common stock will not be counted in respect of, and will not have an effect on, the proposal to approve the merger-related compensation or any proposal to adjourn the special meeting.

A proxy may be revoked at any time before it is voted by (i) delivering a written notice of revocation to our Secretary c/o VeriFone Systems, Inc., 88 W. Plumeria Drive, San Jose, CA 95134, (ii) subsequently submitting a duly executed proxy bearing a later date than that of the previously submitted proxy (including by submission over the Internet), or (iii) attending the special meeting and voting in person. Attending the special meeting without voting will not revoke your previously submitted proxy.

The Merger (Page [ ])

The merger agreement provides that Merger Sub will merge with and into the Company. The Company will be the surviving corporation in the merger, which we refer to as the surviving corporation, and will continue to do business following the consummation of the merger. As a result of the merger, the Company will cease to be a publicly traded company and will become a wholly owned subsidiary of Holdco. Holdco and Merger Sub are owned by an investor group led by the private equity investment firm Francisco Partners, which we refer to as the investor group. If the merger is completed, you will not own any shares of common stock of the surviving corporation.

Merger Consideration (Page [ ])

In the merger, each share of common stock issued and outstanding immediately prior to the time when the certificate of merger has been duly filed with and accepted by the Secretary of State of the State of Delaware or at such later date and time as may be agreed by the parties in writing and specified in the certificate of merger, which time we refer to as the effective time (other than shares owned by Holdco, Merger Sub or any other direct or indirect wholly owned subsidiary of Holdco and shares owned by the Company or any direct or indirect wholly owned subsidiary of the Company, in each case not held on behalf of third parties, and shares of common stock owned by stockholders who have properly demanded and not withdrawn a demand for, or lost their right to, appraisal rights under Delaware law, which we refer to collectively as excluded shares), which we refer to collectively as eligible shares, will automatically be converted into the right to receive an amount in cash equal to $23.04, without interest, which we refer to as the per share merger consideration.

Reasons for the Merger; Recommendation of the Company s Board of Directors (Page [ ])

After careful consideration of various factors described in the section entitled The Merger Reasons for the Merger; Recommendation of the Board of Directors beginning on page [ ], the Company s board of directors, which we refer to as the Board, unanimously determined that the merger agreement and the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company and its stockholders and authorized, adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, resolved that the

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merger agreement be submitted for consideration by the stockholders of the Company at a special meeting of stockholders and recommended that the stockholders of the Company vote to adopt the merger agreement.

In considering the recommendation of the Board with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the transactions contemplated by the merger agreement, and in recommending that the merger agreement be adopted by the stockholders of the Company. See the section entitled The Merger Interests of Certain Persons in the Merger beginning on page [ ].

The Board recommends that you vote FOR approval of the proposal to adopt the merger agreement, FOR approval of the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting.

Opinion of Qatalyst Partners LP (Page [ ])

In connection with the Company s consideration of strategic alternatives, including the merger, the Company engaged Qatalyst Partners LP, which we refer to as Qatalyst Partners, to provide financial advice based on Qatalyst Partners qualifications, expertise, reputation and knowledge of the Company s business and the industry in which the Company operates. At the meeting of the Board on April 9, 2018, Qatalyst Partners rendered to the Board its oral opinion, subsequently confirmed in writing, to the effect that, as of April 9, 2018, and based upon and subject to the various assumptions, qualifications, limitations and other matters set forth therein, the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), was fair, from a financial point of view, to such holders.

The full text of the opinion of Qatalyst Partners, dated as of April 9, 2018, is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications of the review undertaken by Qatalyst Partners in rendering its opinion. You should read the opinion carefully in its entirety.

Qatalyst Partners opinion was provided to the Board and addressed only, as of the date of the opinion, the fairness, from a financial point of view, of the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), to such holders. It does not address any other aspect of the merger. It does not constitute a recommendation to any stockholder of the Company as to how to vote with respect to the Merger or any other matter and does not in any manner address the price at which the shares of the common stock will trade at any time.

For a description of the opinion that the Board received from Qatalyst Partners, see The Merger Opinion of Qatalyst Partners LP beginning on page [ ].

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Interests of Certain Persons in the Merger (Page [ ])

In considering the recommendations of the Board with respect to the proposals to adopt the merger agreement, approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum at the special meeting, you should be aware that executive officers and directors of the Company may have certain interests in the merger that may be different from, or in addition to, the interests of the stockholders generally. The Board was aware of these interests and considered them at the time it evaluated and approved the merger agreement and the merger, and in recommending that the merger agreement be adopted by the stockholders of the Company. Company stockholders should take these interests into account in deciding whether to adopt the merger agreement. These interests include, but are not limited to, the following:

Director Unvested Equity Awards. Due to the termination of service as members of the Board contemplated by the merger agreement, Company restricted stock units, which we refer to as Company RSUs, held by the Company s non-employee directors will become fully vested following the effective time and will be paid out.

Company Unvested Equity Awards Held by Executive Officers. Each outstanding unvested Company option and Company RSU will be converted into a cash-based award based on the per share merger consideration that will be subject to a vesting schedule identical to that of the corresponding Company equity award. However, under the terms of the Company s employment and severance arrangements with its executive officers, the options and Company RSUs held by the Company s executive officers are subject to double-trigger vesting if an executive officer experiences a qualifying termination of employment in connection with the merger. Each outstanding Company P-RSUs will also be converted into a cash-based award based on the per share merger consideration and actual performance measured through the effective time, subject to a time-vesting schedule identical to the corresponding P-RSU. Under the terms of the Company s severance arrangements with its executive officers, upon the effective time, a pro-rated portion of the Company s executive officers Company P-RSUs will be paid out in cash, with the remainder subject to time-based vesting in accordance with the original 3-year cliff vesting schedule. If an executive officer experiences a qualifying termination of employment in connection with the merger, the remaining unvested Company P-RSUs stock units held by such executive officer will vest in full (based on actual performance as calculated through the effective time).

Cash Severance Agreements. Under the terms of the Company s employment and severance arrangements with its executive officers, each of our executive officers will be entitled to a cash severance payment and continued benefits coverage if he or she undergoes a qualifying termination in connection with the merger.

For further information with respect to the arrangements between the Company and its directors and executive officers, see the section titled The Merger Interests of Certain Persons in the Merger beginning on page [ ] and The Merger Interests of Certain Persons in the Merger Golden Parachute Compensation beginning on page [ ].

Material U.S. Federal Income Tax Consequences of the Merger (Page [ ])

The exchange of shares of common stock for cash pursuant to the merger generally will be a taxable transaction to U.S. holders (as defined in The Merger Material U.S. Federal Income Tax

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Consequences of the Merger on page [ ]) for U.S. Federal income tax purposes. Stockholders who are U.S. holders and who exchange their shares of common stock in the merger for cash will generally recognize gain or loss in an amount equal to the difference, if any, between the amount of cash received with respect to such shares of common stock and their adjusted tax basis in their shares of common stock. Backup withholding may also apply to the cash payments paid to a non-corporate U.S. holder pursuant to the merger unless the U.S. holder or other payee provides a taxpayer identification number, certifies that such number is correct and otherwise complies with the backup withholding rules. You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page [ ] for a more detailed discussion of the U.S. Federal income tax consequences of the merger. You should also consult your tax advisor for a complete analysis of the effect of the merger on your federal, state and local and/or foreign taxes.

Regulatory Approvals (Page [ ])

The Company, Holdco and Merger Sub have made certain filings and taken other actions, and will continue to make filings and take actions, necessary to obtain approvals from all appropriate governmental entities in connection with the merger pursuant to the terms of the merger agreement, including taking all actions required to obtain approvals under U.S. law pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which we refer to as the HSR Act, and from (1) the European Commission under the EU Merger Regulations, (2) the Finnish Financial Supervisory Authority, (3) the Federal Financial Supervisory Authority, or *Bundesanstalt für Finanzdienstleistungsaufsicht*, of Germany, (4) the Israeli Antitrust Authority, (5) the Federal Antimonopoly Service of the Russian Federation, (6) the Competition Commission of South Africa and (7) the Turkish Competition Authority. You should read The Merger Regulatory Approvals beginning on page [ ] for a more detailed discussion of the regulatory approvals required with respect to the merger.

On May 4, 2018, the Federal Trade Commission granted early termination of the waiting period under the HSR Act.

The Merger Agreement (Page [ ])

Treatment of Common Stock and Equity Awards (Page [ ])

Common Stock. At the effective time, by virtue of the merger and without any action on the part of the parties or any holder of any capital stock of the Company, each eligible share will be converted into the right to receive cash in the amount of $23.04 per share and thereafter will be canceled and will cease to exist, and at the effective time each excluded share will also be canceled and will cease to exist, and no consideration will be payable for such excluded shares.

Vested Company Stock Options. At the effective time, each outstanding vested option (or vested portion thereof) to purchase shares of common stock, which we refer to as vested Company options, other than any rollover equity awards (as defined below), will be canceled and will only entitle the holder of such vested Company stock option to receive (without interest), as soon as reasonably practicable after the effective time, an amount in cash equal to the product of the total number of shares subject to such vested Company option immediately prior to the effective time, multiplied by the excess, if any, of the per share merger consideration over the exercise price per share of such vested Company option, less any tax withholdings. Any vested Company option which has an exercise price per share that is greater than or equal to the merger consideration will be canceled at the effective time for no consideration or payment.

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Unvested Company Stock Options. At the effective time of the merger, outstanding unvested options to purchase shares of common stock, which we refer to as the unvested Company options, will be canceled and will only entitle the holder of such unvested Company stock option to receive (without interest) an amount in cash, which we refer to as a Company option replacement award, equal to the product of the total number of shares subject to such unvested Company options immediately prior to the effective time, multiplied by the excess, if any, of the merger consideration over the exercise price per share of such unvested Company options, less any tax withholdings. Each such Company option replacement award will be subject to the same vesting schedule and other terms and conditions applicable to the corresponding unvested Company option (other than with respect to exercise) immediately prior to the effective time. Any unvested Company option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

Rollover Equity Awards. At the effective time, holders of vested Company options or shares of common stock who are employed by the Company at or above the level of vice president and who have previously elected and agreed for such vested Company options or shares of common stock to be rolled into common stock of Holdco will have their vested Company options or shares converted into common stock of Holdco, with any vested Company options subject to such rollover treatment to be converted based on their in-the-money value at the effective time.

Restricted Stock Units. At the effective time, each outstanding Company RSU that is subject to service-based vesting conditions, will be canceled and converted into the right to receive (without interest) an amount in cash, which we refer to as a Company RSU replacement award, equal to the number of shares subject to such Company RSU multiplied by the per share merger consideration, less any tax withholdings. Each such Company RSU replacement award will be subject to the same vesting schedule and other terms and conditions applicable to the corresponding Company RSUs immediately prior to the effective time.

Performance-Based Restricted Stock Units. At the effective time, each outstanding Company P-RSU will be canceled and converted into the right to receive (without interest) an amount in cash, which we refer to as a Company P-RSU replacement award, equal to the number of shares subject to such Company P-RSU, based on the actual performance through the Effective Time as determined by the Board s compensation committee, multiplied by the per share merger consideration, less any tax withholdings. Each such Company P-RSU replacement award will be subject to the same vesting schedule and other terms and conditions applicable to the corresponding Company P-RSU immediately prior to the effective time.

Deferred Stock Units. At the effective time, each outstanding deferred stock unit under the Company s Director Deferred Compensation Plan, which we refer to as the Company DSUs, will be canceled and will only entitle the holder of such Company DSUs to receive (without interest), as soon as reasonably practicable after the effective time (or such later time as is required by Section 409A of the Internal Revenue Code of 1986, as amended, which we refer to as the Code), an amount in cash equal to the number of shares subject to such Company DSUs multiplied by the per share merger consideration, less any tax withholdings.

Go-Shop; Acquisition Proposals; Change in Recommendation (Page [ ])

The merger agreement provides that from the date of the merger agreement until 11:59 p.m. (California Time) on May 24, 2018, which we refer to as the go-shop period, the Company and any of

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its subsidiaries and any of their respective representatives have the right to directly or indirectly, and subject to certain requirements under the merger agreement, (i) initiate, solicit, facilitate, propose, encourage or take any action to facilitate any inquiry or the making of any proposal that constitutes or could reasonably be expected to lead to an acquisition proposal from any person, (ii) engage in, continue or otherwise participate in discussions or negotiations regarding any acquisition proposal, (iii) provide information to any person in connection with any acquisition proposal or any proposal or offer that would reasonably be expected to lead to an acquisition proposal or (iv) otherwise facilitate any effort or attempt to make an acquisition proposal. As of 12:00 a.m. (California Time) on May 25, 2018 until the effective time or the earlier termination of the merger agreement, the Company and its subsidiaries and their respective representatives must cease any of the activities set forth above. Notwithstanding these restrictions, under certain circumstances following the end of the go-shop period and prior to the time the merger agreement is adopted by our stockholders, we may respond to a written acquisition proposal or engage in discussions or negotiations with the person making such an acquisition proposal if the Board determines in good faith after consultation with its outside legal counsel and financial advisor that such acquisition proposal is or would reasonably be expected to result in a superior proposal and that failure to take such action would be inconsistent with the directors fiduciary duties. Further, at any time before the merger agreement is adopted by our stockholders, we may terminate the merger agreement in order to enter into an alternative acquisition agreement with respect to such superior proposal, so long as we comply with certain terms of the merger agreement, including negotiating revisions to the terms of the merger agreement with Holdco (to the extent Holdco desires to negotiate) for a period of five (5) business days (or three (3) business days for negotiations following any amendments to the proposal) prior to such action and paying a termination fee to Holdco. See The Merger Agreement Go-Shop; Acquisition Proposals; Change in Recommendation beginning on page [ ] and The Merger Agreement Termination Fees beginning on page [ ].

Conditions to the Merger (Page [ ])

The respective obligations of the Company, Holdco and Merger Sub to consummate the merger are subject to the satisfaction or waiver of certain customary conditions, including the adoption of the merger agreement by our stockholders, receipt of certain regulatory approvals, the absence of any legal prohibitions, the accuracy of the representations and warranties of the parties set forth in the merger agreement, compliance by the parties with their respective obligations under the merger agreement and receipt of a closing certificate. See The Merger Agreement Conditions to the Merger beginning on page [ ].

Termination (Page [ ])

We and Holdco may, by mutual written consent, terminate the merger agreement and abandon the merger at any time prior to the effective time, notwithstanding any adoption of the merger agreement by our stockholders.

The merger agreement may also be terminated and the merger abandoned at any time prior to the effective time as follows:

by either Holdco or the Company, if:

the merger has not been consummated by 5:00 pm (California Time) on October 9, 2018, which date we refer to as the termination date (as it may be extended as described below), and such termination we refer to as a termination date termination event; provided, however, that if any regulatory approval required under the merger agreement has not been obtained by such date, but all other conditions to the

consummation of the

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merger have been satisfied or waived (other than those conditions which by their nature are to be satisfied or waived at the consummation of the merger), either party may extend the termination date (so long as such party has complied in all material respects with its regulatory cooperation obligations under the merger agreement) no more than two (2) times, each for a period of three (3) months;

our stockholders meeting has been held and completed and our stockholders have not adopted the merger agreement, which we refer to as a stockholder vote termination event; or

an order permanently restraining, enjoining or otherwise prohibiting consummation of the merger has become final and non-appealable (subject to certain exceptions);

provided that the termination rights set forth above will not be available to either the Company or Holdco, respectively, if such party has breached any of its representations, warranties, covenants or agreements under the merger agreement and such breach proximately contributed to the failure of a condition to the consummation of the merger;

by Holdco, if:

at any time prior to the adoption of the merger agreement by our stockholders, (i) the Board (A) withholds, withdraws, qualifies or modifies (or publicly proposes or resolves to withhold, withdraw, qualify or modify) its recommendation that the Company s stockholders adopt the merger agreement in a manner adverse to Holdco; (B) fails to include such recommendation in this proxy statement; (C) takes any action or makes any recommendation or public statement in connection with a tender offer or exchange offer other than an unequivocal recommendation against such offer or a temporary stop, look and listen communication by the Board of the type contemplated by Rule 14d-9(f) under the Securities Exchange Act of 1934, which we refer to as the Exchange Act, in which the Board indicates that it has not changed its recommendation; (D) if reasonably requested in writing by Holdco in a timely manner, fails to reaffirm its recommendation within three (3) business days prior to the special meeting; or (E) approves, recommends or otherwise declares advisable or proposes to enter into any alternative acquisition agreement (we refer to any of the foregoing actions as a change of recommendation); or (ii) the Company has materially breached the provisions under the merger agreement relating to the solicitation of acquisition proposals described under The Merger Agreement Solicitation of Acquisition Proposals beginning on page [ ], which we refer to as a change of recommendation termination event;

there has been a breach of or failure to perform any representation, warranty, covenant or agreement made by the Company in the merger agreement, or any such representation or warranty becomes untrue after the date of the merger agreement, which breach or failure to be true would give rise to the failure of the condition to the closing of the merger relating to the accuracy of the representations and warranties of the Company or compliance by the Company with its obligations under the merger agreement, and such breach or failure to be true cannot be cured, or if curable, is not cured prior to the earlier of (i) thirty (30) days after written notice thereof is given by Holdco to us and (ii) the termination date, which we refer to as a breach termination event; or

by the Company, if:

at any time prior to the adoption of the merger agreement by our stockholders, (i) the Board authorizes the Company, subject to the Company s compliance with certain notice

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and other requirements described under The Merger Agreement Solicitation of Acquisition Proposals beginning on page [ ], to enter into an alternative acquisition agreement with respect to a superior proposal and (ii) the Company prior to or concurrently with such termination pays to Holdco the termination fee discussed under The Merger Agreement Termination Fees beginning on page [ ], which we refer to as a superior proposal termination event;

there has been a breach of or failure to perform any representation, warranty, covenant or agreement made by Holdco or Merger Sub in the merger agreement, or any such representation or warranty becomes untrue after the date of the merger agreement, which breach or failure to be true would give rise to the failure of the condition to the closing of the merger relating to the accuracy of the representations and warranties of Holdco and Merger Sub or compliance by Holdco and Merger Sub with their obligations under the merger agreement, and such breach or failure to be true cannot be cured, or if curable, is not cured prior to the earlier of (i) thirty (30) days after written notice thereof is given by us to Holdco and (ii) the termination date, which we refer to as a Holdco breach termination event; or

(i) all of the conditions to consummation of the merger of the Company have been satisfied (other than those conditions that by their nature are to be satisfied at the consummation of the merger, which must be reasonably capable of being satisfied at the consummation of the merger), (ii) Holdco and the Company have failed to consummate the merger by the termination date, (iii) the Company has irrevocably notified Holdco in writing that the Company is ready, willing and able to consummate the merger and has given Holdco written notice at least three (3) business days prior to such termination stating the Company s intention to terminate the merger agreement and the intended date of termination if Holdco and Merger Sub fail to consummate the merger and (iv) Holdco and Merger Sub fail to consummate the merger on the later of the expiration of such three (3) business day period and the date set forth in the foregoing notice, which we refer to as a failure to close termination event.

Termination Fees Payable by the Company (Page [ ])

If the merger agreement is terminated in connection with a superior proposal termination event during the go-shop period, we will be required to pay Holdco a termination fee of $33.3 million. We will be required to pay Holdco a termination fee of $86.6 million:

if (i) either party terminates the merger agreement in connection with a termination date termination event (provided the Company is not also entitled to terminate the merger agreement for a Holdco breach termination event) or a stockholder vote termination event, or Holdco terminates the merger agreement for a Company breach termination event, and (ii) a *bona fide* acquisition proposal has been made to the Company or any of its subsidiaries and publicly announced or made to the Company s stockholders, or a person has publicly announced an intention to make an acquisition proposal, and such acquisition proposal or publicly announced intention has not been publicly withdrawn prior to the date of termination with respect to any termination date termination event or the date of the special meeting with respect to any stockholder vote termination event, and within twelve (12) months of such termination, the Company or any of its subsidiaries enters into an alternative acquisition agreement;

in connection with a change of recommendation termination event;

in connection with a superior proposal termination event after the go-shop period; or

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if the Company terminates the merger agreement for a stockholder vote termination event and on or prior to the date of the special meeting, Holdco had the right to terminate the merger agreement for a change of recommendation.

Holdco Termination Fee Payable (Page [ ])

In the event that the Company terminates the merger agreement due to a Holdco breach termination event, a failure to close termination event or either party terminates as a result of a termination date termination event and the Company was also entitled to terminate the merger agreement for a Holdco breach termination event, Holdco must pay the Company a termination fee of $186.6 million, which we refer to as the Holdco termination fee.

Fees and Expenses (Page [ ])

If Holdco terminates the merger agreement for a Company breach termination event and, prior to such time, a *bona fide* acquisition proposal has been made to the Company or any of its subsidiaries and publicly announced or made to the Company s stockholders, or a person has publicly announced an intention to make an acquisition proposal, and such acquisition proposal or publicly announced intention has not been publicly withdrawn prior to the date of termination, then the Company must pay to Holdco up to $4 million of its reasonable and documented out-of-pocket expenses actually incurred by Holdco, Merger Sub, the guarantors or their respective affiliates in connection with the merger agreement and the transactions contemplated thereby. Any payment of Holdco s expenses will be credited against any termination fee that may become payable under the terms of the merger agreement.

Remedies (Page [ ])

Except with respect to liability or damage resulting from a willful and material breach of the merger agreement, if the merger agreement is terminated as set forth above and the Holdco termination fee is paid to us, the Holdco termination fee will be our sole and exclusive remedy for monetary damages against Holdco or Merger Sub pursuant to the merger agreement.

The parties are entitled to injunctions to prevent breaches of the merger agreement and to enforce specifically the terms of the merger agreement in addition to any other remedy to which they are entitled at law or in equity. We are a third-party beneficiary to the investor group s equity commitment letter which entitles us to cause the investor group s investors to fund their equity commitments pursuant to the terms and conditions of the equity commitment letter. In addition, the investor group has provided the Company with a limited guarantee in favor of the Company, which guarantees the payment of the Holdco termination fee and certain reimbursement obligations that may be owed by Holdco to the Company pursuant to the merger agreement.

