This 3DAdvisors Report Covers:
✓ **Insider Trading**: Insider Trading Behavior
✓ **Accounting**: Quality of Earnings Issues
✓ **Governance:** Corporate Governance Issues

Doubts About Acquisition; Insiders Keep Selling VeriFone Holdings Inc. (NYSE:PAY)

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Contact: Bob Gabele (954) 779-3974 or bgabele@3DAdvisors.com

Business Description

VeriFone Holdings Inc. engages in the design, marketing, and service of transaction automation systems that enable electronic payments between consumers, merchants, and financial institutions. In addition, the company offers a range of client services and customized application development services. Its customers include financial institutions, payment processors, petroleum companies, retailers, government organizations, and healthcare companies, as well as independent sales organizations in North America, Europe, the Middle East, Africa, Asia/Pacific, and Latin America. The company was incorporated in 1981 and is based in San Jose, California.

Key Statistics

Sector:	Last Close:	Market Cap:	Avg Vol (3m):
Consumer Goods	**$36.41**	**$3.02B**	**1,426,820**
Industry:	52 Wk Range:	Trailing P/E:	Shrs Out:
Business Equipment	**$27.20-$42.72**	**80.55**	**82.97M**
F/T Employees:	FYE:	Forward P/E:	Short % of Float:
1,306	**31-Oct**	**19.47**	**8.70%**

Summary of 3DAdvisors Findings for PAY

- **Fundamentals:** Lipman deal widely praised, but risks seem understated
- **Governance:** Firing of key executive following acquisition suggests more risks
- **Fundamentals:** Could largest customer become big competitor?
- **Insider Trading:** Insiders continue to reduce exposure to shares
- **Accounting:** Inventory issues are worth monitoring closely
- **Accounting:** Revenue recognition and revenue timing remain issues
- **Accounting:** Credit facility restrictions may affect CapEx
- **Accounting:** Suspect segment margins may help avoid impairment charges
- **Accounting:** Miscellaneous noteworthy items

Discussion of 3DAdvisors Findings for PAY

There have been a number of occasions where insider behavior, both during and after a major acquisition, has tipped us off to issues yet to be discounted by the share price of the acquiring company. To wit, we point to the acquisition of Ocular Sciences by Cooper Companies in January of 2005, the November 2005 Sprint/Nextel deal and the Symantec/Veritas deal of January 2005 to name a few. In each of these instances, the trading behavior of key executives provided clear signals that there were underlying but hidden problems following each acquisition which ultimately led to extreme volatility and loss of market value. After reviewing various behavioral and fundamental issues at VeriFone following its November 2006 acquisition of Lipman Electronic Engineering Ltd. ("Lipman"), we cannot help but get a strong feeling of déjà vu and that significant issues have yet to be reflected in the price of PAY shares.

Many of the ingredients are here: VeriFone's post-deal burden of heavy debt, interesting integration surprises involving revenue recognition and timing practices of the acquired company, the emergence of VeriFone's biggest customer as a potential competitor, apparent dissention amongst VeriFone's ranks, bulging inventories and indications of write-downs to come. Wrap this around an insider culture which seems to be increasingly more attracted to cash than commitment to its share holdings and we get a classic situation where the bullish management-speak and sell-side expectations are at odds with management trading and accounting behavior and fundamental reality.

<u>Fundamentals: Lipman deal widely praised, but risks seem understated</u>

With terms such as "de facto incumbent" used by some to describe VeriFone's market position after the Lipman deal, analysts, in our view, seem just a little too willing to downplay associated risks that have entered the picture. It's difficult to call the deal "cheap" with VeriFone paying $345 million in cash, $418 million in stock (13.5 million VeriFone shares) and $25 million in transaction costs. All in all, the $800 million purchase price caused VeriFone to tack on over $300 million in debt and $500 million in Goodwill (Goodwill is now almost equivalent to Total Shareholders' Equity). Looking into Lipman's financials (S-4 Registration Combination Statement, dated 07/09/06), it becomes evident that Lipman was not exactly a big profit machine. In fact, it seems that Lipman-related interest expense will eat into the majority of the net income that the deal would bring to the table: Lipman reported operating income of $26.5 million and $8.5 million for F/Y 2005 and three months ended 03/31/06, respectively. VeriFone's Lipman-related interest expense, however, has risen $12 million for the six months ended 04/30/07.