Market Price of Common Stock (Page [ ])

The closing price of common stock on the New York Stock Exchange, or the NYSE, on April 9, 2018, the last trading day completed prior to the public announcement of the execution of the merger agreement, was $15.00 per share of common stock. On , 2018, the most recent practicable date before this proxy statement was mailed to our stockholders, the closing price for common stock on the NYSE was $ per share of common stock. You are encouraged to obtain current market quotations for common stock in connection with voting your shares of common stock.

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Appraisal Rights (Page [ ])

Stockholders are entitled to appraisal rights under the General Corporation Law of the State of Delaware, which we refer to as the DGCL, in connection with the merger. This means that you are entitled to have the fair value of your common stock determined by the Delaware Court of Chancery and to receive payment based on that valuation in lieu of the per share merger consideration if you follow exactly the procedures specified under Section 262 of the DGCL, the Delaware appraisal rights statute. The ultimate amount you receive in an appraisal proceeding may be less than, equal to or more than the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the proposal to adopt the merger agreement and you must **NOT** vote (either in person or represented by proxy) in favor of the proposal to adopt the merger agreement, as provided under Section 262 of the DGCL. Your failure to follow exactly the procedures specified under Section 262 of the DGCL may result in the loss of your appraisal rights. See Appraisal Rights and the text of Section 262 of the DGCL reproduced in its entirety as **Annex C** to this proxy statement. If you hold your common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for appraisal by your bank, brokerage firm or other nominee. In view of the complexity of Section 262 of the DGCL, stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors promptly.

Delisting and Deregistration of Common Stock (Page [ ])

If the merger is completed, our common stock will be delisted from the NYSE and deregistered under the Exchange Act and we will no longer file periodic reports with the Securities and Exchange Commission, which we refer to as the SEC.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Company stockholder. Please refer to the Summary beginning on page [ ] and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement, which you should read carefully and in their entirety. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under Where You Can Find More Information beginning on page [ ].

Q. Why am I receiving this proxy statement and proxy card or voting instruction form?

A. You are receiving this proxy statement and proxy card or voting instruction form because you own shares of common stock. This proxy statement describes matters on which we urge you to vote and is intended to assist you in deciding how to vote your shares of common stock with respect to such matters.

Q. When and where is the special meeting?

A. The special meeting of the stockholders will be held on , 2018 at , California Time, at the Company s executive offices, located at 88 W. Plumeria Drive, San Jose, CA 95134.

Q. What am I being asked to vote on at the special meeting?

A. You are being asked to consider and vote on a proposal to adopt the merger agreement that provides for the acquisition of the Company by Holdco and a proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger. You may also be asked to consider and vote on a proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum.

Q. What is the proposed merger transaction and what effects will it have on the Company?

A. The proposed transaction is the acquisition of the Company by Merger Sub, pursuant to the terms and subject to the conditions of the merger agreement. If the proposal to adopt the merger agreement is approved by our stockholders and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub will merge with and into the Company, with the Company being the surviving corporation. As a result of the merger, the Company will become a wholly owned subsidiary of Holdco and will no longer be a publicly held corporation, and you, as a holder of common stock, will no longer have any interest in our future earnings or growth. In addition, following the merger, our common stock will be delisted from the NYSE and deregistered

under the Exchange Act, and we will no longer file periodic reports with the SEC.

Q. What will I receive if the merger is completed?

A. In the merger, each eligible share will automatically be converted into the right to receive an amount in cash equal to $23.04, without interest.

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Q. How does the per share merger consideration compare to the market price of our common stock prior to announcement of the merger?

A. The merger consideration of $23.04 per share represents a premium of approximately 54% to the closing price of our common stock as of April 9, 2018, the last trading day prior to the public announcement of the execution of the merger agreement.

Q. How does the Board recommend that I vote?

A. The Board recommends that you vote **FOR** approval of the proposal to adopt the merger agreement, **FOR** approval of the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and **FOR** approval of any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum.

Q. How do the Company s directors and officers intend to vote?

A. We currently expect that the Company s directors and executive officers will vote their shares in favor of the proposal to approve the merger agreement, the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum, although they have no obligation to do so.

Q. When do you expect the merger to be completed?

A. We are working towards completing the merger as soon as possible. Assuming timely receipt of required regulatory approvals and the satisfaction or waiver of other closing conditions, including approval by our stockholders of the proposal to adopt the merger agreement, we anticipate that the merger will be completed during the third calendar quarter of 2018.

Q. What happens if the merger is not completed?

A. If the merger agreement is not adopted by the stockholders or if the merger is not completed for any other reason, the stockholders will not receive any payment for their shares of our common stock in connection with the merger. Instead, the Company will remain an independent public company and our common stock will continue to be listed and traded on the NYSE.

Additionally, if the merger is not completed, the merger agreement will be terminated. Depending on the circumstances surrounding the termination, it is possible that the Company may be required to pay Holdco a

termination fee of either $33.3 million or $86.6 million depending on the time period during which the merger agreement is terminated. It is also possible, if the agreement is terminated under certain circumstances, that Holdco would be required to pay the Company a fee of $186.6 million. Moreover, in the event that Holdco terminates the merger agreement due to a breach by the Company of any of its representations and warranties, the Company is required to reimburse Holdco for up to $4 million in documented third-party fees and expenses. Any such payment will reduce the termination fee payable to Holdco, if any, by a corresponding amount.

Q. What conditions must be satisfied to complete the merger?

A. There are several conditions which must be satisfied to complete the merger, including obtaining stockholder approval, obtaining regulatory approvals, the accuracy of certain representations and

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warranties contained in the merger agreement and the compliance by the parties with their respective obligations under the merger agreement. You should read The Merger Agreement Conditions to the Merger beginning on page [ ] for a more detailed discussion of the conditions that must be satisfied to complete the merger.

Q. Is the merger expected to be taxable to me?

A. Yes. The exchange of shares of common stock for cash pursuant to the merger generally will be a taxable transaction to U.S. holders (as defined in The Merger Material U.S. Federal Income Tax Consequences of the Merger on page [ ]) for U.S. Federal income tax purposes. If you are a U.S. holder and you exchange your shares of our common stock in the merger for cash, you will generally recognize gain or loss in an amount equal to the difference, if any, between the amount of cash received with respect to such shares and your adjusted tax basis in such shares of our common stock. Backup withholding may also apply to the cash payments paid to a non-corporate U.S. holder pursuant to the merger unless the U.S. holder or other payee provides a taxpayer identification number, certifies that such number is correct and otherwise complies with the backup withholding rules. You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page [ ] for a more detailed discussion of the U.S. Federal income tax consequences of the merger. You should also consult your tax advisor for a complete analysis of the effect of the merger on your federal, state and local and/or foreign taxes.

Q. Why am I being asked to consider and vote on a proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger?

A. Under SEC rules, we are required to seek a non-binding, advisory vote with respect to the compensation that may be paid or become payable to our named executive officers that is based on or otherwise relates to the merger, or golden parachute compensation.

Q. What will happen if the Company s stockholders do not approve the merger-related compensation proposal?

A. Approval of the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the merger is not a condition to completion of the merger. The vote is an advisory vote and will not be binding on the Company or the surviving corporation in the merger. Because the merger-related compensation to be paid to the named executive officers in connection with the merger is based on contractual arrangements with the named executive officers, such compensation may be payable, regardless of the outcome of this advisory vote, if the merger agreement is adopted (subject only to the contractual obligations applicable thereto).

Q. What vote is required for the Company s stockholders to approve the proposal to adopt the merger agreement?

A. Adoption of the merger agreement requires the vote of a majority of the shares of common stock outstanding at the close of business on the record date for the special meeting **FOR** the proposal to approve the merger agreement. A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. If your shares are held in street name by your bank, brokerage firm or other nominee and you do not instruct the nominee how to vote your shares, the failure to instruct your nominee will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

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Q. What vote of our stockholders is required to approve the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger?

A. Approving the merger-related compensation requires the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon.

Accordingly, abstentions will have the same effect as a vote **AGAINST** approval of the proposal, and broker non-votes will have no effect on the outcome of the vote.

Q. What vote of our stockholders is required to approve any proposal to adjourn the special meeting, if necessary or appropriate?

A. Any proposal to adjourn the special meeting, if necessary or appropriate, will be adopted if approved by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon.

Q. Do any of the Company s directors or officers have interests in the merger that may differ from or be in addition to my interests as a stockholder?

A. In considering the recommendation of the Board with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers have certain interests in the merger that may be different from, or in addition to, the interests of our stockholders generally. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by the stockholders of the Company. See The Merger Interests of Certain Persons in the Merger beginning on page [ ] and Advisory Vote on Merger-Related Compensation for the Company s Named Executive Officers beginning on page [ ].

Q. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to vote, grant your voting rights directly to the Company or to a third party or to vote in person at the special meeting.

If your shares of common stock are held by your bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and your bank, brokerage firm or other nominee, or their intermediary, is considered the stockholder of record with respect to those shares. Your bank, brokerage firm or other nominee should send you, as the beneficial owner, a package describing the procedure for voting your shares of common stock. You should follow the instructions provided by them to vote your shares of common stock. You are invited to attend the special meeting; however, you may not vote these shares of common stock in person at the special meeting unless

you obtain a legal proxy from your bank, brokerage firm or other nominee that holds your shares of common stock, giving you the right to vote the shares of common stock at the special meeting.

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Q. If my shares of common stock are held in street name by my bank, brokerage firm or other nominee, will my bank, brokerage firm or other nominee vote my shares of common stock for me?

A. Your bank, brokerage firm or other nominee will only be permitted to vote your shares of common stock if you instruct your bank, brokerage firm or other nominee how to vote. You should follow the procedures provided by your bank, brokerage firm or other nominee regarding the voting of your shares of common stock. Banks, brokerage firms or other nominees who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms and other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposal to adopt the merger agreement, and, as a result, absent specific instructions from the beneficial owner of such shares of common stock, banks, brokerage firms or other nominees are not empowered to vote those shares of common stock on non-routine matters. If you do not instruct your bank, brokerage firm or other nominee to vote your shares of common stock, your shares of common stock will not be voted, which we refer to as broker non-votes, and the effect will be the same as a vote **AGAINST** approval of the proposal to adopt the merger agreement, and your shares of common stock will not be voted and will not have an effect on the proposal to approve the merger-related compensation.

Q. Who can vote at the special meeting?

A. All of the stockholders as of the close of business on , 2018, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting.

Q. How many votes do I have?

A. You are entitled to one (1) vote for each share of common stock held of record by you as of the record date, , 2018. As of the close of business on the record date, there were outstanding shares of common stock.

Q. What is a quorum?

A. A majority of the votes entitled to be cast by the holders of common stock outstanding at the close of business on the record date and entitled to vote, present in person or represented by proxy, at the special meeting constitutes a quorum. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q. How do I vote?

A. *Stockholder of Record.* If you are a stockholder of record, you may have your shares of common stock voted on matters presented at the special meeting in any of the following ways:

In Person. You may attend the special meeting and cast your vote there.

Via Our Internet Voting Site. If you received printed proxy materials, follow the instructions for Internet voting printed on your proxy card.

By Telephone. Call the toll-free number specified on your proxy card. You can vote by telephone by following the instructions provided on the Internet voting site or, if you received printed proxy materials, by following the instructions provided on your proxy card.

In Writing. You can vote by completing, signing, dating and returning the proxy card in the enclosed prepaid reply envelope.

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Beneficial Owner. If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee to see which of the above choices are available to you. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting. To attend the special meeting in person (regardless of whether you intend to vote your shares in person at the special meeting), you must bring with you to the special meeting a valid photo identification and proof of your beneficial ownership. For more information, see the instructions under The Special Meeting Attendance beginning on page [ ] of this proxy statement.

IT IS IMPORTANT THAT YOU PROMPTLY VOTE YOUR SHARES OF COMMON STOCK. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. STOCKHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

Q. How can I change or revoke my vote?

A. If you own shares in your own name, you may revoke any prior proxy or voting instructions, regardless of how your proxy or voting instructions were originally submitted, by:

sending a written statement to that effect to our Corporate Secretary, which must be received by us before the special meeting;

submitting a properly signed proxy card or voting instruction form dated a later date;

submitting a later-dated proxy or providing new voting instructions via the Internet or by telephone; or

attending the special meeting in person and voting your shares.

If you hold shares in street name, you should contact the intermediary for instructions on how to change your vote.

Q. What is a proxy?

A. A proxy is your legal designation of another person, referred to as a proxy, to vote your shares of common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of common stock is called a proxy card.

Q. If a stockholder gives a proxy, how are the shares of common stock voted?

A. Regardless of the method you choose to vote, the individuals named on the enclosed proxy card will vote your shares of common stock in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your shares of common stock should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you own shares that are registered in your own name and return a signed proxy card or grant a proxy via the Internet or by telephone, but do not indicate how you wish your shares to be voted, the shares represented by your properly signed proxy will be voted **FOR** approval of the proposal to adopt the merger agreement, **FOR** approval of the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and **FOR** any proposal to adjourn the meeting.

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Q. How are votes counted?

A. For the proposal to adopt the merger agreement, you may vote **FOR, AGAINST** or **ABSTAIN**. Abstentions and broker non-votes will have the same effect as votes **AGAINST** approval of the proposal to adopt the merger agreement.

For the proposals to approve the merger-related compensation and to adjourn the meeting, if necessary or appropriate, you may vote **FOR, AGAINST** or **ABSTAIN**. Abstentions will have the same effect as a vote **AGAINST** appro of these proposals and broker non-votes will have no effect on the outcome of the vote.

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If you received more than one proxy card, your shares are likely registered in different names or with different addresses or are in more than one account. You must separately vote the shares shown on each proxy card that you receive in order for all of your shares to be voted at the special meeting.

Q. What happens if I sell my shares of common stock before the special meeting?

A. The record date for stockholders entitled to vote at the special meeting is earlier than both the date of the special meeting and the consummation of the merger. If you transfer your shares of common stock after the record date but before the special meeting, unless special arrangements (such as provision of a proxy) are made between you and the person to whom you transfer your shares and each of you notifies the Company in writing of such special arrangements, you will retain your right to vote such shares at the special meeting but will transfer the right to receive the per share merger consideration to the person to whom you transfer your shares.

Q. What happens if I sell my shares of common stock after the special meeting but before the effective time?

A. If you transfer your shares after the special meeting but before the effective time, you will have transferred the right to receive the per share merger consideration to the person to whom you transfer your shares. In order to receive the per share merger consideration, you must hold your shares of common stock through completion of the merger.

Q. Who will solicit and pay the cost of soliciting proxies?

A. The Company has engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the special meeting. The Company estimates that it will pay MacKenzie Partners, Inc. a fee of $20,000 and telephone charges. The Company has agreed to reimburse MacKenzie Partners, Inc. for certain fees and expenses and will also indemnify MacKenzie Partners, Inc., its subsidiaries and their respective directors, officers, employees and agents against certain claims, liabilities, losses, damages and expenses. The Company may also reimburse banks,

brokerage firms or other nominees for their expenses in forwarding proxy materials to beneficial owners of common stock. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, please vote promptly to ensure that your shares are represented at the special meeting. If you hold your shares of common stock in your own name as

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the stockholder of record, you may submit a proxy to have your shares of common stock voted at the special meeting in one of three ways: (i) using the Internet in accordance with the instructions set forth on the enclosed proxy card; (ii) calling the toll-free number specified on your proxy card; or (iii) completing, signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope. If you decide to attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee to see which of the above choices are available to you.

Q. Should I send in my stock certificates now?

A. No. If the proposal to adopt the merger agreement is adopted, you will be sent a letter of transmittal promptly, and in any event within three (3) business days, after the completion of the merger, describing how you may exchange your shares of common stock for the per share merger consideration. If your shares of common stock that are held in street name through a bank, brokerage firm or other nominee, you should contact your bank, brokerage firm or other nominee for instructions as to how to effect the surrender of your street name shares of common stock in exchange for the per share merger consideration. **Please do NOT return your stock certificate(s) with your proxy.**

Q. Am I entitled to exercise appraisal rights under Section 262 of the DGCL, instead of receiving the per share merger consideration for my shares of common stock?

A. Yes. As a holder of common stock, you are entitled to exercise appraisal rights under Section 262 of the DGCL in connection with the merger if you take certain actions, including submitting a proper demand, and meet certain conditions, including that you do not vote (in person or by proxy) in favor of adoption of the merger agreement. See Appraisal Rights.

Q. Who can help answer any other questions I might have?

A. If you have additional questions about the merger, need assistance in submitting your proxy or voting your shares of common stock, or need additional copies of the proxy statement or the enclosed proxy card, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling toll-free at 1-800-322-2885 or collect at 212-929-5500.

Q. What is householding and how does it affect me?

A. The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received householding notification from your broker. Please contact your broker directly if you

have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q. Where can I find more information about the Company?

A. You can find more information about the Company from various sources described in the section entitled Where You Can Find More Information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, as amended, and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995.

These statements are based on management s current expectations or beliefs and on currently available competitive, financial and economic data and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the forward-looking statements herein due to changes in economic, business, competitive, technological, and/or regulatory factors, and other risks and uncertainties affecting the operation of the business of the Company, including many factors beyond our control. These risks and uncertainties include, but are not limited to, those associated with:

- the parties ability to meet expectations regarding the timing and completion of the merger,
- the risk that stockholders do not approve the merger, the occurrence of any event, change or other circumstance that would give rise to the termination of the merger agreement,
- the response by stockholders to the merger,
- the failure to satisfy each of the conditions to the consummation of the merger, including but not limited to, the risk that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the merger on acceptable terms, or at all,
- the disruption of management s attention from ongoing business operations due to the merger,
- the effect of the announcement of the merger on the Company s relationships with its customers, suppliers, operating results and business generally,
- the risk that any announcements relating to the merger could have adverse effects on the market price of the Company s common stock,
- the outcome of any legal proceedings related to the merger,
- employee retention as a result of the merger, and

risks and uncertainties affecting the operations of our business, including those described in our filings with the SEC, including our annual report on Form 10-K and our quarterly reports on Form 10-Q.

The forward-looking statements speak only as of the date such statements are made. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required by law.

For a discussion of the various factors that may cause actual plans implemented and actual results achieved to differ materially from those set forth in the forward-looking statements, please refer to the risk factors and other disclosures contained in the Company s Form 10-K for the fiscal year ended October 31, 2017, filed with the SEC, on December 18, 2017, Form 10-Q for the quarterly period ended January 31, 2018, filed with the SEC on March 9, 2018, and other filings made with the SEC after the date thereof. See the section entitled Where You Can Find More Information for additional information.

The cautionary statements referred to above also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by the Company or persons

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acting on the Company s behalf. The Company undertakes no obligation to publicly update or revise any forward-looking statements for any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements except as required by law. Furthermore, the Company cannot guarantee future results, events, levels of activity, performance, or achievements.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or, in the case of documents referred to or incorporated by reference, the dates of those documents.

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PARTIES TO THE MERGER

VeriFone Systems, Inc.

The Company is a global leader in payments and commerce solutions. We re connecting payment devices to the cloud merging the online and in-store shopping experience and creating the next generation of digital engagement between merchants and consumers. We are built on a 35-year history of security with approximately 30 million devices and terminals deployed worldwide. Our people are trusted experts who work with our clients and partners, helping to solve their most complex payments challenges. We have clients and partners in more than 150 countries, including some of the world s best-known retail brands, financial institutions and payment providers.

For more information about the Company and its subsidiaries, visit the Company s website at https://www.verifone.com. Our website address is provided as an inactive textual reference only. The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC. See also Where You Can Find More Information beginning on page [ ].

The Company s common stock is listed on the NYSE under the symbol PAY. The principal executive offices of the Company are located at 88 Plumeria Drive, San Jose, CA 95134 and its telephone number is (408) 232-7800.

Vertex Holdco LLC

Holdco is a Delaware limited liability company. Holdco was formed solely for the purpose of engaging in the merger and other related transactions. Holdco has not engaged in any business other than in connection with the merger and other related transactions.

The principal executive offices of Holdco are located at One Letterman Drive, Building C Suite 410, San Francisco, CA 94129 and its telephone number is (415) 418-2900.

Vertex Merger Sub LLC

Merger Sub is a Delaware limited liability company. Merger Sub is a wholly owned subsidiary of Holdco and was formed solely for the purpose of engaging in the merger and other related transactions. Merger Sub has not engaged in any business other than in connection with the merger and other related transactions. Upon the completion of the merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation.

The principal executive offices of Merger Sub are located at One Letterman Drive, Building C Suite 410, San Francisco, CA 94129 and its telephone number is (415) 418-2900.

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THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

This proxy statement is being furnished to stockholders as part of the solicitation of proxies by the Board for use at the special meeting to be held on , 2018 at , California Time, at the Company s executive offices, located at 88 W. Plumeria Drive, San Jose, CA 95134, or at any postponement or adjournment thereof.

Purpose of the Special Meeting

At the special meeting, stockholders will be asked to:

- consider and vote on a proposal to adopt the merger agreement (Proposal 1 on your proxy card);
- consider and vote on a proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger (Proposal 2 on your proxy card); and
- consider and vote on any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum (Proposal 3 on your proxy card).

The Board recommends that you vote FOR each of the above proposals.

Our stockholders must approve the proposal to adopt the merger agreement in order for the merger to occur. If our stockholders fail to approve the proposal to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached as **Annex A** to this proxy statement, and incorporated herein by reference, which we encourage you to read carefully and in its entirety.

Record Date and Quorum

You are entitled to receive notice of, and to vote at, the special meeting if you own shares of common stock at the close of business on , 2018, the record date for the special meeting. You will be entitled to one (1) vote for each share of common stock that you owned on the record date. As of the close of business on the record date, there were shares of common stock outstanding and entitled to vote at the special meeting, held by holders of record.

A majority of the votes entitled to be cast by the holders of common stock outstanding at the close of business on the record date and entitled to vote, present in person or represented by proxy, at the special meeting constitutes a quorum. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Attendance

Only stockholders of record, their duly authorized proxy holders, beneficial stockholders with proof of ownership and our guests may attend the special meeting. If you are a stockholder of record, please bring a valid photo identification to the special meeting. If your shares of common stock are held through a bank, brokerage firm or other nominee, please bring to the special meeting valid photo identification and proof of your beneficial ownership of common stock. Acceptable proof could include an account statement showing that you owned shares of common stock on the record date, , 2018. If you are the representative of a corporate or institutional stockholder, you must present valid photo identification along with proof that you are the representative of such stockholder.

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Vote Required

Approval of the proposal to adopt the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of common stock. For the proposal to adopt the merger agreement, you may vote **FOR,** **AGAINST** or **ABSTAIN**. Abstentions will not be counted as votes cast in favor o the proposal to adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. **If you fail to submit a proxy or to vote in person at the special meeting, or abstain, it will have the same effect as a vote AGAINST approval of the proposal to adopt the merger agreement.**

If your shares of common stock are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares of common stock, the stockholder of record. This proxy statement and proxy card have been sent directly to you by the Company.

If your shares of common stock are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares of common stock held in street name. In that case, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares of common stock, the stockholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your shares by following their instructions for voting.

Banks, brokerage firms or other nominees who hold shares in street name for customers generally have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms and other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters such as the proposal to adopt the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares of common stock, banks, brokerage firms or other nominees are not empowered to vote those shares of common stock on non-routine matters. **These broker non-votes will be counted for purposes of determining a quorum, and will have the same effect as a vote AGAINST approval of the proposal to adopt the merger agreement.**

The proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger will be adopted if approved by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon. For the proposal to approve the merger-related compensation, you may vote **FOR,** **AGAINST** or **ABSTAIN**. Abstentions will have the same effect as a vote **AGAINST** approval of the prop and broker non-votes will have no effect on the outcome of the vote.

Any proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum will be adopted if approved by the affirmative vote of the holders of a majority in voting power of the shares of common stock, present in person or represented by proxy, at the special meeting and entitled to vote thereon. Abstentions will have the same effect as a vote **AGAINST** the proposal, and broker non-votes will have no effect on the outcome of the vote.

If you are a stockholder of record, you may have your shares of common stock voted on matters presented at the special meeting in any of the following ways:

by proxy stockholders of record have a choice of voting by proxy:

by telephone or over the Internet, by accessing the telephone number or website specified on the enclosed proxy card. The control number provided on your proxy card is

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designed to verify your identity when voting by telephone or by Internet. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible;

by signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope; or

in person you may attend the special meeting and cast your vote there.

If you are a beneficial owner, you should receive instructions from your bank, brokerage firm or other nominee that you must follow in order to have your shares of common stock voted. Those instructions will identify which of the above choices are available to you in order to have your shares voted. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting.

Please refer to the instructions on your proxy or voting instruction card to determine the deadlines for voting over the Internet or by telephone. If you choose to submit a proxy by mailing a proxy card, your proxy card should be mailed in the accompanying prepaid reply envelope, and your proxy card must be filed with our Corporate Secretary by the time the special meeting begins. **Please do not send in your stock certificates with your proxy card.** When the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the per share merger consideration in exchange for your stock certificates.

If you vote by proxy, regardless of the method you choose to vote, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, will vote your shares of common stock in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your shares of common stock should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your shares of common stock should be voted on a matter, the shares of common stock represented by your properly signed proxy will be voted **FOR** approval of the proposal to adopt the merger agreement, **FOR** approval of the proposal to approve, by non-binding, advisory vote, certain compensation arrangements for the Company s named executive officers in connection with the merger and **FOR** any proposal to adjourn the special meeting.

If you have any questions or need assistance voting your shares, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling toll-free at 1-800-322-2885 or collect at 212-929-5500.

IT IS IMPORTANT THAT YOU PROMPTLY VOTE YOUR SHARES OF COMMON STOCK. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. STOCKHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, shares of common stock (not including any shares of common stock deliverable upon exercise or conversion of any options, restricted stock units or deferred stock units), representing approximately

percent of the outstanding shares of common stock as of the record date.

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Proxies and Revocation

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet or by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person by appearing at the special meeting. If your shares of common stock are held in street name through a bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your shares of common stock using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or to vote in person at the special meeting, or do not provide your bank, brokerage firm or other nominee with instructions, as applicable, your shares of common stock will not be voted on the proposal to adopt the merger agreement, which will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement, and your shares of common stock will not be counted in respect of, and will not have an effect on, the proposal to approve the merger-related compensation or any proposal to adjourn the special meeting.

A proxy may be revoked at any time before it is voted by (i) delivering a written notice of revocation to our Secretary at c/o VeriFone Systems, Inc., 88 W. Plumeria Drive, San Jose, CA 95134, (ii) subsequently submitting a duly executed proxy bearing a later date than that of the previously submitted proxy (including by submission over the Internet), or (iii) attending the special meeting and voting in person. Attending the special meeting without voting will not revoke your previously submitted proxy.

Adjournments

Pursuant to the merger agreement, we may not postpone or adjourn the special meeting except (A) if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum, (B) if the Company is required to postpone or adjourn the special meeting by applicable law, order of a governmental entity or a request from the SEC or its staff or (C) if there has been a change of recommendation and the Board has determined in good faith (after consultation with outside legal counsel) that it is necessary or appropriate to postpone or adjourn the special meeting in order to give the stockholders sufficient time to evaluate any information or disclosure that the Company has made available to such stockholders, in which case the Company may postpone or adjourn the special meeting one (1) time, but only for such period as the Board has determined in good faith (after consultation with outside legal counsel) is necessary or appropriate to give the stockholders sufficient time to evaluate such information or disclosure, which in any event may not exceed five (5) business days.

Anticipated Date of Completion of the Merger

We are working towards completing the merger as soon as possible. Assuming receipt of required regulatory approvals and timely satisfaction or waiver of other closing conditions, including the approval by our stockholders of the proposal to adopt the merger agreement, we anticipate that the merger will be completed during the third calendar quarter of 2018. If our stockholders vote to approve the proposal to adopt the merger agreement, the merger will become effective as promptly as practicable following the satisfaction or waiver of the other conditions to the merger, subject to the terms of the merger agreement. See The Merger Closing and Effective Time of the Merger beginning on page [ ].

Rights of Stockholders Who Seek Appraisal

Stockholders are entitled to appraisal rights under Section 262 of the DGCL in connection with the merger. This means that you are entitled to have the fair value of your shares of common stock

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determined by the Delaware Court of Chancery and to receive payment based on that valuation in lieu of the per share merger consideration if you follow exactly the procedures specified under Section 262 of the DGCL. The ultimate amount you receive in an appraisal proceeding may be less than, equal to or more than the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the proposal to adopt the merger agreement and you must not vote (either in person or by proxy) in favor of the proposal to adopt the merger agreement. Your failure to follow exactly the procedures specified under Section 262 of the DGCL may result in the loss of your appraisal rights. See Appraisal Rights and the text of the Delaware appraisal rights statute reproduced in its entirety as **Annex C** to this proxy statement. If you hold your shares of common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for appraisal by your bank, brokerage firm or other nominee. In view of the complexity of Section 262 of the DGCL, stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors promptly.

Solicitation of Proxies; Payment of Solicitation Expenses

The Board is soliciting your proxy, and the Company will bear the cost of this solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of the outstanding common stock.

The Company has engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the special meeting. The Company estimates that it will pay MacKenzie Partners, Inc. a fee of $20,000 and telephone charges. The Company has agreed to reimburse MacKenzie Partners, Inc. for certain fees and expenses and will also indemnify MacKenzie Partners, Inc., its subsidiaries and their respective directors, officers, employees and agents against certain claims, liabilities, losses, damages and expenses. The Company may also reimburse banks, brokerage firms or other nominees for their expenses in forwarding proxy materials to beneficial owners of our common stock. The Board is soliciting your proxy, and our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling toll-free at 1-800-322-2885 or collect at 212-929-5500.

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THE MERGER (PROPOSAL 1)

This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as **Annex A** *and incorporated herein by reference. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

The merger agreement provides that Merger Sub will merge with and into the Company. The Company will be the surviving corporation in the merger and will continue to do business following the consummation of the merger. As a result of the merger, the Company will cease to be a publicly traded company and will become a wholly owned subsidiary of Holdco. Holdco and Merger Sub are owned by the investor group.

Merger Consideration

In the merger, each eligible share will automatically be converted into the right to receive an amount in cash equal to $23.04, without interest.

Background of the Merger

The market for electronic payment and commerce solutions has been characterized in recent years by rapid technological advancements, frequent product introductions and enhancements, evolving industry and government performance and security standards and regulatory requirements and rapidly changing customer and end user preferences or requirements. With the highly competitive and rapidly evolving markets for our systems and services, the Company has been subject to significant and increasing competition from existing and new competitors and a variety of technologies. In connection with the challenges of being part of a rapidly evolving industry and other factors causing substantial fluctuations in our stock price, the Board and management regularly discuss and evaluate strategic initiatives and opportunities for the Company.

As part of the Company s regular process of evaluating long-term strategies and strategic opportunities, the Board and senior management have regularly reviewed and assessed the Company s competitive position and business strategies. Those assessments have included review of potential investments and acquisitions considered potentially necessary or appropriate in furthering the Company s strategic practices, as well as alternatives for financing such initiatives in the public and private capital markets, as well as consideration of other strategic opportunities including possible business combination transactions.

In pursuing potential opportunities, senior management from time to time has engaged in discussions with a number of financial sponsors that are either owners of businesses that the Company considered to be potentially attractive business partners, acquisition targets or business combination opportunities or potential sources of capital to help finance the Company s pursuit of its business planning objectives, including its efforts to transition from a terminal sales business model to a payments and commerce services business model.

At various times in 2015, 2016 and 2017, management of the Company had discussions with financial sponsors including the private equity investment firm Francisco Partners regarding such opportunities. In November 2016, senior management met with Francisco Partners and discussed a number of opportunities and senior management presented information regarding the Company s business operations and financial performance.

In February 2017, Francisco Partners sent the Company an unsolicited non-binding proposal letter to acquire all of the outstanding common stock for an offer price of $22.00 to $23.00 per share in cash.

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According to the proposal, the midpoint of the offer range represented a premium of 20% to the Company s closing price per share on the day the proposal was made. The Board discussed the 2017 proposal at a regularly scheduled Board meeting in February 2017 and determined not to engage at that time in further discussions regarding a possible transaction for a number of reasons, including the Company s planned execution of its short term business plan, the valuation of the Company contemplated by the proposal (including the limited premium over the then-current trading price of the common stock), as well as limitations on the capital available to Francisco Partners at that time.

In November 2017, Francisco Partners announced the closing of a new investment fund with approximately $4 billion of additional committed capital. Subsequently, representatives of the Company s senior management met with representatives of Francisco Partners. The representatives of management presented information on the business and operations of the Company. In December 2017, representatives of management of the Company met with a private equity firm, which we refer to as Party 1, and gave a similar presentation. Following the meeting, representatives of Party 1 indicated to management that they would come back with specific questions in certain areas.

On December 1, 2017, Francisco Partners and the Company amended the terms of the mutual non-disclosure agreement between Francisco Partners IV, L.P. and VeriFone, Inc., dated as of September 29, 2015, which, as amended, we refer to as the FP MNDA, which had expired as of September 29, 2017, to extend the termination date.

On January 10, 2018, representatives of the Company s senior management met again with representatives of Francisco Partners to further discuss the Company s business and operations.

On February 2, 2018, Francisco Partners sent a non-binding proposal letter, which we refer to as the February 2018 Proposal, to the Board offering to acquire all of the outstanding common stock of the Company for a price of $22.00 to $23.00 per share in cash, subject to the completion of confirmatory diligence, to be financed with a combination of debt and equity financing. According to the proposal, the offer range represented a premium of 27.4%-33.2% to the Company s closing price per share on the day the proposal was made. Francisco Partners also requested a 30-day exclusivity period.

On February 4, 2018, the Board held a telephonic meeting to discuss the February 2018 Proposal. At the meeting, the Board approved the engagement of Sullivan & Cromwell LLP, which we refer to as Sullivan & Cromwell, as its legal advisor in connection with the potential business combination involving the Company. At the meeting, a representative of Sullivan & Cromwell discussed with the directors their fiduciary duties under applicable law with respect to evaluating the February 2018 Proposal. The Board discussed an appropriate substantive response to the February 2018 Proposal and considered a list of potential financial advisors who could assist in the evaluation of next steps. In light of the potential time required to engage a financial advisor, the Board decided that the chairman of the Company should respond to Francisco Partners to acknowledge receipt of the February 2018 Proposal and inform Francisco Partners that the Board would respond in due course after being advised by its financial and legal advisors. At the meeting, the Board also designated Mr. Robert B. Henske, Mr. Robert W. Alspaugh, Mr. Ronald Black and Ms. Jane J. Thompson, all of whom were independent directors, to a committee of the Board, which we refer to as the Transaction Committee, tasked with overseeing the process of responding to the February 2018 Proposal and addressing related issues. The Transaction Committee was formed to assist the Board in coordinating the process of responding to the February 2018 Proposal and other potential proposals. The Board reserved ultimate authority to approve any transaction. Mr. Henske was appointed the chair of the Transaction Committee.

On February 6, 2018, Mr. Alex (Pete) Hart, the Company s Chairman, and Mr. Henske spoke with representatives of Francisco Partners to advise them that the Board was in the process of engaging

advisors to assist it with the evaluation of the February 2018 Proposal and would respond to the proposal in due course. Mr. Hart and Mr. Henske also asked questions of Francisco Partners, particularly about its ability to fund the equity and obtain debt financing for a transaction of the size and complexity contemplated.

Beginning February 7, 2018, the Transaction Committee held twice weekly telephonic conference calls to coordinate activities related to the February 2018 Proposal and other potential transactions.

The Board engaged Qatalyst Partners as the Company s financial advisor on February 9, 2018 in connection with the Board s consideration of strategic alternatives, including the merger, due to Qatalyst Partners qualifications, expertise, reputation and knowledge of the Company s business and the industry in which the Company operates.

On February 13, 2018, representatives of Qatalyst Partners discussed on a call with representatives of management the status of the business and the proposed process with respect to Francisco Partners and the February 2018 Proposal as well as other potential bidders.

On February 14, 2018, representatives of management and Qatalyst Partners had an introductory phone call with representatives of Francisco Partners. During the conversation, representatives of Francisco Partners requested that they be allowed to share information with certain of their limited partners as potential co-investors.

On February 15, 2018, the Company and Francisco Partners executed Amendment No. 2 to the FP MNDA in connection with providing Francisco Partners with additional confidential material for diligence purposes relating to the February 2018 Proposal, further extending the term of the FP MNDA and limiting the ability of Francisco Partners to enter into discussions with any potential co-investors or financing sources without the Company s prior written consent. The Company did not agree to enter into any exclusivity arrangement with Francisco Partners.

On February 18, 2018, the Board participated in a conference call to receive an update from the Transaction Committee on activities subsequent to the February 4, 2018 telephonic meeting of the Board.

On February 19, 2018, representatives of Qatalyst Partners and Francisco Partners discussed Francisco Partners request to share information with certain of their limited partners as potential co-investors.

On February 20, 2018, at the Company s request, Francisco Partners provided a list of potential co-investors for the Company s approval. On its regular telephonic conference on February 20, 2018, the Transaction Committee discussed the list of proposed co-investors and directed representatives of Qatalyst Partners to communicate to Francisco Partners that the Transaction Committee had approved its request to provide information to the proposed co-investors with the exception of one party with which the Company had held other discussions. On February 22, 2018, British Columbia Investment Management Corporation, which we refer to as BCI, executed a joinder to the FP MNDA. We refer to Francisco Partners and BCI together as the FP Group. On February 22 and 23, 2018, other potential co-investors executed joinders to the FP MNDA.

On February 21, 2018, at the direction of the Transaction Committee, representatives of management contacted representatives of Party 1, with whom the Company had engaged in preliminary discussions, to renew a recently expired non-disclosure agreement.

On February 22, 2018, at the direction of the Transaction Committee, representatives of Qatalyst Partners had an introductory phone call with representatives of Party 1 to inquire whether Party 1 would be interested in making a proposal to acquire the Company. Party 1 indicated that it would be interested in evaluating a potential transaction between the parties, and would follow up soon with a list of due diligence questions and seek to provide a formal

non-binding indication of interest promptly.

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That same day, representatives of Qatalyst Partners sent Party 1 a form of amendment to its existing non-disclosure agreement with the Company to extend the term and otherwise amend certain terms in a manner consistent with those contained in the FP MNDA. On February 25, 2018, Party 1 requested permission to reach out to a private equity firm, which we refer to as Party 2, as a potential co-investor, indicating that it would be unlikely to make a proposal without joint participation with Party 2.

On February 24, 2018, the Company provided access to an electronic dataroom to Francisco Partners to facilitate its due diligence review.

On February 26, 2018, the Company and Party 1 amended their previously existing non-disclosure agreement, dated as of July 16, 2016, to extend the term thereof in connection with Party 1 s interest in evaluating a potential transaction between the parties and to require the Company s prior written consent before approaching any potential co-investor or other provider of debt or equity financing.

On March 1, 2018, the Company and Party 2 entered into a customary non-disclosure agreement in connection with the evaluation of a potential transaction between the parties. Party 1 and Party 2 determined that they would work together to evaluate whether to make a joint proposal to acquire the Company. We refer to Party 1 and Party 2 together as the Joint Bidder Group. That same day, the Company provided access to an electronic dataroom to Joint Bidder Group to facilitate their due diligence review.

On March 1, 2018, representatives of management and Qatalyst Partners met with representatives of Francisco Partners for a due diligence session at the offices of Sullivan & Cromwell in Palo Alto.

On March 5, 2018, representatives of management and Qatalyst Partners held a diligence call with representatives of the Joint Bidder Group.

On March 7, 2018, the Joint Bidder Group submitted a non-binding indication of interest proposing an indicative offer to acquire the Company at an initial price per share of between $22.00 and $22.50 in cash, to be financed with a combination of equity capital and debt financing. According to the proposal, the offer range represented a premium of 27%-30% to the 30-day volume weighted average price of the Company s common stock as of the day before the proposal was made. The indication of interest noted that the Joint Bidder Group anticipated customary diligence and that it anticipated it would substantially complete its commercial due diligence by March 22, 2018.

On March 8, 2018, the Company published its financial results for the three months ended January 31, 2018, noting, among other things, that the Company s non-GAAP net revenue and earnings per share results for the quarter were ahead of guidance previously issued by the Company.

On March 9, 12 and 13, 2018, representatives of management and Qatalyst Partners met with representatives of Francisco Partners for due diligence sessions at the offices of Sullivan & Cromwell in Palo Alto. Over the next week, representatives of management and Qatalyst Partners had additional calls with Francisco Partners to answer diligence questions.

On March 12, 2018, representatives of management and Qatalyst Partners met with representatives of the Joint Bidder Group for a due diligence session.

On March 14, 2018, the Company, through Qatalyst Partners, sent process letters to the FP Group and the Joint Bidder Group, requesting that both parties submit to the Company by March 21, 2018, their non-binding firm proposals with respect to a potential acquisition of the Company, specifying, among other things, a proposed per share cash price,

financing plans and anticipated timing to close the proposed transaction.

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On March 16, 2018, a representative of Joint Bidder Group indicated in a telephone call to a representative of Qatalyst Partners that it would not submit a bid to acquire the Company. The Joint Bidder Group later confirmed by email that it would not submit a bid.

On March 21, 2018, the FP Group submitted a non-binding firm proposal, which we refer to as the March 21 Proposal, with a per share price of $22.55 in cash to be financed with a combination of debt and equity, and noted that it did not see any material risk to obtaining necessary regulatory approvals. The March 21 Proposal also included a 30-day go-shop period to allow the Company to seek superior proposals with a Company termination fee of 3.75% of the equity value of the Company, and also contemplated a customary reverse termination fee. In addition, the FP Group requested a two-week exclusivity arrangement to negotiate with the Company. The Joint Bidder Group did not submit a proposal to acquire the Company.

On March 22, 2018, the Board held a meeting at the Company s principal executive offices in San Jose with members of management and representatives of Qatalyst Partners and Sullivan & Cromwell present to discuss the March 21 Proposal. Representatives of Qatalyst Partners discussed with the Board the financial aspects of the March 21 Proposal and deal process considerations, and a representative of Sullivan & Cromwell discussed with the Board its fiduciary obligations in the context of a potential transaction of the type being proposed by Francisco Partners. The Board also considered the Company s prospects as a stand-alone public company. The Board authorized the Transaction Committee to work with management and Qatalyst Partners to improve and finalize the FP Group s proposal, subject to the Board s ultimate approval of the final terms.

On March 23, 2018, consistent with the Board s authorization, representatives of Qatalyst Partners discussed certain aspects of the FP Group s proposal with representatives of Francisco Partners, including the terms of the go-shop period and the price, indicated that the Company would not agree to exclusivity and encouraged Francisco Partners to prepare and submit an improved proposal.

On March 24, 2018, Mr. Henske spoke with a representative of Francisco Partners to encourage Francisco Partners to revise its proposal and increase its proposed purchase price.

On March 26, 2018, the FP Group sent the Company a revised non-binding firm proposal, which we refer to as the March 26 Proposal, with an increased purchase price of $23.04 per share and a longer go-shop period of 35 days. The March 26 Proposal also contemplated a lower Company termination fee of 1.5% of the equity value of the Company for a termination by the Company during the go-shop period and 3.5% for a termination outside of the go-shop period, along with a proposed Holdco termination fee of 6.0% of the equity value of the Company. The March 26 Proposal removed the request for an exclusivity period for negotiations with the Company. After discussions between members of the Transaction Committee and representatives of Qatalyst Partners and following further negotiations later that day, the FP Group updated the March 26 Proposal to include a 45-day go-shop period with a Company termination fee of 1.25% of the equity value of the Company for a termination by the Company during the go-shop period and 3.25% for a termination outside of the go-shop period, along with a Holdco termination fee of 7.0% of the equity value of the Company. The Company agreed to negotiate a definitive agreement with the FP Group based on these updated terms to the March 26 Proposal. The FP Group requested permission to reach out to certain debt financing sources.

On the same day, the Transaction Committee, through Qatalyst Partners, authorized the FP Group to reach out to six potential debt financing sources. The FP Group requested that they be able to enter into exclusivity provisions with the proposed debt financing sources and after discussion, the Transaction Committee authorized that the FP Group could enter exclusive arrangements with three of the proposed debt financing sources.