While the Lipman acquisition enhances VeriFone's revenues and market share, it is difficult to say that there is much impact on its bottom line. So we are, again, left to wonder whether the risks of the deal might outweigh potential strategic advantages to VeriFone. One of the first integration matters to surface, for instance, was a $4 million "whoops" in revenue recognition when two Lipman sales, one in Turkey and one in Israel, were pushed from Q2 to Q3 because of a "revenue glitch in our international operations" (VeriFone Q2 conference call). VeriFone CEO **Douglas Bergeron** was, understandably, quick to downplay this event as a non-systemic risk adding that "we found a number of orders in the post-quarter review that weren't up to full mustard according to VeriFone revenue recognition". Perhaps it is not clear, but certainly somewhat evident, that there may be a risk of other such issues related to Lipman's revenue recognition practices which seem to have been a bit looser than those practiced by its new parent.

Revenue recognition was not the only problem that VeriFone's due-diligence failed to identify prior to the Lipman deal. In Brazil, two of VeriFone's acquired Brazilian subsidiaries were notified of tax assessments regarding Brazilian customs penalties totaling $12.4 million, excluding interest. Brazilian interest rates are among the world's highest. VeriFone CFO **Barry Zwarenstein** referred to this as something that did "come out of the woodwork in Brazil that we were not expecting". Whether this implies other controls issues are in play at former Lipman entities remains to be seen.

What is evident at this time is that integration expense from the Lipman deal is well-above plan currently. Initially forecasted at $3.4 million for Q2, these came in at $6.6 million for the period. The first of the two major contributors was a review of operational performance of Lipman entities "to ensure that we have in place controls which are consistent with those that we have historically applied to our operations". The second was expenses incurred to produce documents in response to the Department of Justice inquiry related to VeriFone and Lipman's integration plans and communication with Lipman prior to the acquisition's completion. VeriFone continues to provide little detail concerning this investigation. The Company estimates integration expense to run between $2.5 million and $3.5 million for Q3 of 2007 but cautions that the DOJ inquiry makes this "difficult to forecast".

Governance: Firing of key executive following acquisition suggests more risks

A recent situation, understandably downplayed by VeriFone, is the sudden "termination" of long-time executive **William Atkinson** who was V.P., Payment Systems. On July 18th VeriFone issued a press release announcing it had terminated his employment for allegedly soliciting peers to join a competitor. Outside of the information provided by the Company we know very little at this time, including the competitor in question. On the surface his actions and the resulting termination seem quite significant. Atkinson, along with other key VeriFone executives, has a close relationship with CEO Bergeron that dates back to their years working together (1990s) at SunGuard Data Systems. Some even tabbed Atkinson as a future Bergeron successor. The Company claimed the departure will have no impact on its performance but Atkinson oversaw some of VeriFone's foremost operations and had increasing responsibilities following the Lipman acquisition. This also brings into question the stability of the senior ranks in the aftermath of the acquisition due to the resulting repositioning of certain officers. We note that Atkinson had sold 45% of his ownership since January.

Fundamentals: Could largest customer become big competitor?

It is common knowledge that First Data Corp. (FDC), responsible for 12% of VeriFone's revenues, is the Company's biggest customer. It is also common knowledge that FDC is in the process of being acquired by KKR, posing interesting risks should the new owners, assuming the deal is consummated, decide to shake things up. Most interesting to us is the fact that FDC has entered the market with its own POS terminal (FD-100) and seems to be positioned to compete with VeriFone at the very least with regards to that 12% piece of revenue it pays to VeriFone as it can now push its merchant sales towards its own hardware. Though FDC says it has no plans to penetrate the hardware market, Bergeron, in his own inimitable way, may not have helped matters with his rather blunt comments when asked about competition: in one case (VeriFone's Q1 conference call) he referred to the FDC initiative as a "Science Project"[bolding is ours] :

> **"No, we really did not see any noticeable impact certainly from Hypercom or Ingenico and we even tried to dig deep with this First Data science project affecting it all and we couldn't get any reasonable comfort that that was impactful."**

When asked, during the Q2 conference call, about the impact of FDC's new terminal, Bergeron again said the effect was insignificant as it is a "low-end terminal". At the same time, however, he acknowledged that FDC had "other investments" they are moving through their channels. One of these most likely is its latest POS terminal (FD-300), which has enhanced capabilities over the FD-100, including multi-language capability and is Wi-Fi enabled. We note the multi-language and wireless capability specifically because of the FD-300's ability to compete with VeriFone for international sales which it states are keys for future growth.

When speaking of international expansion, competitive pressures are quite evident. It is no secret that international sales carry lower margins than those in North America. Breaking into new developing markets exacerbates the situation. When asked about this during the Q2 conference call, we found Bergeron's response interesting:

> **Analyst:** I know in the past you guys have been very clear about a large deal in the developing country like India could have a negative impact on margins which makes sense; are there any large chunky deals in the near-term pipeline that we should think about?
>
> **Doug Bergeron** [Chairman, CEO]: We manage this fairly closely, so, yes, there is a number of good opportunities in the early stages of development in some of these emerging markets that will require us to make gross margin investment in but we carefully and we will continue to be careful in being able to mix this with our accelerating wireless sales, so hopefully it all blends together.

It will be important to monitor whether VeriFone's "Gross Margin Investments" will find themselves on the rise in future periods.

Insider Trading: Insiders continue to reduce exposure to shares

Despite VeriFone shares only having traded for just over two years now, we are already struck by how extensive the insider selling has been, not to mention the apparent latitude given by the board, enabling executives to steadfastly diversify their ownership. Insiders have used a variety of Company sponsored stock offerings and personal sales plans to cloak, what has proven to be, unrelenting profit taking since the first day the issue appeared on the market. The earliest sales came from two executives who sold nearly 300,000 shares into the initial public offering. We concede that this, in itself, is not that uncommon an occurrence; however the next assemblage of trades came shortly thereafter, before the conclusion of the underwriter's 180-day lock-up period associated with the IPO. The Company sponsored a secondary offering in September 2005, just three months after the IPO, which five of the six Section 16 filing executives participated in, collectively disposing of 2.2 million shares. That they took advantage of a secondary to circumvent the IPO lock-up established, at the earliest stage, their profit taking deportment, and this was only the beginning.

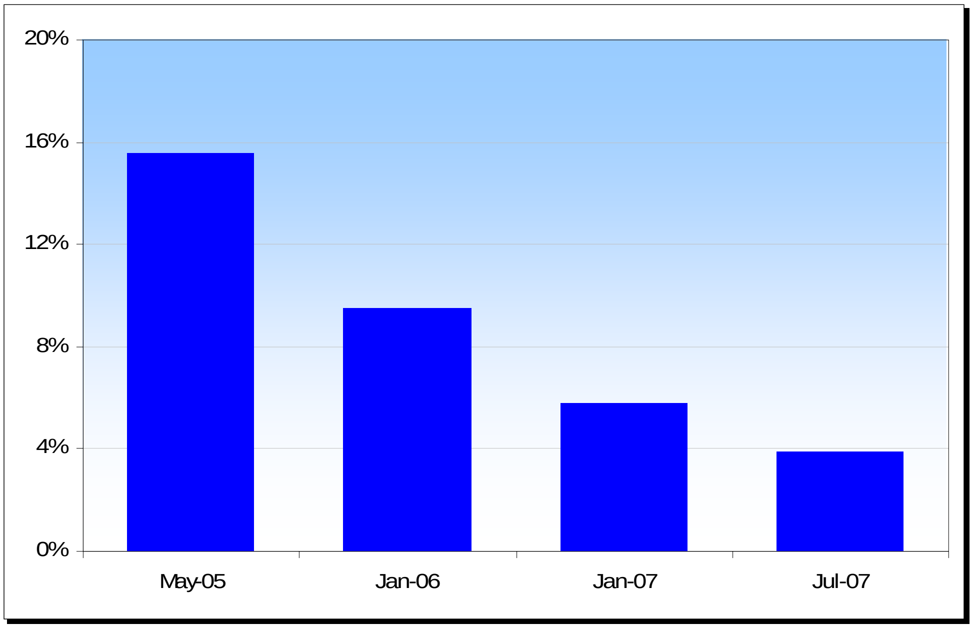
Days after the September 2005 secondary, all six of the registered officers adopted 10b5-1 trading plans. Since these plans were entered into during the 90 day lock-up period from the second stock offering, insiders were not permitted to begin trading under the plans until the conclusion of the restricted period, but they all surfaced immediately (first or third business day) afterwards and by the first week of December 2006, *another* 1.4 million shares changed hands. Seemingly in order to continue their profit taking into 2007 without interruption, new trading plans were adopted across the board. Under these new plans there have already been 1.9 million shares sold, establishing a pace for this year's volume to double the amount distributed in 2006. Interesting to us is the fact that after PAY shares peaked at $42 in February, the sales continued during a four month downturn that carried the issue to a YTD low of $32 in June. This could imply the officers opted not to stipulate a floor price in any of these 10b5-1 plans, possibly suggesting their intention to get out of shares without regard to price.