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On March 27, 2018, at the direction of the Transaction Committee, representatives of Qatalyst Partners sent initial drafts of the merger agreement to the FP Group and representatives of Sullivan & Cromwell sent the Company disclosure letter to the FP Group. That same day, the Company granted access to due diligence materials to certain potential debt financing sources of the FP Group.

On March 30, 2018, a potential financing source for the FP Group that had been from time to time a financial advisor to the Company sought consent from the Company to participate in the debt financing for the FP Group s proposal. On March 31, 2018, the Company provided written consent to such participation, and the participation of individuals who had provided financial services to the Company, subject to confidentiality obligations in respect of confidential information of the Company other than information that had been provided to the FP Group.

On March 30, 2018, Kirkland & Ellis LLP, which we refer to as Kirkland & Ellis, legal advisor to Francisco Partners, sent to Sullivan & Cromwell a revised draft of the merger agreement and initial drafts of the equity commitment letter and limited guarantee. Over the course of negotiations of the definitive agreement, the key points of discussion and negotiation in the merger agreement related to (i) the level of efforts required to be taken by the parties with respect to, and the closing conditionality around, regulatory approvals; (ii) the triggers for the payment of the Company termination fee and Holdco termination fee and whether to provide for the reimbursement of Holdco expenses in certain termination scenarios; (iii) the parameters of the go-shop period and the non-solicitation obligations following the expiration of the go-shop period; and (iv) the scope of various representations and warranties and related required disclosures as well as the scope of interim operating covenants and the flexibility required by the Company to operate its business in the period between signing and closing. On April 1, 2018, the Board participated in a conference call to receive an update from the Transaction Committee on activities subsequent to the March 22 Board meeting and discussed issues arising from the initial discussions with the FP Group on the merger agreement.

From April 2 to April 8, 2018, Sullivan & Cromwell and Kirkland & Ellis negotiated the merger agreement, equity commitment letter and limited guarantee.

On April 7, 2018, Kirkland & Ellis sent drafts of the debt commitment letter and related documentation to Sullivan & Cromwell. On April 8, 2018, Sullivan & Cromwell provided certain comments to Kirkland & Ellis on the debt commitment letter and related documentation.

On the evening of April 7, 2018, Mr. Henske, representatives of Qatalyst and the FP Group held a telephone call along with representatives of Sullivan & Cromwell and Kirkland & Ellis to discuss the remaining open points of the merger agreement. Over the course of April 7 and April 8, 2018, the Company and the FP Group, together with Sullivan & Cromwell and Kirkland & Ellis, worked to negotiate the remaining open points and finalized the merger agreement, equity commitment letter, limited guarantee and debt commitment letter.

On the evening of April 8, 2018, the Transaction Committee held its regular twice-weekly meeting with representatives of Qatalyst Partners and Sullivan & Cromwell to discuss the terms of the transaction documents.

On April 9, 2018, the Board held a telephonic meeting at which representatives of management, Qatalyst Partners and Sullivan & Cromwell were present. At the meeting, Qatalyst Partners reviewed with the Board Qatalyst Partners financial analysis of the per share merger consideration of $23.04 per share in cash, and rendered to the Board its oral opinion, subsequently confirmed in writing, to the effect that, as of April 9, 2018, and based upon and subject to the various assumptions, qualifications, limitations and other matters set forth therein, the per share merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the

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holders of shares of common stock (other than Holdco or any affiliates of Holdco), was fair, from a financial point of view, to such holders, as more fully described below in the section captioned The Merger Opinion of Qatalyst Partners LP. Sullivan & Cromwell provided a summary of the key terms of the merger agreement. The Board engaged in a discussion with management and its advisors regarding the transaction, after which the Board unanimously (i) determined that the merger agreement and the transactions contemplated thereby, the equity commitment letter and the limited guarantee are fair to, and in the best interests of, the Company and its stockholders, (ii) authorized, approved and declared advisable the merger agreement and the transactions contemplated thereby, (iii) resolved that the merger agreement be submitted for consideration by the stockholders and (iv) recommended that the stockholders vote to adopt the merger agreement. The Board also unanimously authorized and approved the Company s entry into the limited guarantee. Also at the meeting, the Board discussed and considered a proposed amendment to the Company s bylaws to adopt an exclusive forum bylaw, which would provide that the Delaware Court of Chancery (or in some cases, other state or federal courts in Delaware) be the sole and exclusive forum for certain actions brought against the Company or any director, officer, stockholder, employee or agent of the Company. The Board unanimously approved the adoption of the exclusive forum bylaw.

Later on April 9, 2018, the Company, Holdco and Merger Sub executed the merger agreement and the Company executed the limited guarantee, together with the guarantors party thereto. Also on April 9, 2018, Holdco executed the equity commitment letter with the equity financing sources party thereto and the debt commitment letter with the committed lenders party thereto. Following the close of the market on April 9, 2018, the Company and Francisco Partners issued a joint press release announcing the execution of the merger agreement, with the per share cash merger consideration representing a 54% premium to the $15.00 closing stock price of the Company on that day.

The merger agreement provides that during the go-shop period, which began on April 9, 2018 and continues until 11:59 p.m. (California Time) on May 24, 2018, the Company and its subsidiaries and their respective representatives are permitted to initiate, solicit, facilitate, propose, encourage, or take any action to facilitate any inquiry or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an acquisition proposal. Since the commencement of the go-shop period, representatives of Qatalyst Partners, on behalf of the Company, have been in contact with potential counterparties to initiate discussions regarding their potential interest in making an acquisition proposal.

Reasons for the Merger; Recommendation of the Company s Board of Directors

The Board has unanimously (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company and its stockholders; (2) authorized, approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement; and (3) resolved to recommend that the stockholders of the Company vote to adopt the merger agreement.

The Board unanimously recommends that you vote (1) FOR the adoption the merger agreement; (2) FOR the non-binding, advisory proposal to approve compensation that will or may become payable to the Company s named executive officers in connection with the merger; and (3) FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, including if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum.

In the course of reaching its determination and recommendation, the Board consulted with and received the advice and assistance of its legal and financial advisors. In recommending that

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stockholders vote in favor of adoption of the merger agreement, the Board considered a number of factors, including the following (which factors are not necessarily presented in order of relative importance):

Attractive Value. The Board considered that the $23.04 per share price provides stockholders with attractive value for their shares of common stock.

The Board evaluated the current and historical trading prices of the common stock, including that the per share cash merger consideration constituted a premium of approximately 52% to the closing price of the common stock on April 6, 2018, the last trading day prior to the meeting of the Board to consider the merger, and 32% to the volume-weighted average closing price during the 90 days ended April 6, 2018. The Board also considered the per share merger consideration in light of the current environment in the payments industry, including certain risk factors detailed in the Company s most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2017, as well as broader economic and commercial trends affecting the Company s business and financial results.

Best Alternative for Maximizing Stockholder Value. The Board considered that the per share merger consideration was more favorable to the stockholders than the potential value that would reasonably be expected to result from other alternatives reasonably available to the Company, including the continued standalone operation of the Company as an independent public company, taking into account its strategic alternatives and financing plans on an ongoing basis, in light of a number of factors, including:

the Board s assessment of the Company s business, assets and prospects, its competitive position and historical and projected financial performance and the nature of the industries in which the Company operates, including recent industry trends and changing competitive dynamics;

the strategic alternatives reasonably available to the Company, on both a standalone basis and with a third party, and the risks and uncertainties associated with those alternatives;

the risks and uncertainties with the Company s efforts to execute a strategic transition from a terminal sales business model to a payment and commerce services business model;

expectation that the transition would require several acquisitions, and the probability that the Company may not be able to successfully pursue the transition as a public company, including, among other reasons, due to its limited ability to finance such acquisitions;

the anticipated future trading prices of the Company common stock on a standalone basis, based on management estimates and adjusted for different scenarios, and the risks and uncertainties of continuing on a standalone basis as an independent public company;

the risks and uncertainties relating to increased competition in the markets in which the Company competes or may compete in the future;

the Board s belief, following consultation with the Company s financial advisor, that the investor group would be the potential transaction partners most likely to offer the best combination of value and closing certainty to stockholders;

the course and history of the negotiations between Holdco and the Company, as described under The Merger Background of the Merger and the Board s belief that it had obtained the investor group s best and final offer and that it was unlikely that any other party would be willing to acquire the Company at a higher price;

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the risks and uncertainties of continuing on a standalone basis as an independent public company; and

the Board s belief that the terms of the merger agreement, taken as a whole, are reasonable.

Greater Certainty of Value. The Board considered that the all-cash merger consideration provides the stockholders with certainty of value and liquidity for their shares upon the closing of the merger significantly above the price of the common stock prior to the public announcement of the merger, especially when viewed against the potential rewards, risks and uncertainties inherent in the Company s business, including risks associated with management s standalone plan, the Company s strategic transition to payment and commerce services solutions and changing competitive dynamics.

Receipt of Fairness Opinion from Qatalyst Partners. The Board considered that in connection with the Merger, Qatalyst Partners rendered to the Board its oral opinion, subsequently confirmed in writing, to the effect that, as of April 9, 2018, and based upon and subject to the various assumptions, qualifications, limitations and other matters set forth therein, the per share merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), was fair, from a financial point of view, to such holders, as more fully described below in the section captioned The Merger Opinion of Qatalyst Partners LP and which written opinion is attached in its entirety as Annex B hereto. The summary of the opinion of Qatalyst Partners herein is qualified in its entirety by reference to the full text of the opinion. We encourage you to read Qatalyst Partners opinion and the summary of Qatalyst Partners opinion below carefully and in their entirety.

Right to Receive Higher Offers. The Board considered the Company s rights under the merger agreement to solicit higher offers during the 45-day go-shop period and to consider and negotiate certain higher offers thereafter, including:

the Company s right to solicit offers with respect to acquisition proposals during a 45-day go-shop period and to terminate the merger agreement to enter into an agreement with respect to a superior proposal during the go-shop period, subject to Holdco s right to receive payment of a termination fee of $33.3 million, which amount the Board believed to be reasonable under the circumstances, taking into account the size of the transaction and the range of similar termination fees in comparable transactions; and

the Company s right, subject to certain conditions, to respond to and negotiate with respect to certain unsolicited acquisition proposals made after the end of the go-shop period and prior to the time the stockholders approve the proposal to adopt the merger agreement or the Company terminates the merger agreement to enter into an agreement with respect to a superior proposal, subject to Holdco s right to receive payment of a termination fee of $86.6 million, which amount the Board believed to be reasonable under the circumstances, taking into account the size of the transaction and the range of similar termination fees in comparable transactions.

Likelihood of Completion; Certainty of Payment. The Board considered its belief that, absent a superior proposal, the merger represented a transaction that would likely be consummated based on, among other factors:

the absence of any financing condition to consummation of the merger;

the fact that Holdco and Merger Sub had already obtained committed debt and equity financing for the transaction, the reputation and stature of the debt financing sources, the

limited number and nature of the conditions to the debt and equity financing and the obligation of Holdco and Merger Sub to use reasonable best efforts to consummate the debt and equity financing;

the limited overlap between the businesses of the Company and Holdco s affiliates as compared to those that would likely be present in transactions with industry participants;

the fact that the conditions to the closing of the merger are specific and limited in scope and which, in the case of the condition related to the accuracy of the Company s representations and warranties, are generally subject to a material adverse effect qualification;

the Company s ability, under certain circumstances described in The Merger Agreement Remedies, to seek specific enforcement of Holdco s obligations to cause, and, pursuant to the equity commitment letter, to seek specific performance to directly cause, the equity financing sources to fund their contributions as contemplated by the merger agreement and the equity commitment letter and the consummation of the merger;

the reputation and financial condition of the investor group, and the investor group s general ability to complete acquisition transactions;

the requirement in the merger agreement, if Holdco and Merger Sub fail to effect the closing under certain circumstances, for Holdco to pay the Holdco termination fee of $186.6 million; and

the limited guarantee provided by members of the investor group in favor of the Company that guarantees the payment of the Holdco termination fee.

Other Terms of the Merger Agreement. The Board considered other terms and conditions of the merger agreement and related transaction documents, including:

the provision of the merger agreement allowing the Board to change its recommendation prior to obtaining the company stockholder approval in specified circumstances relating to a superior proposal or intervening event, subject to Holdco s right to terminate the merger agreement and receive payment of the applicable termination fee;

the provisions of the merger agreement requiring Holdco to use its reasonable best efforts to obtain applicable regulatory approvals to consummate the merger, and if reasonably necessary or advisable, to divest any assets, businesses or operations of the Company, subject to certain limitations as further described under the heading The Merger Agreement Cooperation; Efforts to Consummate and The Merger Regulatory Approvals; and

the termination date of the merger agreement on which either party, subject to certain exceptions, can terminate the merger agreement, and the Board s view that the termination date, and the provisions of the merger agreement providing for extensions of the termination date under certain circumstances, allow for sufficient time to consummate the merger.

Opportunity for the Company s Stockholders to Vote. The Board considered the fact that the merger would be subject to the approval of the stockholders, and the stockholders would be free to evaluate the merger and vote for or against the adoption of the merger agreement at the special meeting.

Appraisal Rights. The Board considered the availability of statutory appraisal rights under Delaware law in connection with the merger to stockholders who timely and properly exercise such rights.

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In the course of reaching its recommendation, the Board also considered a variety of risks and potentially negative factors concerning the merger and the merger agreement, including the following:

- that the stockholders will have no ongoing equity participation in the Company following the merger and the stockholders will cease to participate in the Company s future earnings or growth, if any, and will not benefit from increases, if any, in the value of the Company following the merger;

- the risk that the merger will be delayed or will not be completed, including the failure to obtain certain regulatory approvals to the completion of the merger, including approvals that may require an assessment of the fitness of Holdco or members of the investor group to hold certain licenses, or the failure to satisfy other conditions to the completion of the merger, as well as the potential loss of value to the stockholders and the potential negative impact on the operations and prospects of the Company if the merger agreement is terminated or the merger is not completed for any reason;

- the significant effort and cost involved in connection with negotiating the merger agreement and completing the merger (including certain costs and expenses if the merger is not consummated), the substantial management time and effort required to effectuate the merger and the related disruption to the Company s day-to-day operations during the pendency of the merger;

- the possibility that the debt financing contemplated by the debt commitment letters and the equity financing contemplated by the equity commitment letter will not be obtained, resulting in Holdco not having sufficient funds to complete the merger;

- the risk, if the merger is not consummated, that the pendency of the merger could affect adversely the relationship of the Company and its subsidiaries with their respective employees (including making it more difficult to attract and retain key personnel and the possible loss of key management, technical, sales and other personnel), customers, distributors, suppliers, contractors, partners, agents and others with whom they have business dealings;

- the requirement that the Company pay Holdco a termination payment of $33.3 million or $86.6 million under certain circumstances following termination of the merger agreement, including if the Board changes its recommendation in light of an intervening event or terminates the merger agreement to accept a superior proposal;

- the fact that the Company is entering into a merger agreement with a newly formed entity without any material assets and, accordingly, that the Company s monetary remedy in connection with a breach of the merger agreement by Holdco or Merger Sub is limited to the payment of the $186.6 million Holdco termination fee under certain circumstances which may not be sufficient to compensate the Company for losses suffered as a result of a breach of the merger agreement by Holdco or Merger Sub;

the restrictions imposed by the terms of the merger agreement on the conduct of the Company s business prior to completion of the merger, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger, and the resultant risk if the merger is not consummated;

as the transaction has a potential outside date as late as April 9, 2019, that the stockholders could be asked to vote on adoption of the merger agreement well in advance of completion of the transaction, depending on when the transaction actually closes;

the receipt of cash in exchange for the common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes for many of the stockholders; and

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the Company s officers and directors may have interests in the merger that are different from, or in addition to, the interests of the stockholders, including the conversion of equity awards held by officers and directors, the payment of severance to officers if a termination of employment were to occur in connection with the merger, and the interests of the Company s directors and officers in being entitled to continued indemnification, advancement of expenses and insurance coverage from the surviving corporation under the merger agreement.

The above discussion of the information and factors considered by the Board is not intended to be exhaustive, but indicates the material matters considered. In reaching its determination and recommendation, the Board did not quantify, rank or assign any relative or specific weight to any of the foregoing factors, and individual members of the Board may have considered various factors differently. The Board did not undertake to make any specific determination as to whether any specific factor, or any particular aspect of any factor, supported or did not support its ultimate recommendation. Moreover, in considering the information and factors described above, individual members of the Board each applied his or her own personal business judgment to the process and may have given differing weights to differing factors. The Board based its unanimous recommendation on the totality of the information presented. The explanation of the factors and reasoning set forth above contain forward-looking statements that should be read in conjunction with the section of this proxy statement entitled Cautionary Statements Regarding Forward-Looking Information.

Certain Unaudited Company Forecasts

The Company does not as a matter of course publicly disclose long-term forecasts or projections, due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, the Company is including in this proxy statement certain unaudited prospective financial information, which we refer to as the Management Projections, that was made available to the Board for purposes of evaluating the merger and to the representatives of Qatalyst Partners for purposes of rendering its fairness opinion to the Board and performing its related financial analysis. The Management Projections were reasonably prepared by management in good faith based on management s best available estimates, judgments and assumptions with respect to the Company s future financial performance at the time they were prepared and speak only as of that time. The Management Projections were authorized by management for use by Qatalyst Partners in connection with the rendering of its fairness opinion to the Board and performing its related financial analyses, as described in The Merger Opinion of Qatalyst Partners LP.

The summaries of the Management Projections are not included in this proxy statement to induce any stockholder of the Company to vote in favor of the adoption of the merger agreement or any other proposals to be voted on at the special meeting, but solely because the Management Projections were made available to the Board and Qatalyst Partners. The inclusion of the Management Projections should not be regarded as an indication that the Company, the Board or Qatalyst Partners considered, or now considers, the Management Projections to be a reliable prediction of future results or to support or fail to support your decision whether to vote for or against the proposal to adopt the merger agreement. No person has made or makes any representation or warranty to any person, including any stockholder of the Company, regarding the information included in the Management Projections.

The Management Projections were prepared by the Company s management in March 2018 based on certain assumptions that management then believed to be potentially achievable. While the Management Projections were prepared in good faith by management, no assurance can be made regarding future events. The Management Projections also reflect assumptions as of the time of their respective preparation as to certain business decisions that are subject to change. Although presented with numerical specificity, the Management Projections are based upon a variety of estimates and numerous assumptions made by management with respect to, among other matters, incremental sales growth, operational cost savings, industry performance, general business, economic, regulatory, market

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and financial conditions and other matters, including the factors described in Cautionary Statement Regarding Forward-Looking Statements, many of which are difficult to predict, are subject to significant economic and competitive uncertainties, and are beyond the Company s control. The Management Projections also assume that the Company would continue to operate as a standalone company and do not reflect any impact of the merger. Furthermore, the Management Projections do not take into account any failure of the merger to be completed and should not be viewed as reflective of management s expectations under those circumstances. In addition, because the Management Projections cover multiple years, such information by its nature becomes less reliable with each successive year. As a result, there can be no assurance that the estimates and assumptions made in preparing the Management Projections will prove accurate, that the projected results will be realized or that actual results will not be significantly higher or lower than projected results. The Management Projections cannot, therefore, be considered a guaranty of future operating results, and this information should not be relied on as such.

The Management Projections were not prepared with a view toward public disclosure, soliciting proxies or complying with U.S. Generally Accepted Accounting Principles, which we refer to as GAAP, the published guidelines of the SEC regarding financial projections and forecasts or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial projections and forecasts. Neither the Company s independent registered public accounting firm nor any other independent registered public accounting firm has examined, compiled or otherwise performed any procedures with respect to the prospective financial information contained in the Management Projections and, accordingly, neither the Company s independent registered public accounting firm nor any other independent registered public accounting firm has expressed any opinion or given any other form of assurance on such information or its achievability, and assumes no responsibility for, and disclaims any association with, the prospective financial information.

The Management Projections include non-GAAP financial measures, which are financial measures that are not calculated in accordance with generally accepted accounting principles, or GAAP. These non-GAAP financial measures should not be viewed as a substitute for GAAP financial measures and may be different from non-GAAP financial measures used by other companies. Furthermore, there are limitations inherent in non-GAAP financial measures because they exclude items, including charges and credits, that are required to be included in a GAAP presentation.

The following table summarizes the Management Projections.

(in millions, except per share data)	**Fiscal Year[(1)]**						**Calendar Year**	
	FY2018E	**FY2019E**	**FY2020E**	**FY2021E**	**FY2022E**	**FY2023E**	**CY2018E**	**CY2019E**
Non-GAAP Net Revenue(2)	$ 1,800	$ 1,890	$ 1,993	$ 2,070	$ 2,151	$ 2,236	$ 1,821	$ 1,914
EBITDA(3)	$ 311	$ 354	$ 410	$ 424	$ 440	$ 458	$ 321	$ 368
Non-GAAP Net Income(4)	$ 167	$ 199	$ 241	$ 252	$ 267	$ 284	$ 175	$ 209
Non-GAAP EPS	$ 1.49	$ 1.75	$ 2.08	$ 2.15	$ 2.24	$ 2.34	$ 1.55	$ 1.83
Adjusted NOPAT(5)	$ 182	$ 220	$ 257	$ 264	$ 274	$ 285		
Unlevered Free Cash Flow(6)(7)	$ 160	$ 193	$ 233	$ 243	$ 252			

Note: Information that was not provided or applicable is noted in dashes.

(1) Fiscal year end as of October 31 of each year.

(2) Non-GAAP net revenues represent net revenues, excluding amortization of step-down in deferred net revenue of acquired businesses, adjusted to exclude divested businesses.

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(3) EBITDA is a non-GAAP financial measure defined as earnings before interest, taxes, depreciation and amortization. EBITDA excludes the amortization of step-down in deferred revenue (and associated costs of goods sold) at acquisition of acquired businesses, amortization of purchased intangible assets, merger and acquisition related charges and costs associated with litigation and other loss contingencies.

(4) Non-GAAP net income attributable to Company stockholders excludes the amortization of step-down in deferred revenue (and associated costs of goods sold) at acquisition of acquired businesses, amortization of purchased intangible assets, merger and acquisition related charges and costs associated with litigation and other loss contingencies.

(5) Adjusted NOPAT is a non-GAAP financial measure calculated as non-GAAP operating income (excluding the items described in the second sentence of footnote 3) subtracting (a) taxes and (b) other recurring cash expenses.