Executive	Position	Reduction Since IPO	Reduction YTD
D. Bergeron	Chairman, CEO	66%	35%
J. Adams	Vice Chairman (exec)	70%	50%
W. Atkinson [1]	Executive V.P.	55%	45%
D. Turnbull	Executive V.P.	60%	--
I. Angel	Executive V.P.	-- [2]	50%
E. Waller	Executive V.P.	30%	30%

[1] William Atkinson's employment was terminated on July 18, 2007
[2] Isaac Angel joined the Company in November 2006

As mentioned, there has been a noticeable acceleration in selling volume since the second trading plans were commenced. For example, Chairman, CEO Douglas Bergeron has doubled his monthly distributions this year, while CFO Barry Zwarenstein sells three times more each month than he had throughout 2006. The sales have cut deeply into their ownership positions since the IPO (see table above). With the rate of shares being sold outpacing the number of new options becoming actionable each quarter, the holdings levels will only continue to decline for as long as the sales plans are in effect. Investors previously fond of VeriFone for its high level of insider ownership should take notice their exposure has changed dramatically. Figure 1 below illustrates the steady decline in the holdings of VeriFone's officers and directors.

Figure 1. Beneficial Ownership of VeriFone Officers and Directors as a Percentage of Total Shares Outstanding. Source: PAY SEC Filings.



Also entering into the picture is VeriFone's largest institutional stockholder, private equity firm GTCR of Chicago, Illinois. GTCR funded the Company's July 2002 recapitalization, for which it received 38 million shares, a controlling stake of 68%. They currently control two board seats. The firm quickly shed 12 million shares into the two 2005 offerings and another 12 million since, including the 3.5 million sold on June 25th. The timing of this sale is very interesting as it was executed just after the shares began to rebound off the 2007 low, but well off the high established a few months earlier. Based on their impatience to wait for an extension of the rebound, we wonder if GTCR has concerns they might not see another opportunity to sell in the $40 range in the near term. In the past year GTCR investment funds sold off more than 40% of their PAY holdings, which is notable because they have yet to sell any of the other three publicly traded companies they have sizeable positions in. Two of these companies, Prestige Brands (NYSE: PBH) and Coinmach Service (AMEX: DRA) have performed as well or better than VeriFone over the past 52 weeks.

- **Douglas Bergeron (46)** – Chairman, Chief Executive Officer. Bergeron has undertaken an aggressive diversification campaign that began when he first sold 1.8 million shares in the September 2005 secondary offering and another 2.5 million shares since for a total pre-tax profit of $122 million. **His ownership is now down nearly 70% over the past two years**. This has been achieved under the guise of Rule 10b5, as he is now trading under his second plan, adopted in December 2006. Clearly, he has accelerated the divestitures under the new plan, as he sold 95,000 shares per month under the first plan in 2006 and is averaging 195,000 per month this year. With very little derivative equity at his disposal, the shares have been coming out of a family trust, which was replenished in June with shares formerly held in a trust for the benefit of his children. The shares entrusted to his kids went untouched for the past few years, so this is a very telling development in itself.

Bergeron will have fewer than 100,000 options vest by the end of 2008 (see Appendix A).

- **Jesse Adams (55)** – Vice Chairman. Adams joined the Company in July 2001 and oversaw all North America sales until the 2006 Lipman acquisition, at which time he transitioned to a new managerial role. Though his current job responsibilities are ambiguous, his personal trading strategy is quite clear, as he has now **shed nearly 50% of his ownership this year alone**. Adams first sold in a September 2005 secondary offering and, immediately after the associated lock-up period, began selling under his first of two 10b5-1 plans. His monthly sales have been unbalanced, disposing of 7,000 to 21,000 shares per month, resulting in the divestiture of the majority of his vested derivative equity. He will have 36,000 options become actionable over the next 52 weeks, about one-fourth the amount he has sold in the past year (see Appendix A).

- **Isaac Angel (50)** – Executive V.P., Global Operations. Angel was the Lipman chief before the November 2006 acquisition and now serves as a named VeriFone officer. His Lipman equity was converted to 590,000 partially vested PAY options, which he has already begun monetizing. Since February he has sold 15,000 shares per month, **accounting for 50% of his actionable ownership**. He currently does not have any direct ownership (common stock), but will have 97,000 options vest in the fourth quarter (see Appendix A).

- **Elmore "Bud" Waller (57)** – Executive V.P., Integrated Solutions. Waller is one of VeriFone's most tenured officers, having joined the Company in 1986. He oversees the Petroleum Systems, Multi-Lane, and software systems groups. Waller is one of only a few individuals who sold into the May 2005 IPO and September 2005 secondary offering, and has since traded under a 10b5-1 plan adopted two years ago. Under this plan he had sold no more than 10,000 shares per month through February, but increased his dispositions recently, selling 20,000 shares in both June and July. **The 60,000 he has sold year to date accounted for 45% of his holdings**. If he continues selling at this pace, he will burn through his remaining ownership in the next five months, which takes into account the 30,000 options he will vest in by Q108 (see Appendix A).

<u>Accounting: Inventory issues are worth monitoring closely</u>

In the post-Lipman environment, VeriFone's inventory has expanded dramatically. From $87 million at F/Y end (10/31/06) these swelled to $125 million by the end of Q2 (03/31/07) having taken on $65 million in the Lipman deal; this after reductions of $46 million during the six-month period. By the Company's estimates, inventories are targeted to fluctuate between $120 and $150 million for the remainder of 2007.

An interesting component of VeriFone's inventory picture is an undisclosed amount of "non-PCI compliant" products that will be rendered obsolete by the end of 2007. This is a result of new security standards, introduced by the major credit card associations. These Payment Card Industry (PCI) specifications are for the certification of electronic payment systems for secure debit transactions. The new set of standards must be met by 12/31/07. VeriFone discloses that a "significant" portion of its gross finished goods consists of non-PCI compliant products. At the same time, however, the Company states that it believes it does not have a material exposure. Whatever the case, VeriFone is clearly telegraphing that a related inventory write-off is in the offing.

Accounting: Revenue recognition and revenue timing remain issues

We found the following comment by Bergeron to be quite revealing as he stated one of his Q1 goals to be to "materially improve the quality of revenue, the timing of revenue and the profitability of revenue from sales of [Lipman] Nurit products and services and to move these measures towards VeriFone's historical standards." This virtual admission of revenue recognition issues at Lipman was even more interesting in light of the fact that it was the *following* quarter when Lipman-related timing issues surfaced, pushing $4 million of Q2 revenues into Q3.

This causes us to wonder whether such issues may lurk within VeriFone itself. A disclosure in the S-4 registration statement (July, 2006) caught our eye [bolding is ours]:

> **"On several occasions since VeriFone's separation from Hewlett-Packard, VeriFone's independent registered public accounting firm has identified deficiencies in VeriFone's internal controls which rose to the level of material weakness. VeriFone cannot be certain that the measures it has taken will ensure that it will maintain adequate controls over its financial processes and reporting in the future."**

We found it interesting that this disclosure found itself changed by the time of the SEC Form 10-K, issued just four months later, this time omitting reference to past control issues:

> **"Our assessment, testing and evaluation resulted in our conclusion that as of October 31, 2006, our internal control over financial reporting was effective. However, our controls, nonetheless, may not prove to be adequate for the periods covered by that report and, in any event, we cannot predict the outcome of our testing in future periods."**

VeriFone recognizes revenue when product is shipped to customers. They can do this primarily because they offer no price protection and do not take returns. Revenue booking patterns, however, are interesting in that they surge at the end of each quarter. This trend is even more exacerbated following the acquisition of Lipman. One is left to wonder what kind of end-of-quarter concessions are offered in order to book sales at the end of each period.