(6) Unlevered free cash flow is a non-GAAP financial measure calculated as Adjusted NOPAT (as described above), adding depreciation and amortization, and subtracting (a) capital expenditures and (b) increases in net working capital. Unlevered free cash flow excludes stock based compensation expense and other non-cash items.

(7) The projected unlevered free cash flow of the Company for the nine-month period ended October 31, 2018 is $130 million.

Opinion of Qatalyst Partners LP

The Company retained Qatalyst Partners to act as financial advisor to the Board in connection with a potential transaction such as the merger and to evaluate whether the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), was fair, from a financial point of view, to such holders. The Company selected Qatalyst Partners to act as its financial advisor based on Qatalyst Partners qualifications, expertise, reputation and knowledge of the Company s business and the industry in which the Company operates. Qatalyst Partners provided its written consent to the reproduction of its opinion in this proxy statement. At the meeting of the Board on April 9, 2018, Qatalyst Partners rendered to the Board its oral opinion to the effect that, as of April 9, 2018, and based upon and subject to the various assumptions, qualifications, limitations and other matters set forth therein, the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), was fair, from a financial point of view, to such holders. Following the meeting, Qatalyst Partners delivered its written opinion, dated April 9, 2018, to the Board.

The full text of the opinion of Qatalyst Partners, dated as of April 9, 2018, is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications of the review undertaken by Qatalyst Partners in rendering its opinion. You should read the opinion carefully in its entirety. Qatalyst Partners opinion was provided to the Board and addresses only, as of the date of the opinion, the fairness, from a financial point of view, of the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), to such holders, and it does not address any other aspect of the merger. It does not constitute a recommendation to any Company stockholder as to how to

vote with respect to the merger or any other matter and does not in any manner address the price at which the common stock will trade at any time. The summary of Qatalyst Partners opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached to this proxy statement as Annex B.

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For purposes of the opinion set forth herein, Qatalyst Partners reviewed the merger agreement, certain related documents and certain publicly available financial statements and other business and financial information of the Company. Qatalyst Partners also reviewed certain forward-looking information relating to the Company prepared by the management of the Company, including the Management Projections. Additionally, Qatalyst Partners discussed the past and current operations and financial condition and the prospects of the Company with senior management of the Company. Qatalyst Partners also reviewed the historical market prices and trading activity for the common stock and compared the financial performance of the Company and the prices and trading activity of the common stock with that of certain other selected publicly-traded companies and their securities. In addition, Qatalyst Partners reviewed the financial terms, to the extent publicly available, of selected acquisition transactions and performed such other analyses, reviewed such other information and considered such other factors as Qatalyst Partners deemed appropriate.

In arriving at its opinion, Qatalyst Partners assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to, or discussed with, it by the Company. With respect to the Management Projections, Qatalyst Partners was advised by the management of the Company, and assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company of the future financial performance of the Company and other matters covered thereby. Qatalyst Partners assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement, without any modification, waiver or delay. In addition, Qatalyst Partners assumed that in connection with the receipt of all the necessary approvals of the proposed merger, no delays, limitations, conditions or restrictions will be imposed that could have an adverse effect on the Company or the contemplated benefits expected to be derived in the proposed merger. Qatalyst Partners did not make any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or its affiliates nor was it furnished with any such evaluation or appraisal. In addition, Qatalyst Partners relied, without independent verification, upon the assessment of the management of the Company as to the existing and future technology and products of the Company and the risks associated with such technology and products. Qatalyst Partners opinion has been approved by its opinion committee in accordance with its customary practice. Qatalyst Partners opinion does not constitute a recommendation as to how to vote with respect to the merger or any other matter and does not in any manner address the price at which the common stock will trade at any time.

Qatalyst Partners opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date of its opinion may affect its opinion and the assumptions used in preparing it, and Qatalyst Partners did not assume any obligation to update, revise or reaffirm its opinion. Qatalyst Partners opinion did not address the underlying business decision of the Company to engage in the merger, or the relative merits of the merger as compared to any strategic alternatives that may be available to the Company. Qatalyst Partners opinion is limited to the fairness, from a financial point of view, of the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), and Qatalyst Partners expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of the officers, directors or employees of the Company or any of its affiliates, or any class of such persons, relative to such consideration at any time.

The following is a brief summary of the material analyses performed by Qatalyst Partners in connection with its opinion dated as of April 9, 2018. The analyses and factors described below must be considered as a whole; considering any portion of such analyses or factors, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Qatalyst

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Partners opinion. For purposes of its analyses, Qatalyst Partners utilized the Management Projections, described above in the section of this proxy statement captioned Certain Unaudited Company Forecasts. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and to more fully understand the financial analyses used by Qatalyst Partners, the tables must be read together with the full text of each summary. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Qatalyst Partners financial analyses.

Discounted Cash Flow Analysis

Qatalyst Partners performed an illustrative discounted cash flow analysis, which is designed to imply a potential, present value of per share values for the Company common stock as of January 31, 2018 by:

adding:

a) the implied net present value of the estimated future unlevered free cash flows of the Company, based on the Management Projections for fiscal year 2018 (other than the first quarter) through fiscal year 2022 (which implied present value was calculated by using a range of discount rates of 9.0% to 11.0%, based on an estimated weighted average cost of capital for the Company); and

b) the implied net present value of a corresponding terminal value of the Company, calculated by multiplying the Company s estimated adjusted net operating profit after tax, which we refer to as Adjusted NOPAT, of approximately $285 million in fiscal year 2023, based on the Management Projections, by a range of multiples of fully-diluted enterprise value to next-twelve-months estimated Adjusted NOPAT of 12.0x to 16.0x, and discounting to present value using the same range of discount rates used in item (a) above;

subtracting (i) debt outstanding, net of the cash balance, of the Company of approximately $707 million as of January 31, 2018, giving pro forma effect to the Company s refinancing of debt effective as of February 2, 2018, and (ii) noncontrolling interests in subsidiaries; and

dividing the resulting amount by the number of fully-diluted shares of the Company common stock (calculated using the treasury stock method) outstanding, taking into account the outstanding stock options, RSUs and P-RSUs, as of April 4, 2018, as provided by the Company s management, applying a dilution factor of approximately 7.8% to reflect the dilution to current Company stockholders over the projection period due to the effect of future issuances by the Company of equity awards as projected by the Company s management.

Based on the calculations set forth above, this analysis implied a range of values for the common stock of approximately $17.45 to $25.16 per share.

Selected Companies Analysis

Qatalyst Partners compared selected financial information and public market multiples for the Company with publicly available financial information and public market multiples for selected companies. The companies used in this comparison included those companies listed below, which were selected by Qatalyst Partners, based on its professional judgment, from publicly traded companies in the Company s industry, which included such factors as companies participating in similar lines of businesses to the Company, having similar financial performance, or having other relevant similar characteristics.

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Based on Wall Street analyst consensus estimates as of April 6, 2018, which we refer to as the Street Case, and using the closing prices, as of April 6, 2018 (except as noted in the table below), for shares of the selected companies, Qatalyst Partners calculated, among other things, the price per share divided by estimated calendar year 2018 earnings, which we refer to as the CY2018E P/E Multiples, and the price per share divided by estimated calendar year 2019 earnings, which we refer to as the CY2019E P/E Multiples, for each of the selected companies, as shown below:

	CY2018E P/E Multiples	CY2019E P/E Multiples
Selected Payment Terminals Companies		
Ingenico Group[(1)]	13.4x	12.0x
Ingenico Group[(1)(2)]	12.8x	11.4x
Pax Technology, Inc.	7.9x	6.6x

(1) Earnings per share adjusted for share-based compensation.

(2) As of April 4, 2018, prior to takeover rumors.

	CY2018E P/E Multiples	CY2019E P/E Multiples
Selected Financial Hardware Companies		
NCR Corporation[(1)]	9.2x	8.4x
Diebold Nixdorf, Incorporated	12.5x	9.3x
Cardtronics plc	14.4x	12.9x

(1) Shares of Series A Convertible Preferred Shares are treated as shares of common stock on an as-converted basis.

Based on an analysis of the multiples for the selected companies, Qatalyst Partners selected a representative multiple range for each of the multiples and applied this range to the Company s estimated statistic (a) based on the Management Projections and (b) based on the Street Case.

Based on an analysis of the CY2018E P/E Multiples and the CY2019E P/E Multiples for the selected companies, Qatalyst Partners selected a representative multiple range of 10.0x to 14.0x and 9.0x to 12.0x for CY2018 and CY2019, respectively. Qatalyst Partners then applied these ranges to the Company s estimated Non-GAAP Earnings per Share for each of CY2018 and CY2019, based on the Management Projections and the Street Case. Based on the calculations set forth above, this analysis implied a range of values for the Company common stock of (i) approximately $15.54 to $21.75 per share based on the Management Projections for CY2018, and $16.06 to $22.48 per share based on the Street Case for CY2018 and (ii) approximately $16.45 to $21.93 per share based on the Management Projections for CY2019, and $16.59 to $22.12 per share based on the Street Case for CY2019.

No company included in the selected companies analysis is identical to the Company. In evaluating the selected companies, Qatalyst Partners made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Many of these matters are beyond the control of the Company, such as the impact of competition on the Company s business and the industry in general, industry growth

and the absence of any material adverse change in the Company s financial condition and prospects or the industry or in the financial markets in general. Mathematical analysis, such as determining the arithmetic mean, median, or the high or low, is not in itself a meaningful method of using selected company data.

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Selected Transactions Analysis

Qatalyst Partners compared eleven selected transactions announced between November 2010 and March 2018 involving payments and other business hardware companies selected by Qatalyst Partners based on its professional judgment.

For each of the selected transactions listed below, Qatalyst Partners reviewed, among other things, the implied fully-diluted enterprise value of the target company as a multiple of (a) last-twelve-months earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, of the target company, which we refer to as the EV/LTM EBITDA Multiple, and (b) analyst estimates of the next-twelve-months EBITDA of the target company, which we refer to as the EV/NTM EBITDA Multiple.

Announcement Date	Target	Acquiror	EV/ LTM EBITDA Multiple	EV/ NTM EBITDA Multiple
March 28, 2018	Polycom, Inc.	Plantronics, Inc.	8.2x	
December 17, 2017	Gemalto N.V.(1)	Thales S.A.	11.8x	11.1x
October 3, 2016	DirectCash Payments, Inc.(2)	Cardtronics plc	7.7x	7.7x
July 25, 2016	Outerwall, Inc.	Apollo	3.5x	4.4x
July 8, 2016	Polycom, Inc.	Siris Capital	6.7x	5.9x
November 23, 2015	Wincor Nixdorf AG	Diebold, Incorporated	11.2x	10.2x
June 23, 2014	MICROS Systems, Inc.	Oracle Corporation	16.2x	14.5x
April 15, 2014	Motorola Solutions Enterprise Assets	Zebra Technologies Corporation	10.9x	
November 14, 2011	Point International Business	VeriFone Systems, Inc.	12.5x	
July 11, 2011	Radiant Systems, Inc.	NCR Corporation	20.4x	17.5x
November 17, 2010	Hypercom Corp.	VeriFone Systems, Inc.	12.5x	9.6x

Note: Multiples that were not publicly available or not meaningful noted as dashes. Multiples greater than 50x or negative considered not meaningful.

(1) Pro-forma for the acquisition of 3M s Identity Management Business.

(2) Pro-forma for the acquisition of the First Data Australian ATM portfolio.

Based on the analysis of the EV/LTM EBITDA Multiples for selected transactions, Qatalyst Partners selected a representative multiple range of 9.0x to 14.0x applied to the Company s last-twelve-months EBITDA (calculated as the twelve-month period ended on January 31, 2018). This analysis implied a range of values for the Company common stock of approximately $15.49 to $27.41 per share.

Based on the analysis of the EV/NTM EBITDA Multiples for the selected transactions, Qatalyst Partners selected a representative multiple range of 8.0x to 12.0x applied to the Company s estimated next-twelve-months EBITDA

(calculated as the twelve-month period ending on January 1, 2019), based on the Street Case. This analysis implied a range of values for the Company common stock of approximately $15.36 to $26.02 per share.

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No company or transaction utilized in the selected transactions analysis is identical to the Company or the merger. In evaluating the selected transactions, Qatalyst Partners made judgments and assumptions with regard to general business, market and financial conditions and other matters, many of which are beyond the Company s control, such as the impact of competition on the Company s business or the industry generally, industry growth and the absence of any material adverse change in the Company s financial condition and prospects or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared. Because of the unique circumstances of each of these transactions and the merger, Qatalyst Partners cautioned against placing undue reliance on this information.

Miscellaneous

In connection with the review of the merger by the Board, Qatalyst Partners performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily amenable to a partial analysis or summary description. In arriving at its opinion, Qatalyst Partners considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Qatalyst Partners believes that selecting any portion of its analyses, without considering all analyses as a whole, could create a misleading or incomplete view of the process underlying its analyses and opinion. In addition, Qatalyst Partners may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Qatalyst Partners view of the actual value of the Company. In performing its analyses, Qatalyst Partners made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the Company s control. Any estimates contained in Qatalyst Partners analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Qatalyst Partners conducted the analyses described above solely as part of its analysis of the fairness, from a financial point of view, of the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco), to such holders. This analysis does not purport to be an appraisal or to reflect the price at which the common stock might actually trade at any time.

Qatalyst Partners opinion and its presentation to the Board was one of many factors considered by the Board in deciding to approve the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the Board with respect to the merger consideration of $23.04 per share in cash to be received pursuant to, and in accordance with, the terms of the merger agreement by the holders of shares of common stock (other than Holdco or any affiliates of Holdco) or of whether the Board would have been willing to agree to different consideration. The merger consideration of $23.04 per share in cash payable in the merger was determined through arm s-length negotiations between the Company and Holdco and was unanimously approved by the Board. Qatalyst Partners provided advice to the Company during these negotiations. Qatalyst Partners did not, however, recommend any specific consideration to the Company or that any specific consideration constituted the only appropriate consideration for the merger.

Qatalyst Partners provides investment banking and other services to a wide range of corporations and individuals, domestically and offshore, from which conflicting interests or duties may arise. In the ordinary course of these activities, affiliates of Qatalyst Partners may at any time hold long or short

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positions, and may trade or otherwise effect transactions in debt or equity securities or loans of the Company, Holdco or certain of their respective affiliates. During the two-year period prior to the date of Qatalyst Partners opinion, no material relationship existed between Qatalyst Partners and its affiliates and the Company or Holdco pursuant to which compensation was received by Qatalyst Partners or its affiliates; however, Qatalyst Partners and its affiliates may in the future provide investment banking and other financial services to the Company or Holdco or any of their respective affiliates for which it would expect to receive compensation.

Pursuant to a letter agreement dated February 9, 2018, Qatalyst Partners provided the Company with financial advisory services in connection with the merger for which it will be paid approximately $31 million, $250,000 of which was payable upon the execution of such letter agreement and has been paid and $2 million of which was payable upon the delivery of its opinion (regardless of the conclusion reached therein) and the remaining portion of which will be paid upon, and subject to, the consummation of the merger. The Company has also agreed to reimburse Qatalyst Partners for its expenses incurred in performing its services. The Company has also agreed to indemnify Qatalyst Partners and its affiliates, their respective members, directors, officers, partners, agents and employees and any person controlling Qatalyst Partners or any of its affiliates against certain liabilities, including liabilities under the federal securities laws, and expenses related to or arising out of Qatalyst Partners engagement.

Financing of the Merger

The merger agreement does not contain any condition to the obligations of Holdco or Merger Sub relating to the receipt of financing. Holdco and Merger Sub have obtained equity and debt financing commitments for the transactions contemplated by the merger agreement, the aggregate proceeds of which will be sufficient for Holdco to pay the aggregate merger consideration and all related fees and expenses of the investor group, and to refinance certain indebtedness of the Company. Pursuant to an equity commitment letter from Francisco Partners to Holdco dated as of April 9, 2018, Francisco Partners has agreed to make capital contributions of approximately $1,629 million, which we refer to as the equity commitment amount.

Credit Suisse AG (acting through such of its affiliates or branches as it deems appropriate), Credit Suisse Securities (USA) LLC, Barclays Bank PLC (acting through such of its affiliates or branches as it deems appropriate) and Royal Bank of Canada, whom we refer to collectively as the Lenders, have committed to provide the debt commitment amount, consisting of up to an aggregate $2,200 million in debt financing (not all of which is expected to be drawn at the closing of the merger), consisting of (i) a senior secured term loan facility in an aggregate principal amount of $1,950 million provided by the term Lenders and (ii) a senior secured revolving facility in an aggregate principal amount of $250 million (not all of which is expected to be drawn at the closing of the merger) provided by the revolving Lenders, pursuant to the debt commitment letter dated as of April 9, 2018. The obligations of the Lenders to provide the debt commitment amount under the debt commitment letter are subject to a number of conditions, including the receipt of executed loan documentation, accuracy of representations and warranties, consummation of the transactions contemplated by the merger agreement, contribution of the equity contemplated by the equity commitment letter, completion of the designated marketing period and other customary closing conditions for financings of this type.

The proceeds of the debt financing will be used (i) to finance, in part, the payment of the amounts payable under the merger agreement, including to repay existing indebtedness outstanding as of immediately prior to the closing of the merger and the payment of related fees and expenses, (ii) to provide ongoing working capital and (iii) for capital expenditures and other general corporate purposes.

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The obligations of the Company under the debt financing will be (a) unconditionally guaranteed on a senior basis by the Company, Vertex IntermediateCo LLC, which we refer to as Intermediate Holdings, and each of Intermediate Holdings other subsidiaries (subject to certain exceptions set forth in the debt commitment letter) organized in (i) the United States, any state thereof or the District of Columbia and (ii) the Republic of Ireland, the United Kingdom, Germany and Bermuda (together with Intermediate Holdings and the Company, we refer to the foregoing entities as the loan parties) and (b) secured by a perfected first-priority security interest (subject to permitted liens and other exceptions to be set forth in the credit documentation, including without limitation, liens expressly permitted to exist on the closing date pursuant to the merger agreement) in substantially all of the loan parties tangible and intangible assets now owned or hereafter acquired.

The Lenders may invite other banks, financial institutions and institutional lenders to participate in the debt financing contemplated by the debt commitment letter and to undertake a portion of the commitments to provide such debt financing.

Closing and Effective Time of Merger

The closing of the merger is scheduled to occur at 7:00 a.m. California Time on the fifth (5th) business day following the day on which the last to be satisfied or waived of the conditions set forth in the merger agreement (other than those conditions that by their nature are to be satisfied or waived at the closing) is satisfied or waived, or on such other date as the Company and Holdco may agree, but in no event will Holdco and Merger Sub be obligated to consummate the closing if the marketing period relating to Holdco s debt financing for the merger has not ended prior to the time that the closing would otherwise have occurred, in which case the closing will not occur until the earlier to occur of (i) a date before or during the marketing period specified by Holdco, in its sole and absolute discretion, on three (3) business days written notice to the Company and (ii) three (3) business days following the expiration of the marketing period in accordance with its terms, subject, in each case, to the satisfaction or waiver of all of the conditions set forth in the merger agreement (other than those conditions that by their nature are to be satisfied or waived at the closing, but subject to the waiver or satisfaction of those conditions), which we refer to as the closing and which date we refer to as the closing date.

As soon as practicable following the closing, and on the closing date, the Company and Holdco will cause a certificate of merger relating to the merger to be executed, acknowledged and filed with the Secretary of State of the State of Delaware as provided in Section 251 of the DGCL. The merger will become effective at the effective time.

Payment of Merger Consideration and Surrender of Stock Certificates

As promptly as reasonably practicable, and in any event within three (3) business days, after the date of the effective time, each holder of record of a certificate representing shares of common stock (other than holders who solely hold excluded shares) will be sent a letter of transmittal and instructions describing how such record holder may surrender his, her or its shares of our common stock (or affidavits of loss in lieu thereof) in exchange for the per share merger consideration.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

Any holder of book-entry shares will not be required to deliver a certificate or an executed letter of transmittal to the paying agent to receive the per share merger consideration that such holder is entitled to receive. In lieu thereof, each holder of record of one or more book-entry shares whose shares of common stock were converted into the right to receive the per share merger consideration

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will upon receipt by the paying agent of an agent s message in customary form (or such other evidence, if any, as the paying agent may reasonably request), be entitled to receive the per share merger consideration in respect of each such share of common stock and the book-entry shares of such holder will forthwith be canceled.

No interest will be paid or accrued on the cash payable as the per share merger consideration upon your surrender of your book-entry shares or certificates.

The Company, Holdco, the surviving corporation and the paying agent will be entitled to deduct and withhold any applicable taxes from the per share merger consideration. Any sum that is withheld will be deemed to have been paid to the holder of shares with regard to whom such sum is withheld.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the per share merger consideration, you will have to make an affidavit of the loss, theft or destruction of such certificate, and post a bond in such customary amount and upon such terms as may be reasonably required by Holdco as indemnity against any claim that may be made against it, Merger Sub or the surviving corporation with respect to such lost, stolen or destroyed certificate. These procedures will be described in the letter of transmittal and instructions that you will receive, which you should read carefully and in their entirety.

Interests of Certain Persons in the Merger

In considering the recommendation of the Board with respect to the proposal to adopt the merger agreement, you should be aware that executive officers and directors of the Company have certain interests in the merger that may be different from, or in addition to, the interests of the Company s stockholders generally. The Board was aware of these interests and considered them at the time it evaluated and approved the merger agreement and the merger, and in recommending that the merger agreement be adopted by the stockholders of the Company. Company stockholders should take these interests into account in deciding whether to adopt the merger agreement. Nothing in this proxy statement should be interpreted as providing any executive officer or director of the Company with an entitlement to any payments or other benefits in excess of the payments or other benefits to which he or she would otherwise be entitled in connection with the merger pursuant to the terms of these arrangements.

Treatment of Director Equity Awards

The Company s non-employee directors hold unvested Company RSUs. In addition, certain Company directors hold vested Company options. Pursuant to the merger agreement and the applicable award agreements, in connection with the merger, the Company RSUs and vested Company options held by the Company s non-employee directors will receive the treatment set forth below, as described in greater detail in the section entitled The Merger Agreement Treatment of Equity Awards beginning on page [ ].

Vested Director Stock Options. At the effective time, each outstanding vested Company option (or vested portion thereof) held by a non-employee director (which we refer to as Vested Company Director options) will be canceled and will only entitle the holder to receive (without interest) an amount in cash, equal to the excess, if any, of the per share merger consideration over the exercise price per share of such Vested Company Director option, payable promptly following the effective time. Any Vested Company Director option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

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Director RSUs. For purposes of Company RSUs subject to vesting that are held by the Company s non-employee directors (which we refer to as a Director RSU), the director resignations contemplated by the merger agreement will constitute a termination without cause following a change in control under the form of Director RSU award agreement. As a result, at the effective time, all Director RSUs will become fully vested and will be promptly paid out in cash, based on the per share merger consideration.

In the aggregate, as of April 30, 2018, the Company s non-employee directors held approximately 86,850 Director RSUs, which, in connection with the merger and the contemplated resignation of the non-employee directors, will be vested and paid out for an aggregate amount of approximately $2,001,024. In the aggregate, as of April 30, 2018, the Company s non-employee directors held Director RSUs and Vested Company Director options that will be paid out in an aggregate amount of approximately $2,169,504.

Interests of the Company s Executive Officers

The Company s current executive officers are Paul Galant, Marc Rothman, Vin D Agostino and Vikram Varma. The descriptions below, as well as the descriptions set forth in the section entitled Advisory Vote on Merger-Related Compensation beginning on page [ ], are descriptions of the payments and benefits to which the executive officers of the Company may become entitled in connection with the merger pursuant to terms of the applicable award agreements and the Executive Severance Plan (and solely with respect to Mr. Galant, his employment agreement with the Company), based on certain assumptions as described herein.

Treatment of Company Equity Awards Held By Executive Officers Under the Merger Agreement

Under the terms of the merger agreement, Company options, Company RSUs and Company P-RSUs held by the Company s executive officers immediately prior to the effective time will be converted into replacement cash awards in the same manner as those equity awards held by other employees of the Company, as described in greater detail in the section entitled The Merger Agreement Treatment of Equity Awards beginning on page [ ]. The equity awards held by the executive officers will generally be subject to the following treatment under the merger agreement:

Vested Stock Options. At the effective time, each outstanding vested Company option (or vested portion thereof) held by an executive officer will be canceled and will only entitle the holder to receive (without interest) an amount in cash equal to the excess, if any, of the per share merger consideration over the exercise price per share of such vested Company option payable promptly following the effective time. Any vested Company option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

Unvested Stock Options. At the effective time, each outstanding unvested Company option (or unvested portion thereof) held by an executive officer will be converted into a Company option replacement award, which will be payable in cash equal to the excess, if any, of the per share merger consideration over the exercise price per share of such Company option and otherwise subject to the same vesting schedule and other terms and conditions (other than with respect to exercise) applicable to the corresponding unvested Company option prior to the effective time. Any unvested Company option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

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Restricted Stock Units. At the effective time, each outstanding Company RSU will be converted into a Company RSU replacement award, which will be payable in cash based upon the per share merger consideration and otherwise subject to the same vesting schedule and other terms and conditions applicable to the Company RSUs immediately prior to the effective time.

Performance-Based Restricted Stock Units. At the effective time, each outstanding Company P-RSU will be converted into a time-vesting Company P-RSU replacement award based on the actual performance through the effective time. If the actual performance with respect to an outstanding Company P-RSU as of the effective time would result in delivery of no shares, such outstanding Company P-RSU will be canceled at the effective time for no consideration or payment.

In addition, the Company s executive officers have certain additional rights with respect to their equity awards under the terms of their severance arrangements (which are described in greater detail under Executive Officer Change-in-Control Arrangements below).

Executive Officer Change-in-Control Arrangements

Executive Officers Other Than Mr. Galant; Executive Severance Plan

Effective September 19, 2016, our compensation committee approved, and the Board adopted, the VeriFone Executive Severance Plan, which we refer to as the Executive Severance Plan. The Executive Severance Plan of 2016 superseded the Executive Severance Policy of 2013, and provides for change-in-control severance payments and benefits similar to those provided under the Executive Severance Policy, except that, as described in greater detail below, the Executive Severance Plan (i) provides for a change-in-control severance payment that includes a component based on a participant s target annual cash bonus and (ii) clarifies the treatment of Company P-RSUs and other performance-based equity awards held by plan participants in connection with a change in control. The Executive Severance Plan provides for enhanced severance payments and benefits to employees designated as participants by our compensation committee upon certain qualifying terminations of employment which occur in connection with or following a change in control of the Company and also specifies the treatment of performance-based equity awards granted after September 19, 2016 upon a change in control of the Company. As of April 30, 2018, there are a total of 16 participants in the Executive Severance Plan who are entitled to receive change-in-control severance payments as described herein. All payments and other benefits under the Executive Severance Plan are subject to the participant s execution of a general release of claims against the Company and compliance with 12-month non-competition and non-solicitation covenants and perpetual confidentiality and non-disparagement covenants. Each of our executive officers, other than Mr. Galant, is eligible to receive severance payments and other benefits under the Executive Severance Plan. In addition, Mr. Galant participates in the Executive Severance Plan solely for purposes of determining the treatment of Mr. Galant s outstanding Company P-RSUs upon a change in control on the treatment of Mr. Galant s outstanding Company P-RSUs.

Under the terms of the Executive Severance Plan, in the event that the Company terminates the employment of one of its executive officers (other than Mr. Galant) without cause or if such individual resigns for good reason (each of which we refer to as a qualifying termination of employment), in each case within the period beginning three months prior to and extending 12 months after, a change in control of the Company (which we refer to as a CIC protection period), such executive officer will be entitled to receive:

(1) A lump sum cash payment equal to 12 months base salary;

(2) A lump sum cash payment equal to the executive officer s target annual cash bonus for the year in which the executive officer s termination of employment occurs; and

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(3) 12 months health and life insurance benefits continuation coverage at the same rate as paid by similarly situated employees.

The proposed merger will constitute a change in control for purposes of the Executive Severance Plan.

For purposes of the Executive Severance Plan, cause generally means the occurrence of any of the following circumstances with respect to the executive officer: (i) the conviction of a felony or other offense involving dishonesty, disloyalty or fraud with respect to the Company or any related entity or their respective properties or assets; (ii) gross negligence or willful misconduct causing demonstrable and serious injury to the Company or a related entity; (iii) willful refusal to perform or substantial disregard of properly assigned duties; (iv) breach of duty of loyalty to the Company or a related entity or any act of fraud or dishonesty; (v) insider trading; (vi) breach of the Company s ethics policy; (vii) engagement in accounting improprieties; (viii) failure or refusal to cooperate with governmental or regulatory investigations; or (ix) disqualification or bar by any governmental or self-regulatory authority from serving as an officer.

For purposes of the Executive Severance Plan, good reason generally means the occurrence of any of the following circumstances with respect to an executive officer, in each case without his or her express written consent and subject to notice and cure periods: (i) assignment of substantial duties materially inconsistent with his or her titles, position, authority, duties, work location or responsibilities or any other action by the Company which results in a material diminution or material adverse change in his or her title, position, authority, duties, work location or responsibilities; (ii) a material reduction by the Company in the rate of base salary or target annual bonus opportunity (including any material and adverse change in the formula for such targets); or (iii) failure to obtain the assumption of the Company s obligations from any successor. The proposed merger will constitute good reason for purposes of the Executive Severance Plan for Mr. Rothman and Mr. Varma.

The Executive Severance Plan also provides for full vesting of all outstanding and unvested Company equity awards (including unvested Company Options, Company RSUs and Company P-RSUs, with Company P-RSUs being earned based on actual performance as of the effective time and, if actual performance with respect to any Company P-RSU is below the applicable threshold level at such time, such outstanding Company P-RSU will be canceled at the effective time for no consideration or payment) in the event of a qualifying termination of employment during a CIC protection period.

In addition to the treatment of Company P-RSUs prescribed by the merger agreement and described above under Treatment of Company Equity Awards Held by Executive Officers , the terms of the applicable award agreements, provide for additional vesting and payment treatment with respect to the Company P-RSUs that will occur as a result of the merger. Specifically, these arrangements provide that, following the effective time, (i) each outstanding Company P-RSU held by Mr. D Agostino, Mr. Rothman and Mr. Varma will be deemed earned at the actual performance level as of the effective time (taking into account the per share merger consideration) with respect to all open performance periods; (ii) a *pro rata* portion of each such earned award, equal to the product of the earned award and a fraction, the numerator of which is the number of days elapsed from the beginning of the performance period through the effective time and the denominator of which is the total number of days in such performance period, will become immediately vested and payable in cash; (iii) the remainder of each such award will continue to be subject to time-based cliff vesting following the effective time in accordance with the original performance period; and (iv) pursuant to the terms of the Executive Severance Plan each such remaining unvested portion of each such earned award held by Mr. D Agostino, Mr. Rothman and Mr. Varma will be subject to double-trigger vesting and will vest in full (subject to the level of earn-out described in clause (i)) upon a qualifying termination of employment

during a CIC protection period. If the actual performance with respect to an outstanding Company P-RSU is below the applicable threshold level as of the effective time, such outstanding Company P-RSU will be canceled at the effective time for no consideration or payment.

Mr. Galant

Our employment agreement with Mr. Galant provides certain payments and benefits to him in the event of a termination of employment, including a qualifying termination of employment in connection with or following a change in control of the Company. The proposed merger will constitute a change in control for purposes of our employment agreement with Mr. Galant. If we terminate Mr. Galant s employment without cause or if he terminates his employment for good reason within three months prior to (in the event that his employment is terminated at the request of a third party acquirer) or within 24 months following a change in control of the Company, which we refer to as the CIC protection period with respect to Mr. Galant), Mr. Galant will be entitled to the following:

(1) Any unpaid accrued salary and earned but unpaid annual bonus, which we refer to as Accrued Compensation, and a lump sum cash severance payment equal to twice the sum of his annual base salary then in effect and his target bonus for the fiscal year of termination; and

(2) For 24 months following his date of termination of employment, we will promptly reimburse him for COBRA premiums and will permit him to continue to participate in our life insurance plan on the same basis as he participated in it as of immediately prior to his termination of employment, subject to certain exceptions.

In addition, Mr. Galant s employment agreement provides for full vesting of all outstanding and unvested Company equity awards held by Mr. Galant (including unvested Company Options, Company RSUs and Company P-RSUs, with Company P-RSUs being earned based on actual performance as of the effective time and, if actual performance with respect to any Company P-RSU is below the applicable threshold level at such time, such outstanding Company P-RSU will be canceled at the effective time for no consideration or payment) in the event of a qualifying termination of employment during a CIC protection period.

Under our employment agreement with Mr. Galant, Cause generally means (i) a conviction of, or plea of *nolo contendre* to, a felony or any crime or offense lesser than a felony involving dishonesty, disloyalty or fraud with respect to the Company or any related entity or any of their respective properties or assets; (ii) gross negligence or willful misconduct that has caused demonstrable and serious injury to the Company or a related entity, monetary or otherwise; (iii) willful refusal to perform or substantial disregard of duties properly assigned; (iv) breach of duty of loyalty to the Company or a related entity or any act of fraud or dishonesty with respect to the Company or a related entity; (v) the engagement in insider trading; (vi) breach of the Company s ethics policy; (vii) engagement in accounting improprieties as determined by the Board in its discretion; (viii) failure or refusal to cooperate with governmental or regulatory investigations involving the Company; or (ix) the disqualification or bar by any governmental or self-regulatory authority from serving as an officer or director of the Company or any related entity.

Under our employment agreement with Mr. Galant, good reason generally means the occurrence of one or more of the following, without Mr. Galant s written consent, and which circumstances are not remedied by the Company within 30 days of receipt of notice: (i) the assignment to Mr. Galant of substantial duties that are materially inconsistent with his title, position, authority, duties work location or responsibilities or any other action which results in a material diminution or material adverse change in his title, position, authority, duties, work location or responsibilities; (ii) a

material reduction in Mr. Galant s aggregate rate of annual base salary or target annual bonus; or (iii) the failure to obtain

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the assumption of the Company s obligations under the severance arrangements by any successor. The proposed merger will constitute good reason for purposes of our employment agreement with Mr. Galant.

The obligations to provide the severance payments and benefits under our employment agreement with Mr. Galant (other than Accrued Compensation) are subject to Mr. Galant executing a release in favor of us and compliance with 12-month non-competition and non-solicitation covenants and perpetual confidentiality and non-disparagement covenants. Additional information regarding the quantification of Mr. Galant s change in control severance entitlements is set forth in the section entitled The Merger Interests of Certain Persons in the Merger Golden Parachute Compensation beginning on page [ ].

In addition to the treatment of Company P-RSUs prescribed by the merger agreement and described in the preceding paragraph, the terms of Mr. Galant s amended and restated employment agreement with the Company, as well as the applicable award agreements, provide for additional vesting and payment treatment with respect to the Company P-RSUs held by Mr. Galant that will occur as a result of the merger. Specifically, these arrangements provide that, following the effective time, (i) each outstanding Company P-RSU held by Mr. Galant will be deemed earned at the actual performance level as of the effective time (taking into account the per share merger consideration) with respect to all open performance periods; (ii) a *pro rata* portion of each such earned award, equal to the product of the earned award and a fraction, the numerator of which is the number of days elapsed from the beginning of the performance period through the effective time and the denominator of which is the total number of days in such performance period, will become immediately vested and payable in cash; (iii) the remainder of each such award will continue to be subject to time-based cliff vesting following the effective time in accordance with the original performance period; and (iv) each such remaining unvested portion of each such earned award held by Mr. Galant will be subject to double-trigger vesting and will vest in full (subject to the level of earn-out described in clause (i)) upon a qualifying termination of employment during a CIC protection period. If the actual performance with respect to an outstanding Company P-RSU is below the applicable threshold level as of the effective time, such outstanding Company P-RSU will be canceled at the effective time for no consideration or payment.

Aggregate Quantification of Executive Officers Interests in the Merger pursuant to Change-in-Control Arrangements

Based upon our executive officers compensation levels as of the date of this proxy statement and assuming that the merger closes on April 30, 2018 and that each executive officer experienced a qualifying termination of employment in connection therewith, the estimated aggregate amount of cash severance and continued employee benefits that would be payable is $6,743,586. Additional information regarding the payments and benefits to which each of our executive officers may become entitled if he or she experiences a qualifying termination of employment in connection with the merger is set forth in the section entitled The Merger Interests of Certain Persons in the Merger Golden Parachute Compensation beginning on page [ ].

In the aggregate, as of April 30, 2018, the Company s executive officers held approximately (i) 80,000 unvested Company options (which will be converted to replacement awards with an aggregate value of approximately $428,800), (ii) 468,685 unvested Company RSUs (which will be converted to replacement awards with an aggregate value of approximately $10,798,502) and (iii) 559,398 Company P-RSUs (which will be converted to replacement awards with an aggregate value of approximately $12,888,530 (assuming performance at the target level as of the effective time, although the actual aggregate value of such replacement awards will depend on the actual level of achievement of the corresponding Company P-RSUs as of the effective time), of which approximately $5,221,693 will be subject to *pro rata* vesting upon the merger and payment immediately following the

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effective time). Additional information regarding the payments to which each of our executive officers may become entitled in respect of their respective unvested equity awards in connection with the merger are set forth in the section entitled The Merger Interests of Certain Persons in the Merger Golden Parachute Compensation beginning on page [ ].

Depending on when the merger occurs, certain equity awards that are now unvested may vest pursuant to the terms of the equity awards based on the completion of continued service with the Company (and satisfaction of performance conditions, in the case of Company P-RSUs), independent of the merger.

Other Employee-Related Interests

In addition to the other rights and interests in the merger described in this section, the Company s executive officers would receive the same benefits and would be covered by the same protections under the merger agreement as other employees of the Company, which include double trigger vesting for all 2018 bonuses and, for the purpose of calculating the performance-based vesting conditions of all cash or equity-based awards, the Company may exclude transaction expenses or non-recurring charges in connection with the merger. See the section entitled The Merger Agreement Employee Benefits Matters beginning on page [ ] for a description of the benefits to be provided to Company employees pursuant to the merger agreement.

The parties have agreed that the Company may grant employee retention awards to Company employees, including executive officers. Awards would be payable in connection with service following the closing of the merger. As of the date of this proxy statement, no determinations have been made as to any executive officer who will receive awards or the amounts of such awards.

As of the date of this proxy statement, none of the Company s executive officers have entered into any agreement with Francisco Partners or its affiliates regarding employment with, or the provision of services to, Francisco Partners or any of its affiliates. Prior to or following the closing, however, some or all of the Company s executive officers may discuss or enter into employment or other arrangements with Francisco Partners or its affiliates regarding employment with, or the provision of other services to, Francisco Partners or its affiliates.

Golden Parachute Compensation

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation for each named executive officer of the Company that is based on or otherwise relates to the merger and that will or may become payable to each such named executive officer at the effective time or on a qualifying termination of employment in connection with the merger. The named executive officers are the individuals listed as such in the Company s most recent annual proxy statement.

The information contained in this section does not include information about any named executive officer who is no longer employed by the Company. Such named executive officers will not receive any payments or other benefits in connection with the merger other than as a stockholder of the Company (which payments will be made on the same basis as to all other stockholders of the Company).

The estimated potential payments in the table below are based on (i) per share merger consideration of $23.04; (ii) salary, target bonus levels and equity award holdings as of April 9, 2018; (iii) a merger closing on April 30, 2018 (the assumed date of the closing of the merger solely for purposes of this golden parachute compensation disclosure); (iv) a termination of each named executive officer by the Company without cause or by the executive for good reason on the closing

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date; and (v) achievement of all performance goals with respect to the Company P-RSUs at target. Depending on when the merger occurs, certain equity awards that are now unvested and included in the table below may vest pursuant to the terms of the equity awards based on the completion of continued service with the Company, independent of the merger. In addition, the amounts indicated below are estimates based on multiple assumptions that may or may not actually occur, including assumptions described in this proxy statement, and do not reflect certain compensation actions that may occur before completion of the merger. As a result, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below. All dollar amounts have been rounded to the nearest whole dollar.

Golden Parachute Compensation

Named Executive Officers	Cash ($)(1)	Equity ($)(2)	Perquisites/ Benefits ($)(3)	Total ($)
Paul Galant	$ 4,400,000	$ 15,322,982	$ 52,133	$ 19,775,115
Marc Rothman	$ 900,000	$ 4,645,093	$ 22,082	$ 5,567,175
Vin D Agostino	$ 800,000	$ 2,841,176	$ 22,473	$ 3,663,649

(1) The amounts in this column reflect the cash severance payments payable to each of Messrs. Galant, Rothman and D Agostino in the event of a qualifying termination of employment that occurs during the applicable CIC protection period. Pursuant to the terms of our employment agreement with Mr. Galant, the amount represents double-trigger cash severance payable in a lump sum equal to two times of the sum of (i) his annual base salary and (ii) his target annual bonus for the year of his termination. Pursuant to the terms of the Executive Severance Plan, for each of Messrs. Rothman and D Agostino, the amount represents double-trigger cash severance payable in a lump sum equal to the sum of his annual base salary and his target annual cash bonus for the year of his termination. As described in greater detail in the section entitled The Merger Interests of Certain Persons in the Merger beginning on page [ ], the Company may grant employee retention awards to Company employees, including executive officers. As of the date of this proxy statement, no determinations have been made as to any executive officer who will receive awards or the amounts of such awards.

The amounts payable above (as well as the amounts described in each of notes (2) and (3) below) are, in each case, subject to the executive officer s delivery of a general release of all claims in favor of the Company. These amounts are also subject to the executive officer s ongoing compliance with non-solicitation and non-competition restrictions for the twelve months after termination, as well as compliance with perpetual non-disparagement and confidentiality requirements. The applicable terms of our employment agreement with Mr. Galant and the Executive Severance Plan are described in greater detail in the section entitled The Merger Interests of Certain Persons in the Merger beginning on page [ ].

(2) The amounts in this column reflect double-trigger payments made in respect of unvested Company option replacement awards and unvested Company RSU replacement awards, and single-trigger and double-trigger payments made in respect of unvested Company P-RSU replacement awards. We use the term single-trigger to refer to vesting or payment events that will occur solely as a result of the consummation of the merger. We use the term double-trigger to refer to vesting or payment events that will occur as a result of the occurrence of both the consummation of the merger and the relevant individual experiencing a qualifying termination of employment during the applicable CIC protection period. Under the terms of the Executive Severance Plan, unvested

Company option replacement awards and unvested Company RSU replacement awards will vest in full upon a qualifying termination of employment that occurs during the applicable CIC protection period. Under the terms of the Executive Severance Plan and our

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employment agreement with Mr. Galant, as well as the applicable award agreements, in connection with the merger, unvested Company P-RSUs will be deemed earned based on actual performance through the effective time and a pro-rated portion of each award will be paid out in cash, with the remaining portion of the Company P-RSU replacement award subject to time-based cliff vesting in accordance with the original performance period, which will vest in full following a qualifying termination of employment that occurs during the applicable CIC protection period. Amounts do not reflect payments made on account of vested Company stock options. Please see the section titled The Merger Interests of Certain Persons in the Merger beginning on page [ ] for a description of the treatment of outstanding equity awards held by our executive officers in connection with the merger.

	Unvested Company Options (#)	Unvested Company Options(a) ($)	Company RSUs (#)	Company RSUs(b) ($)	Company P-RSUs (#)	Single-Trigger Company P-RSUs(c) ($)	Double-Trigger Company P-RSUs(d) ($)	Total ($)
Paul Galant	0	$ 0	282,756	$ 6,514,698	382,304	$ 3,577,052	$ 5,231,232	$ 15,322,982
Marc Rothman	50,000	$ 268,000	84,375	$ 1,944,000	105,603	$ 975,905	$ 1,457,188	$ 4,645,093
Vin D Agostino	25,000	$ 134,000	57,412	$ 1,322,772	60,087	$ 553,075	$ 831,329	$ 2,841,176

(a) Represents double-trigger vesting of Company option replacement awards. The amounts set forth in the table below and the table above are calculated by multiplying (i) the excess of the per share merger consideration over the exercise price of the corresponding unvested Company option by (ii) the number of shares of our common stock subject to such unvested Company option. Unvested Company options which have exercise prices above the per share merger consideration are excluded from the table below.