The above becomes more complex when one realizes that a large majority of VeriFone customers take delivery of their POS terminals then virtually give them away as loss-leaders to merchants in order to secure their recurring monthly business. Any random check on eBay or Google looking for "free VeriFone terminal" will reveal hundreds of ISO's (Independent Sales Organizations) offering this deal to merchants who will sign up with them. If these ISOs are not getting paid for the equipment, they would be in a position to buy-in at times when the most attractive prices are made available to them. It would be apparent that this occurs prior to the close of each quarter. Consider this: in combination with the fact that First Data is out there as a new competitor, it is not out of the realm of possibility that VeriFone may be getting more aggressive at strategically timed price cutting in order to compete.

Having stated this, we point to one of the more interesting revenue recognition disclaimers that we've encountered (from VeriFone's 2006 SEC Form 10-K) [bolding is ours]:

> **"While the majority of our sales transactions contain standard business terms and conditions, there are some transactions that contain non-standard business terms and conditions. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting including: (1) whether an arrangement exists and what is included in the arrangement; (2) how the arrangement consideration should be allocated among the deliverables if there are multiple deliverables; (3) when to recognize net revenues on the deliverables; (4) whether undelivered elements are essential to the functionality of delivered elements; and (5) whether we have fair value for the undelivered element. In addition, our revenue recognition policy requires an assessment as to whether collectibility is probable, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing of revenue recognition."**

With 25% of N. American revenues coming from ISO's, who also make up the lion's share of Lipman's sales, opportunities for revenue and earnings management seem rife.

<u>Accounting: Credit facility restrictions may affect CapEx</u>

VeriFone's latest credit facility, entered into in October of 2006, consists of a $500 million loan facility and a $40 million revolver. The Company used the entire $500 million of the loan facility to pay off the previous credit arrangement and for Lipman. This facility is secured by "collateral including substantially all of the Company's assets and stock of the Company's securities." The covenants are quite restrictive, the most interesting to us being a $25 million limit on CapEx spending.

Historically the sum total of both VeriFone and Lipman's CapEx had never reached the $25 million level. One of the stated strategic goals of the Lipman acquisition, however, is to move much of VeriFone's out-sourced product manufacturing over to Lipman, which manufactures a significant portion of its own products. In order for this to come to fruition, it would seem that a significant investment in Lipman's facilities would be in the offing. This indeed is what seems to be occurring. During Lipman's final full year of operation, prior to its acquisition, it had invested $5.2 million in CapEx. VeriFone invested just $4.8 million for 2006, making a combined total of $10 million. During the first six months of 2007, however, VeriFone has invested $12.5 million in CapEx and seems to be on the way towards hitting that $25 million wall. It would seem that there is little wiggle room left in this area so critical towards achieving expected merger synergies.

Accounting: Suspect segment margins may help avoid impairment charges

VeriFone has two reporting segments, N. America and International, and does not allocate any corporate overhead to either of them. For instance, things such as material purchase price variances, inventory obsolescence, scrap rework, warranty costs, non-standard freight and over-and-under absorption of overhead as corporate costs are not allocated to either segment. The Company claims these cannot be allocated. This causes segment margin talk to be somewhat meaningless. In Q2, $126 million of corporate costs were not allocated to segments. This compared to $41 million for last year's same period. Given that much of Lipman's business is international, it would stand to reason that much of the increase, if allocated, would have gone to that segment (International). Sans allocation, International, which generates 58% of VeriFone's revenues but only 48% of gross segment income would not have been profitable for the first six months of 2007 as it only generated $74 million in segment income.

To say that it is not practicable to allocate these costs is not credible, in our view. Although this practice does not directly affect the bottom line, there very well may be a significant indirect effect. We say this because of the complexity with which VeriFone performs its annual impairment test. Though the Company has just two operating segments, it considers five reporting units when determining potential impairment [bolding is ours]:

> **"Based on how the business is managed, the Company has five reporting units. Goodwill was allocated to the reporting units based on their relative contributions to the Company's operating results. If the carrying value of a reporting unit is in excess of its fair value, an impairment may exist, and the Company must perform the second step of comparing the implied fair value of the goodwill to its carrying value to determine the impairment charge, if any."**

The allocation of so much of the Company's costs to corporate, VeriFone is able to show sufficient segment and unit profitability to potentially avoid what may have been impairment expense had many of the costs been, in fact, allocated.