	Grant Date	Unvested Company Options (#)	Exercise Price ($)	Value of Replacement Award ($)
Paul Galant				
Marc Rothman	01/02/2018	50,000	$ 17.68	$ 5.36
Vin D Agostino	01/02/2018	25,000	$ 17.68	$ 5.36

(b) Represents double-trigger vesting of Company RSU replacement awards. The amounts set forth in the table above are calculated by multiplying (i) the per share merger consideration by (ii) the number of shares of our common stock subject to the corresponding Company RSU.

(c) Represents single-trigger vesting in connection with the merger, pursuant to which a *pro rata* portion of each Company P-RSU will be paid in cash and the remaining portion of the corresponding Company P-RSU replacement award will be subject to time-based vesting following the effective time in accordance with the original performance period. Under the applicable award agreements, performance is determined based on the Company s relative total shareholder return, which we refer to as the TSR, measured against the constituent companies of various indices. As of the date of this proxy statement, it is not possible to determine achievement of these performance goals at the effective time because performance on a relative performance TSR metric will be based in part on the TSR performance of the other constituent companies, including TSR of the applicable indices between the date of this proxy statement and the effective time. Solely for purposes of the disclosure in this table pursuant to Item 402(t) of Regulation S-K, all P-RSUs are assumed to be earned at the target level. The actual *pro rata* amount that will be paid out at the effective time

will be based on actual performance measured under the TSR metric determined as of

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the effective time and will not be based on performance at a target level.

(d) Represents double-trigger vesting of the Company P-RSU replacement awards, pursuant to which, under the terms of our employment agreement with Mr. Galant and the Executive Severance Plan, such unvested award will vest in full, as described in the section titled The Merger Interests of Certain Persons in the Merger beginning on page [ ]. Under the applicable award agreements, performance is determined based on the Company s relative total shareholder return, which we refer to as the TSR, measured against the constituent companies of various indices. As of the date of this proxy statement, it is not possible to determine achievement of this metric at the effective time because performance on a relative performance TSR metric will be based in part on the TSR performance of the other constituent companies, including TSR of the applicable indices between the date of this proxy statement and the effective time. Solely for purposes of the disclosure in this table pursuant to Item 402(t) of Regulation S-K, all P-RSUs are assumed to be earned at the target level. The actual value of the P-RSUs that will be earned and converted to Company P-RSU replacement awards subject to double-trigger vesting at the effective time will be based on actual performance measured under the TSR metric determined as of the effective time and will not be based on performance at a target level.

(3) For Mr. Galant, the amount in this column represents a double-trigger payment equal to the reimbursements to which Mr. Galant would be entitled for the full amount of his COBRA premiums and the amount the Company will pay for his participation in the life insurance plan for the 24 months following his date of termination. For each of Messrs. Rothman and D Agostino, the amounts in this column represent a double-trigger payment equal to the amount of continued benefits coverage for each executive and his or her dependents in the Company s group health and life insurance plans at the same rates as eligible employees for 12 months following the date of termination.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a summary of the material U.S. Federal income tax consequences of the merger to U.S. holders (as defined below) whose shares of our common stock are converted into the right to receive cash in the merger. This summary does not purport to consider all aspects of U.S. Federal income taxation that might be relevant to our stockholders. For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of shares of our common stock that is, for U.S. Federal income tax purposes:

an individual who is a citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. Federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;

a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate that is subject to U.S. Federal income tax on its income regardless of its source.

If a partnership (including an entity or arrangement treated as a partnership for U.S. Federal income tax purposes) holds our common stock, the U.S. Federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partner and the tax treatment of the partnership. A partner of a partnership holding our common stock should consult the partner s tax advisor regarding the U.S. Federal income tax consequences of the merger to such partner.

This discussion is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject

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to change or differing interpretation, possibly on a retroactive basis. The discussion applies only to beneficial owners who hold shares of our common stock as capital assets, and does not apply to shares of our common stock received in connection with the exercise of employee stock options or otherwise as compensation, stockholders who hold an equity interest, actually or constructively, in Holdco or the surviving corporation after the merger, or to certain types of beneficial owners who may be subject to special rules (such as insurance companies, banks, tax-exempt organizations, financial institutions, broker-dealers, partnerships, S corporations or other pass-through entities, mutual funds, traders in securities who elect the mark-to-market method of accounting, stockholders subject to the alternative minimum tax, stockholders that have a functional currency other than the U.S. dollar or stockholders who hold our common stock as part of a hedge, straddle, wash sale, constructive sale or conversion transaction). This discussion also does not address the U.S. tax consequences to any stockholder who, for U.S. Federal income tax purposes, is a non-resident alien individual, foreign corporation, foreign partnership or foreign estate or trust, and does not address the receipt of cash in connection with the treatment of restricted stock units, performance stock units, company awards or any other matters relating to equity compensation or benefit plans (including the stock plans). This discussion does not address any aspect of state, local or foreign tax laws. Holders of common stock should consult their own tax advisors to determine the particular tax consequences to them of the merger, including the applicability and effect of any state, local, foreign or other tax laws.

Exchange of Shares of Common Stock for Cash Pursuant to the Merger Agreement

The exchange of shares of our common stock for cash in the merger will be a taxable transaction for U.S. Federal income tax purposes. In general, a U.S. holder whose shares of our common stock are converted into the right to receive cash in the merger will recognize capital gain or loss for U.S. Federal income tax purposes equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes, as described below in the section titled Backup Withholding and Information Reporting) and the U.S. holder s adjusted tax basis in such shares. A U.S. holder s adjusted tax basis will generally equal the price the U.S. holder paid for such shares. Gain or loss will be determined separately for each block of shares of our common stock (i.e., shares of common stock acquired at the same cost in a single transaction). Such capital gain or loss will be long-term capital gain or loss where the U.S. holder s holding period for such shares of common stock is more than one (1) year at the effective time. Long-term capital gain of a non-corporate U.S. holder is generally taxed at preferential rates. There are limitations on the deductibility of capital losses. In addition, a 3.8% tax is imposed on all or a portion of the net investment income (within the meaning of the Code) of certain individuals and on the undistributed net investment income of certain estates and trusts. The 3.8% tax generally is imposed on the lesser of (1) the U.S. holder s net investment income for the relevant taxable year and (2) the excess of the U.S. holder s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual s circumstances). For these purposes, net investment income generally will include any gain recognized on the receipt of cash for shares pursuant to the merger.

Backup Withholding and Information Reporting

A U.S. holder may be subject to information reporting. In addition, backup withholding of tax will apply at the statutory rate to cash payments to which a non-corporate U.S. holder is entitled under the merger agreement, unless the U.S. holder or other payee provides a taxpayer identification number, certifies that such number is correct, and otherwise complies with the backup withholding rules. Each of our U.S. holders should complete and sign, under penalty of perjury, the Form W-9 (or appropriate successor form) to be included as part of the letter of transmittal and return it to the paying agent, in order to provide the information and certification necessary to avoid backup withholding, unless an exemption applies and is established in a manner satisfactory to the paying agent.

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Backup withholding is not an additional tax. Any amounts withheld from cash payments to a U.S. holder pursuant to the merger under the backup withholding rules will generally be allowable as a refund or a credit against such U.S. holder s U.S. Federal income tax liability provided the required information is timely furnished to the Internal Revenue Service. U.S. holders are urged to consult their independent tax advisors as to qualifications for exemption from backup withholding and the procedure for obtaining the exemption.

The U.S. Federal income tax consequences described above are not intended to constitute a complete description of all tax consequences relating to the merger. Because individual circumstances may differ, each stockholder should consult the stockholder s tax advisor regarding the applicability of the rules discussed above to the stockholder and the particular tax effects to the stockholder of the merger in light of such stockholder s particular circumstances, the application of state, local and foreign tax laws, and, if applicable, the treatment of restricted stock units, performance stock units, company awards or any other matters relating to equity compensation or benefit plans (including the stock plans).

Regulatory Approvals

HSR Clearance. Under the HSR Act and the rules promulgated thereunder, certain transactions, including the merger, may not be completed until notifications have been given and information furnished to the Antitrust Division of the Department of Justice, which we refer to as the Antitrust Division, and the Federal Trade Commission, which we refer to as the FTC, and all statutory waiting period requirements have been satisfied. Completion of the merger is subject to the expiration or earlier termination of the applicable waiting period under the HSR Act. The merger may not be completed until the expiration of a thirty (30) calendar day waiting period, which begins when the Company and Holdco file Premerger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC, unless such waiting period is earlier terminated by the Antitrust Division and the FTC. The Company and Holdco filed their Premerger Notification and Report Forms on April 23, 2018, in connection with the merger. On May 4, 2018, the FTC granted early termination of the waiting period under the HSR Act.

Completion of the merger is further subject to notification or receipt of certain other regulatory approvals, including notification, clearance and/or approval from (1) the European Commission under the EU Merger Regulations, (2) the Finnish Financial Supervisory Authority, (3) the Federal Financial Supervisory Authority, or *Bundesanstalt für Finanzdienstleistungsaufsicht*, of Germany, (4) the Israeli Antitrust Authority, (5) the Federal Antimonopoly Service of the Russian Federation, (6) the Competition Commission of South Africa and (7) the Turkish Competition Authority.

There can be no assurance that all of the regulatory approvals described above, or any other regulatory approvals that might be required to consummate the merger, will be obtained and, if obtained, there can be no assurance as to the timing of any approvals, ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. There can also be no assurance that the Department of Justice, the FTC or any other governmental entity or any private party will not attempt to challenge the merger on antitrust grounds with respect to the approval of the merger, or the denial of the merger, and, in each case, if any such challenge is made, there can be no assurance as to the result. For a description of the parties obligations with respect to regulatory approvals related to the merger, see The Merger Agreement Cooperation; Efforts to Consummate.

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THE MERGER AGREEMENT

This section describes the material terms of the merger agreement. The description of the merger agreement in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as **Annex A** *and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read the merger agreement carefully and in its entirety.*

Explanatory Note Regarding the Merger Agreement

The merger agreement and this summary are included to provide you with information regarding its material terms. Factual disclosures about the Company contained in this proxy statement or in the Company s public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the merger agreement. The representations, warranties and covenants made in the merger agreement by the Company, Holdco and Merger Sub were made solely to the parties to, and solely for the purposes of, the merger agreement and as of specific dates and were qualified by and subject to important limitations agreed to by the Company, Holdco and Merger Sub in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the merger agreement may have the right not to consummate the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC and in some cases were qualified by the matters contained in the disclosure letter that the Company delivered in connection with the merger agreement, which disclosures were not reflected in the merger agreement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts of the Company, Holdco, Merger Sub or any of their respective subsidiaries or affiliates.

Effects of the Merger; Directors and Officers; Certificate of Incorporation; By-laws

The merger agreement provides that Merger Sub will merge with and into the Company with the Company continuing as the surviving corporation in the merger. Following the merger, the Company will cease to be a publicly traded company and, as a result of the merger, will become a wholly owned subsidiary of Holdco. Holdco and Merger Sub are owned by an investor group led by the private equity investment firm Francisco Partners and including British Columbia Investment Management Corporation. The merger will have the effects specified in the DGCL.

The members of the board of directors of Merger Sub immediately prior to the effective time will, from and after the effective time, be the members of the board of directors of the surviving corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and by-laws of the surviving corporation. The officers of the Company immediately prior to the effective time will, from and after the effective time, be the officers of the surviving corporation until their successors have been duly appointed or until their earlier death, resignation or removal in accordance with the certificate of incorporation and by-laws of the surviving corporation.

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At the effective time, the certificate of incorporation of the surviving corporation will be amended in its entirety as set forth in Exhibit A of the merger agreement, and will be the certificate of incorporation of the surviving corporation. The by-laws of Merger Sub, in effect immediately prior to the effective time, will be the by-laws of the surviving corporation, until changed or amended as provided therein or by applicable law.

Following the completion of the merger, the common stock will be delisted from the NYSE, deregistered under the Exchange Act and cease to be publicly traded.

Treatment of Common Stock and Equity Awards

Common Stock

At the effective time, by virtue of the merger and without any action on the part of the parties or any holder of any capital stock of the Company, each eligible share will be converted into the right to receive cash in the amount of $23.04 per share, without interest. At the effective time, the eligible shares will be canceled and will cease to exist, and each excluded share will also be canceled and will cease to exist, and no consideration will be payable for such excluded shares.

Vested Company Options

At the effective time, each vested Company option, other than any rollover equity awards will, automatically and without any action on the part of the holder thereof, be canceled and will only entitle the holder of such vested Company option to receive (without interest), as soon as reasonably practicable after the effective time, an amount in cash equal to the product of the total number of shares subject to such vested Company option immediately prior to the effective time, multiplied by the excess, if any, of the per share merger consideration over the exercise price per share of such vested Company option, less any tax withholdings. Any vested Company option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

Unvested Company Options

At the effective time, each outstanding unvested option will be canceled and will only entitle the holder of such unvested Company option to receive the Company option replacement award. Each such Company option replacement award will be subject to the same vesting schedule and other terms and conditions (other than with respect to exercise) applicable to the corresponding unvested Company option immediately prior to the effective time. Any unvested Company option which has an exercise price per share that is greater than or equal to the per share merger consideration will be canceled at the effective time for no consideration or payment.

Rollover Equity Awards

At the effective time, holders of vested Company options or shares of common stock who are employed by the Company at or above the level of vice president and who have previously elected and agreed for such vested Company options or share of common stock will have their vested Company options or shares of common stock, as applicable, converted into common stock of Holdco. With respect to vested Company options, this conversion will be based on the in-the-money value of such options at the effective time.

Company Restricted Stock Units

At the effective time, each outstanding Company RSU will be canceled and converted into the right to receive a Company RSU replacement award. Each such Company RSU replacement award

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will be subject to the same vesting schedule and other terms and conditions applicable to the corresponding Company RSUs immediately prior to the effective time.

Company Performance-Based Restricted Stock Units

At the effective time, each Company P-RSU will be canceled and will only entitle the holder of such Company P-RSU to receive a Company P-RSU replacement award based on the actual performance through the Effective Time as determined by the Board s compensation committee. Each such Company P-RSU replacement award will be subject to the same vesting schedule and other terms and conditions applicable to the corresponding Company P-RSU immediately prior to the effective time.

Company Deferred Stock Units

At the effective time, each outstanding Company DSU will be canceled and will only entitle the holder of such Company DSU to receive (without interest), as soon as reasonably practicable after the effective time (or such later time as required by Section 409A), an amount in cash equal to the number of shares subject to such Company DSU multiplied by the per share merger consideration, less any tax withholdings.

Exchange and Payment Procedures

At the effective time, or as promptly as possible thereafter, Holdco will deposit, or will cause to be deposited, with the paying agent cash in immediately available funds in the amount necessary to make payment of the aggregate per share merger consideration payable to the holders of eligible shares.

Promptly, and in any event within three (3) business days, after the effective time, each record holder of certificated eligible shares will be sent a letter of transmittal and instructions describing how such record holder may surrender his, her or its shares of common stock (or affidavits of loss in lieu thereof) in exchange for the applicable amount of per share merger consideration (less any tax withholdings).

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

Holders of book-entry eligible shares will not be required to deliver a certificate or an executed letter of transmittal to the paying agent to receive the per share merger consideration that such holder is entitled to receive as a result of the merger. With respect to any book-entry eligible shares of common stock not held through The Depository Trust Company, which we refer to as DTC, promptly, and in any event within three (3) business days after the effective time, the surviving corporation will cause the paying agent to provide or make available to each holder of record of such shares (i) a notice advising such holder of the effectiveness of the merger and (ii) a check in the amount of the applicable per share merger consideration payable to such holder in respect of such eligible shares (less any tax withholdings). With respect to any book-entry eligible shares held through DTC, the paying agent will transmit to DTC or its nominees on the closing date (or if the closing occurs after 8:30 a.m. (California Time) on the closing date, on the next business day), upon surrender of eligible shares held of record by DTC or its nominees in accordance with DTC s customary surrender procedures, the aggregate per share merger consideration payable in respect of such eligible shares.

If you are a record holder of certificated shares of common stock, you will not be entitled to receive the per share merger consideration until you deliver a letter of transmittal that is duly executed and in proper form to the paying agent, and you must also surrender your stock certificate or certificates (or

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affidavits of loss in lieu thereof) to the paying agent. In the event of a transfer of ownership of shares of common stock that is not registered in the transfer records of the Company, payment may be made to a transferee if the certificate formerly representing such shares is presented to the paying agent, accompanied by all documents reasonably required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable.

No interest will be paid or accrued on the cash payable as the per share merger consideration upon your surrender of your book-entry shares or certificates.

Holdco, the surviving corporation and the paying agent will be entitled to deduct and withhold any applicable taxes from the per share merger consideration. Any sum that is withheld will be deemed to have been paid to the holder of shares with regard to whom it is withheld.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the per share merger consideration, you will have to make an affidavit of the loss, theft or destruction, and, if required by Holdco, post a bond in such customary amount and upon such terms as may be required as indemnity against any claim that may be made with respect to such lost, stolen or destroyed certificate. These procedures will be described in the letter of transmittal and instructions that you will receive, which you should read carefully and in their entirety.

From and after the effective time, there will be no transfers on the stock transfer books of the Company of the shares of common stock that were outstanding immediately prior to the effective time. If, after the effective time, any certificate is presented to the surviving corporation, Holdco or the paying agent for transfer, it will be canceled and exchanged for the cash amount in immediately available funds to which the holder of the certificate is entitled pursuant to the merger agreement.

Any portion of the per share merger consideration deposited with the paying agent that remains unclaimed by stockholders one (1) year after the effective time will be delivered to Holdco. Holders of eligible shares who have not complied with the above-described exchange and payment procedures may thereafter only look to Holdco for payment of the per share merger consideration (less tax withholding) upon due surrender of certificates representing certificated shares of common stock (or affidavits of loss in lieu thereof) or book-entry shares, without any interest thereon.

None of Holdco, the surviving corporation, the paying agent or any other person will be liable to any former holder of common stock for any amount properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Representations and Warranties

Representations and Warranties of the Company

We made customary representations and warranties in the merger agreement with respect to the Company and its subsidiaries that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement, in the disclosure letter that the Company delivered in connection with the merger agreement or in certain reports filed with the SEC. These representations and warranties relate to, among other things:

(1) due organization, existence and good standing and authority to carry on our business;

(2) our capital structure;

(3) our corporate power and authority to execute, deliver and perform the obligations, and consummate the transactions, under the merger agreement, and the enforceability of the merger agreement against us;

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(4) the approval and declaration of advisability of the merger agreement and the merger by the Board;

(5) the receipt of a fairness opinion from Qatalyst Partners;

(6) required governmental consents, approvals, notices and filings;

(7) the absence of violations of or conflicts with or that result in a default under the Company s certificate of incorporation or by-laws, material contracts, applicable law, governmental orders or rules of any industry association to which the Company or any of its subsidiaries is a member as a result of our entering into and performing under the merger agreement or the consummation of the merger and the transactions;

(8) our SEC filings since October 31, 2015 and the financial statements included therein;

(9) our disclosure controls and procedures and internal controls over financial reporting and our compliance with applicable provisions of the Sarbanes-Oxley Act of 2002;

(10) the absence of a Company material adverse effect (as described below) since October 31, 2017;

(11) the conduct of business in the ordinary course since October 31, 2017;

(12) the absence of legal proceedings, investigations and governmental orders against us or our subsidiaries;

(13) the absence of certain undisclosed liabilities;

(14) employee benefit plans;

(15) certain labor matters;

(16) compliance with applicable laws and licenses;

(17) compliance with anti-corruption, sanctions and export laws and anti-money laundering laws;

(18) the inapplicability of any anti-takeover law or anti-takeover provision in the Company s certificate of incorporation or by-laws to the Company, the common stock or the merger;

(19) environmental matters;

(20) tax matters;

(21) leased and owned real property;

(22) intellectual property;

(23) insurance policies;

(24) material contracts and the absence of any default under any material contract;

(25) product liability claims;

(26) product certifications;

(27) the absence of any undisclosed broker s or finder s fees; and

(28) certain customers and suppliers of the Company.

Material Adverse Effect

Many of our representations and warranties are qualified by, among other things, exceptions relating to the absence of a material adverse effect, which means any effect, event, development, change, state of facts, condition, circumstance or occurrence, which we refer to collectively as effects,

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that, individually or in the aggregate, is, or would reasonably be expected to be, materially adverse to the business, results of operations or financial condition of the Company and its subsidiaries, taken as a whole; provided that, none of the following, and no change, event or occurrence arising out of, resulting from or attributable to any of the following, will be deemed to constitute a material adverse effect or be taken into account in determining whether a material adverse effect has occurred or would reasonably be expected to occur:

(1) effects generally affecting the economy, credit, capital, securities, currency or financial markets or political, regulatory or business conditions in any jurisdiction in which the Company or any of its subsidiaries operates or in which any of the Company s or any of its subsidiaries products or services are sold;

(2) effects that are the result of factors generally affecting the industries, markets or geographical areas in which the Company and its subsidiaries operate;

(3) subject to certain exceptions, changes in the relationship of the Company or any of its subsidiaries, with customers, employees, suppliers, distributors, governmental entities, financing sources, business partners or similar relationships relating to the entry into, announcement, pendency or performance of the transactions contemplated by the merger agreement, or resulting or arising from the identity of, or any facts or circumstances relating to, or any actions taken or failed to be taken by, Holdco or any of its affiliates, including any legal proceeding with respect to the merger agreement or any of the transactions contemplated by the merger agreement;

(4) changes or modifications or proposed changes or modifications in GAAP or in any law, or in the authoritative interpretation or enforcement thereof, after the date of the merger agreement;

(5) any failure by the Company to meet any internal or public projections or forecasts or estimates of revenues or earnings for any period; provided that this exception does not prevent or otherwise affect a determination that any effect underlying such failure has resulted in, or contributed to, or would reasonably be expected to result in, or contribute to, a material adverse effect;

(6) any effect resulting from acts of war (whether or not declared), civil disobedience, hostilities, sabotage, terrorism, military actions or the escalation of any of the foregoing, including cyberattacks, any hurricane, flood, tornado, earthquake, tsunami or other weather or natural disaster, or any outbreak of illness or other public health event or any other force majeure event, or any national or international calamity or crisis;

(7) any litigation or other proceeding arising from any allegations of breach of fiduciary duty or violation of law relating to the merger agreement or the transactions contemplated by the merger agreement;

(8) any actions taken or failed to be taken by the Company or any of its subsidiaries that are required to be taken by the terms of the merger agreement or any actions taken or failed to be taken with

Holdco s written consent or at Holdco s written request (except for any obligation to operate in the ordinary course or similar obligation);

(9) any change or announcement of a change or potential change in the credit rating or other financing strength rating of the Company or any of its subsidiaries or any of their respective securities; provided that this exception does not prevent or otherwise affect a determination that any affect underlying such decline or change has resulted in, or contributed to, or would reasonably be expected to result in, or contribute to, a material adverse effect;

(10) any actions required to obtain any approval or authorization under antitrust laws or by the Federal Financial Supervisory Authority, or *Bundesanstalt für Finanzdienstleistungsaufsicht*,

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of the Federal Republic of Germany, which we refer to as BaFin, for the consummation of the merger;

(11) a decline in the market price, or change in trading volume, of the shares of common stock or any other capital stock or debt securities of the Company; provided that this exception does not prevent or otherwise affect a determination that any affect underlying such decline or change has resulted in, or contributed to, or would reasonably be expected to result in, or contribute to, a material adverse effect; or

(12) the availability or cost of equity, debt or other financing to Holdco or Merger Sub.

With respect to clauses (1), (2), (4) and (6) above, any such effect will be taken into account in determining whether a material adverse effect has occurred if it disproportionately adversely affects the Company and its subsidiaries compared to other companies of similar size operating in the industries in which the Company and its subsidiaries operate.

Representations and Warranties of Holdco and Merger Sub

The merger agreement also contains customary representations and warranties made by Holdco and Merger Sub that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement and in the disclosure letter that Holdco and Merger Sub delivered to the Company in connection with the merger agreement. The representations and warranties of Holdco and Merger Sub relate to, among other things:

(1) their due organization, existence, good standing and authority to carry on their businesses;

(2) their corporate or similar power and authority to enter into, perform their obligations under, and consummate the transactions under, the merger agreement, and the enforceability of the merger agreement against them;

(3) required governmental consents, approvals, notices and filings;

(4) the absence of violations of, or conflicts with, their governing documents, applicable law and certain agreements as a result of entering into and performing under the merger agreement or the consummation of the merger and the transactions;

(5) the absence of legal proceedings and investigations against Holdco and Merger Sub;

(6) the capitalization and activities of Merger Sub;

(7) the absence of any undisclosed broker s or finder s fees;

(8) certain financing matters;

(9) the solvency of the surviving corporation and its subsidiaries after the consummation of the transactions contemplated by the merger agreement;

(10) the limited guarantee; and

(11) the information provided by Holdco or Merger Sub for inclusion or incorporation in this proxy statement.

The representations and warranties in the merger agreement of each of the Company, Holdco and Merger Sub will not survive the consummation of the merger or the termination of the merger agreement pursuant to its terms.

Conduct of Our Business Pending the Merger

Under the merger agreement, we have agreed that, subject to certain exceptions in the merger agreement and the disclosure letter we delivered in connection with the merger agreement or as

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required by a governmental entity or applicable law, between the date of the merger agreement and the effective time, unless Holdco gives its prior written approval (which cannot be unreasonably withheld, conditioned or delayed), our business and the business of our subsidiaries will be conducted in all material respects in the ordinary course, and we and our subsidiaries will use our commercially reasonable efforts to cause our businesses to preserve our business organizations substantially intact and maintain existing relations and goodwill with governmental entities, customers, suppliers, distributors, creditors, lessors, employees and business associates and keep available the services of our and our subsidiaries respective present officers, employees and agents.

Except as required by a governmental entity or applicable law, or pursuant to certain exceptions set forth in the merger agreement and the disclosure letter that we delivered in connection with the merger agreement, we will not, and we will not permit our subsidiaries to, take any of the following actions without Holdco s written approval (which cannot be unreasonably withheld, conditioned or delayed):

(1) make or propose changes to organizational documents;

(2) merge or consolidate the Company or its subsidiaries with any third party, or restructure, reorganize or completely or partially liquidate or otherwise enter into any agreements or arrangements imposing material changes or restrictions on the Company s or any of its subsidiaries assets, operations or businesses;

(3) acquire assets from any person with a fair market value or purchase price in excess of $12.5 million in the aggregate, other than acquisitions pursuant to any material contracts in effect as of the date of the merger agreement;

(4) issue, sell, pledge, dispose of, grant, transfer, encumber or enter into any contract with respect to the voting of any shares of capital stock, any Company equity awards or any securities convertible or exchangeable into or exercisable for any shares of such capital stock of the Company or any of its subsidiaries, subject to exceptions for the issuance of shares amongst wholly owned subsidiaries or in respect of any Company equity awards in accordance with their terms and the stock plans;

(5) create or incur any encumbrance (other than permitted encumbrances) that is material to the Company on any of its or its subsidiaries assets, rights or properties;

(6) make any loans, advances, guarantees or capital contributions to or investments in any third party in excess of $5 million in the aggregate;

(7) make any loans or advances to, or guarantees for the benefit of, or enter into any other material transaction with any current or former employee, director or independent contractor of the Company, other than advances for business, travel-related, relocation or other similar expenses in accordance with currently existing Company policy;

(8) declare, set aside, make or pay any dividend or other distribution or enter into any agreement with respect to the voting of its or its subsidiaries capital stock;

(9) reclassify, split, combine, subdivide or amend the terms of, or redeem, purchase or otherwise acquire, any of its or its subsidiaries capital stock or securities convertible or exchangeable into or exercisable for shares of such capital stock, subject to certain exceptions in connection with outstanding Company equity awards;

(10) incur any indebtedness, other than indebtedness for borrowed money incurred for working capital purposes or otherwise incurred in the ordinary course under the Company s revolving credit facility, indebtedness for borrowed money not in excess of $10 million in the aggregate, guarantees of indebtedness of the Company s wholly owned subsidiaries or indebtedness incurred under the credit facilities of the Company or any of its subsidiaries in effect as of the

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date of the merger agreement incurred to fund any actions expressly permitted under the merger agreement prior to the effective time;

(11) except as set forth in the Company s capital budget, make or authorize any capital expenditures or any related liabilities in excess of $5 million in the aggregate during any fiscal quarter;

(12) other than in the ordinary course and subject to certain exceptions, enter into, amend, modify, supplement, waive, terminate, assign, convey, encumber or otherwise transfer, in whole or in part, rights or interests pursuant to any material contract;

(13) settle or compromise any proceeding against the Company or any of its subsidiaries that requires payments by the Company or any of its subsidiaries in excess of $3 million individually or $6 million in the aggregate, net of applicable insurance proceeds, or on a basis that would (A) prevent or materially delay consummation of the transactions contemplated by the merger agreement, or (B) result in the imposition of any term or condition that would materially restrict the future activity or conduct of the Company or its subsidiaries or a finding or admission of a criminal violation of law;

(14) make any changes with respect to accounting policies or principles, except as required by GAAP;

(15) except in the ordinary course, (A) make, change or revoke any material tax election, (B) adopt or change any material tax accounting method, (C) file any amended tax return with respect to any material tax, (D) enter into any closing agreement with respect to any material taxes, (E) settle any material tax claim, audit, assessment or dispute, (F) surrender any right to claim a refund of a material amount of taxes or (G) consent to any extension or waiver of any limitation period with respect to any material tax claim or assessment;

(16) transfer, sell, lease, license, divest, cancel, mortgage, pledge, surrender, encumber, abandon or allow to lapse or expire or otherwise dispose of any material assets, rights, properties, product lines or businesses, subject to certain customary exceptions;

(17) except as required by any company benefit plan, or as otherwise required by applicable law: (A) grant or provide any severance or termination payments or benefits to any current or former employee, director, officer or independent contractor (who is a natural person) of the Company or any of its subsidiaries, except for ordinary course payments to employees other than executive officers; (B) increase the compensation or benefits payable to any current or former director, officer, employee or independent contractor of the Company or any of its subsidiaries (except for increases in the ordinary course of business for employees other than executive officers whose annual compensation is less than $225,000 and payments of bonuses in the ordinary course of business for completed periods based on actual performance); (C) establish, adopt, amend, renew, announce or terminate any Company benefit plan, except for amendments in the ordinary course of business that do not materially increase the expense of maintaining such plan; (D) take any action to accelerate the vesting or payment, or fund or in any other way secure the payment, of compensation or benefits under any Company benefit plan, other than to the extent required by such Company benefit plan;

(E) grant any new awards or amend or modify the terms of any outstanding awards; (F) change any actuarial or other assumptions used to calculate funding obligations under any Company benefit plan that is required by applicable law to be funded or to change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as required by GAAP; (G) forgive or issue any loans to directors, officers or employees of the Company or any of its subsidiaries (except for loans made in the ordinary course of business consistent with past practice and not in excess of $100,000 individually or $500,000 in the aggregate); (H) hire any employee or independent contractor with an annual

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salary or wage rate or consulting fees in excess of $200,000 (other than employees hired to fill open positions existing as of April 9, 2018 or to replace employees whose employment has terminated following the date of the merger agreement); or (I) terminate the employment of any executive officer other than for cause or permanent disability;

(18) recognize any union, works council or other labor organization as the representative of any employees of the Company or any of its subsidiaries, or enter into any labor agreement, in each case, except as required by applicable law;

(19) implement or announce any employee layoffs or location closings, other than in the ordinary course;

(20) enter into any contract which contains a change in control or similar provision that would be triggered in connection with the merger;

(21) other than in the ordinary course, enter into, amend or modify in any material respect, or extend, renew or terminate any lease, sublease, license or other agreement for the use or occupancy of any real property; or

(22) agree, authorize or commit to do any of the foregoing.

The merger agreement is not intended to give Holdco or Merger Sub, directly or indirectly, the right to control or direct our or our subsidiaries operations prior to the effective time. Prior to the effective time, each of Holdco and the Company will exercise, consistent with the terms and conditions of the merger agreement, control and supervision over their respective businesses.

Go-Shop; Acquisition Proposals; Change in Recommendation

During the period beginning on the date of the merger agreement and continuing until 11:59 p.m. (California Time) on May 24, 2018, which we refer to as the go-shop period, the Company and its subsidiaries and their representatives have the right to:

i) initiate, solicit, facilitate, propose, encourage, whether publicly or otherwise, or take any action to facilitate any inquiry or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an acquisition proposal;

ii) engage in, continue or otherwise participate in any discussions with or negotiations relating to any acquisition proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an acquisition proposal;

iii) provide any information to any person in connection with any acquisition proposal or any proposal or offer that would reasonably be expected to lead to an acquisition proposal; and

iv) otherwise facilitate any effort or attempt to make an acquisition proposal.

Beginning at 12:00 a.m. (California Time) on May 25, 2018 until the earlier of the effective time and the termination of the merger agreement, the Company must cease and may not engage in any of the actions permitted during the go-shop period. However, prior to obtaining stockholder approval of the proposal to adopt the merger agreement, in response to an unsolicited written acquisition proposal that the Board believes in good faith is *bona fide* and which the Board, after consulting with its outside legal counsel and financial advisor, has determined (A) constitutes a superior proposal or would reasonably be expected to constitute a superior proposal and (B) that the failure to take action would be inconsistent with the directors fiduciary duties under applicable law, the Company may:

i) provide information (including non-public information regarding the Company or any of its subsidiaries) to the person who has made such acquisition proposal; provided that such information has previously been made available to Holdco or its representatives or is made

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available to Holdco promptly (and in any event within 24 hours) after such information is made available to such person and that, prior to furnishing any such information, the Company receives from the person making such acquisition proposal an executed confidentiality agreement with terms no more favorable in any material respect, individually or in the aggregate, to the other party than those contained in the confidentiality agreement between the Company and Francisco Partners; and

ii) participate in any discussions or negotiations with any such person regarding the acquisition proposal.

Except as permitted by the terms of the merger agreement described below, we have agreed that the Board and each committee of the Board will not:

i) withhold, withdraw, qualify or modify (or publicly propose or resolve to take such actions) its recommendation that the stockholders adopt the merger agreement, which we refer to as the Company recommendation, in a manner adverse to Holdco;

ii) fail to include the Company recommendation in the proxy statement;

iii) take any action or make any recommendation or public statement in connection with a tender offer or exchange offer other than an unequivocal recommendation against such offer or a temporary stop, look and listen communication by the Board of the type contemplated by Rule 14d-9(f) under the Exchange Act in which the Board or the Company indicates that the Board has not changed the Company recommendation;

iv) if reasonably requested in writing by Holdco in a timely manner, fail to reaffirm the Company recommendation within three (3) business days prior to the special meeting;

v) approve or recommend, or publicly declare advisable or publicly propose to enter into, an alternative acquisition agreement with respect to an acquisition proposal (we refer to any of the actions set forth in the foregoing clauses (i) through (v) as a change of recommendation); or

vi) cause or permit the Company to enter into an alternative acquisition agreement.

Notwithstanding the foregoing, prior to obtaining stockholder approval of the proposal to adopt the merger agreement, the Board may:

i) effect a change of recommendation, if:

(1) (A) a written acquisition proposal that the Board believes in good faith is *bona fide* and that did not arise from or in connection with a breach of the provisions under the merger agreement relating to the solicitation of acquisition proposals is received by the Company and not withdrawn, and the Board

determines in good faith, after consultation with outside legal counsel and its financial advisor, that such acquisition proposal constitutes a superior proposal or (B) an intervening event has occurred; and

(2) the Board determines in good faith, after consultation with outside legal counsel and its financial advisor, that failure to take such action in response to such superior proposal or intervening event, as applicable, would be inconsistent with the directors fiduciary duties under applicable law; or

ii) take action to terminate the merger agreement to enter into an alternative acquisition agreement in connection with a superior proposal if the Board determines in good faith, after consultation with outside legal counsel and its financial advisor, that failure to take such action would be inconsistent with the directors fiduciary duties under applicable law.

However, a change of recommendation in response to a superior proposal or intervening event or action to terminate the merger agreement may not be made until the Company has given Holdco

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written notice of such action, which we refer to as the initial notice, five (5) business days in advance, setting forth in writing that the Board intends to consider whether to take such action and a description of the superior proposal or intervening event, as applicable. During such five (5) business day period, the Company and its representatives must negotiate with Holdco (to the extent Holdco wishes to negotiate) to make any revisions to the terms of the merger agreement as would permit the Board to not effect a change of recommendation or terminate the merger agreement. Any material amendment to any acquisition proposal will be deemed to be a new acquisition proposal, except that the obligation to give advance written notice and negotiate with respect to the amendment is reduced to three (3) business days. Only if following such negotiations the Board determines in good faith that (a) in the case of a superior proposal, the superior proposal would continue to constitute a superior proposal, and (b) in the case of an intervening event, the failure to effect a change of recommendation in response to such intervening event would be inconsistent with the directors fiduciary duties under applicable law, in each case, is the Board permitted to effect such change of recommendation or terminate the merger agreement, as applicable.

An acquisition proposal means (a) any proposal, offer, inquiry or indication of interest relating to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, spin-off, share exchange, business combination or similar transaction involving the Company or any of its subsidiaries pursuant to which the stockholders immediately prior to the consummation of such transaction hold less than 80% of each class of outstanding voting and equity interests of the resulting or surviving entity or (b) any acquisition by any person or group resulting in, or any proposal, offer, inquiry or indication of interest that if consummated would result in, any person or group becoming the beneficial owner of, directly or indirectly, in one or a series of related transactions, more than 20% or more of the total voting power or of any class of equity securities of the Company, or more than 20% of the consolidated net revenues, net income or total assets of the Company, in each case other than the transactions contemplated by the merger agreement.

An intervening event means any effect occurring after the date of the merger agreement that was not known to, or reasonably foreseeable by, the Board prior to execution of the merger agreement, that becomes known to the Board after execution of the merger agreement and prior to approval by the stockholders; provided, that none of the following will constitute an intervening event: (i) the receipt, existence or terms of an acquisition proposal or any matter relating thereto or (ii) changes in the stock price of the common stock (it being understood that any underlying cause of such changes may be taken into account for purposes of determining whether an intervening event has occurred).

A superior proposal means a *bona fide* written acquisition proposal that would result in a person or group, other than Holdco or any of its subsidiaries or controlled affiliates, becoming the beneficial owner of, directly or indirectly, more than 50% of the total voting power of the equity securities of the Company (or of the surviving entity in a merger involving the Company, as applicable) or more than 50% of the consolidated net revenues, net income or total assets of the Company that the Board has determined in good faith after consultation with outside legal counsel and its financial advisor that is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financial aspects of the proposal, the identity of the person(s) making the proposal, the sources of and terms of any financing, financing market conditions, and the timing of such consummation, and if consummated, would result in a transaction more favorable to the stockholders from a financial point of view, than the merger after taking into account any revisions to the terms of the merger agreement.

Stockholders Meeting

We are required to take all action necessary to convene and hold a meeting of our stockholders as promptly as reasonably practicable after the execution of the merger agreement, and in any event no

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later than thirty (30) days after the filing of the definitive proxy statement to consider and vote upon the approval of adoption of the merger agreement (but in no event will such meeting be required to be held prior to five (5) business days following the expiration of the go-shop period). We may not postpone or adjourn the special meeting except (A) if there are not holders of a sufficient number of shares of common stock present or represented by proxy at the special meeting to constitute a quorum, (B) if the Company is required to postpone or adjourn the special meeting by applicable law, order of a governmental entity or a request from the SEC or its staff or (C) if there has been a change of recommendation and the Board has determined in good faith (after consultation with outside legal counsel) that it is necessary or appropriate to postpone or adjourn the special meeting in order to give the stockholders sufficient time to evaluate any information or disclosure that the Company has made available to such stockholders, in which case the Company may postpone or adjourn the special meeting one (1) time, but only for such period as the Board has determined in good faith (after consultation with outside legal counsel) is necessary or appropriate to give the stockholders sufficient time to evaluate such information or disclosure, which in any event may not exceed five (5) business days. Unless the Board has made a change of recommendation as specifically permitted by the merger agreement (described under The Merger Agreement Go-Shop; Acquisition Proposals; Change in Recommendation beginning on page [ ]), the Board will recommend the adoption of the merger agreement and take all lawful action to solicit the adoption of the merger agreement.

Cooperation; Efforts to Consummate

We and Holdco will cooperate with each other and use (and cause our respective subsidiaries to use) our respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable to satisfy the conditions to closing described under The Merger Agreement Conditions to the Merger beginning on page [ ] and to consummate and make effective the merger and the other transactions contemplated by the merger agreement as soon as practicable, including preparing and filing as promptly as reasonably practicable all documentation to effect all necessary applications, notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party or any governmental entity in order to consummate the transactions contemplated by the merger agreement. However, the Company is not required to proffer or agree to incur any liabilities or make any sale, divestiture, license disposition or holding separate of, or any other limitation with respect to existing relationships, contracts, assets, product lines or businesses or interests therein of the Company or any of its subsidiaries, unless the effectiveness of such action is conditioned upon the closing.

Subject to applicable laws and the terms and conditions set forth in the merger agreement, we and Holdco:

i) have agreed to furnish each other, upon request, with all information concerning ourselves and our respective subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of Holdco, the Company or any of our respective subsidiaries to any third party or any governmental entity in connection with the transactions contemplated by the merger agreement;

ii) will each have the right to review in advance and, to the extent reasonably practicable, will each consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to the other and its respective subsidiaries and/or affiliates that appears in any filing made with, or written materials submitted to, any third party or any governmental entity in connection with the transactions contemplated by the merger agreement; and

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iii) have agreed that neither the Company nor Holdco may permit any of their respective representatives to participate in any meeting or discussion with any governmental entity in respect of any filing, investigation or other inquiry relating to the transactions contemplated by the merger agreement unless it consults with the other party in advance and, unless prohibited by such governmental entity, gives the other party the opportunity to attend and participate.

Holdco is primarily responsible for directing the process by which the parties will seek to avoid or eliminate impediments under any applicable antitrust or competition laws in the United States and will take the lead in and control all communications with federal, state, local or foreign judiciary or governmental entities with jurisdiction over enforcement of any applicable antitrust law, which we refer to as governmental antitrust entities, subject to good faith consultations with the Company. We and Holdco have also agreed to keep each other apprised of the status of matters relating to completion of the merger.

In addition, each of the Company (with respect to (i) and (iv) below) and Holdco agrees to take or cause to be taken the following actions:

i) promptly provide all non-privileged information and documents requested by any governmental antitrust entity or that are necessary, proper or advisable to permit consummation of the transactions contemplated by the merger agreement;

ii) promptly use its reasonable best efforts to take all reasonably necessary, proper or advisable steps to avoid the entry of, and resist, vacate, modify, reverse, suspend, prevent, eliminate or remove any injunction or other order, decree, decision, determination or judgment entered or issued, or that becomes reasonably foreseeable, in any proceeding or inquiry of any kind, that would reasonably be expected to delay, restrain, prevent, enjoin or otherwise prohibit or make unlawful the consummation of the transactions contemplated by the merger agreement, including the defense through litigation on the merits of any claim asserted by any person seeking to delay, restrain or prohibit consummation of the transactions contemplated by the merger agreement, and the proffer and agreement by Holdco of, and prompt action to effect, the sale, lease, license, disposal and holding separate of, assets, operations, rights, product lines, licenses, businesses or interests therein of the Company, Holdco, either of their respective subsidiaries or, with respect to Holdco, its other affiliates, in each case contingent upon the consummation of the merger, if such action is reasonably necessary, proper or advisable so as to permit the consummation of the transactions contemplated by the merger agreement as promptly as practicable;

iii) promptly use its reasonable best efforts to take, in the event that any injunction, decision, order, judgment, determination, decree or law is entered, issued or enacted, or becomes reasonably foreseeable, in any proceeding, review or inquiry of any kind that would make consummation of the transactions contemplated by the merger agreement unlawful or that would delay, restrain or otherwise prohibit consummation, any and all steps as may be necessary or appropriate to resist, vacate, modify, reverse, suspend, prevent, eliminate, avoid or remove such actual, anticipated or threatened injunction, decision, order, judgment, determination, decree or enactment so as to permit such consummation on a schedule as close as possible to that contemplated by the merger agreement;

iv)