Accounting: Miscellaneous noteworthy items

- **Stock-Based Compensation:** VeriFone significantly missed its guidance with regards to stock-based compensation expense in Q2. Originally forecasted to come in at $5.7 million for the quarter, the actual number was $11 million. CFO Zwarenstein said this was primarily due to "one time acceleration and an adjustment reflecting updates to our assumptions". He now forecasts this compensation expense to fall between $7 and $8 million for Q3. To this we note that VeriFone has been steadily lowering its volatility assumptions for its options. From 80% in 2004, they dropped to 58% in 2005 then again to 43% in 2006.

- **DSOs on the Rise:** The acquisition of Lipman brought along much international business which not only contributes to lower margins but also adds to DSOs. DSOs were running at the 64 to 65 day level prior to the deal and are most recently at 72 days. Though the Company has guided DSOs to this level, we are monitoring the situation.

Appendix A

Option and Restricted Stock Vesting Schedules for Selected VeriFone Holdings, Inc. Insiders

Grant Date	Equity Type	Options/ Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Jesse Adams, Vice Chairman (executive). Common stock holdings: 70,610 shares								
04/29/05	Options	125,000	$10.00	05/01/06	04/29/15	62,500	62,500	7,812 vest each quarter through 5/09
03/22/06	Options	40,000	$28.86	03/22/07	03/22/13	40,000	27,500	2,500 vest each quarter through 3/10
03/22/06	R. Stock	10,000	N/A	03/22/07	03/22/10	6,875	6,875	625 vest each quarter through 3/10
Isaac Angel, Executive V.P.-Global Operations. Common stock holdings: 101 shares								
10/21/05	Options	240,000	$9.30	10/21/05	10/28/08	150,000	60,000	10/21/07
04/10/06	Options	200,000	$28.52	04/10/08	04/10/13	200,000	200,000	50% vest in 4/08, 25% vest in 4/09 and 4/10
11/01/06	Options	150,000	$30.00	11/01/07	11/01/13	150,000	150,000	37,500 vest in 11/07, 9,375 vest each quarter after
William Atkinson, Executive V.P.-Payment Systems. Common stock holdings: 82,088 shares								
04/29/05	Options	125,000	$10.00	05/01/06	04/29/15	94,000	62,500	7,812 vest each quarter through 5/09
03/22/06	Options	40,000	$28.86	03/22/07	03/22/13	40,000	27,500	2,500 vest each quarter through 3/10
03/22/06	R. Stock	10,000	N/A	03/22/07	03/22/10	6,875	6,875	625 vest each quarter through 3/10
09/12/06	R. Stock	40,000	N/A	09/12/07	09/12/10	40,000	40,000	10,000 vest in 9/07, 2,500 vest each quarter after
Douglas Bergeron, Chairman, Chief Executive Officer. Common stock holdings: 2,196,638 shares								
03/22/06	Options	225,000	$28.86	03/22/07	03/22/13	225,000	154,688	14,062 vest each quarter through 3/10
03/22/06	R. Stock	40,000	N/A	03/22/07	03/22/10	27,500	27,500	2,500 vest each quarter through 3/10
Elmore Waller, Executive V.P.-Integrated Solutions. Common stock holdings: 27,840 shares								
05/01/03	Options	20,000	$3.05	07/01/03	05/01/13	2,000	0	Fully Vested
01/01/04	Options	10,000	$3.05	01/01/05	01/01/14	8,000	3,000	500 vest each quarter through 4/09
04/29/05	Options	125,000	$10.00	05/01/06	04/29/15	85,000	62,500	6,250 vest each quarter through 5/10
03/22/06	Options	40,000	$28.86	03/22/07	03/22/13	40,000	27,500	2,500 vest each quarter through 3/10
03/22/06	R. Stock	10,000	N/A	03/22/07	03/22/10	6,875	6,875	625 vest each quarter through 3/10
Barry Zwarenstein, Executive V.P., Chief Financial Officer. Common stock holdings: 2,007 shares								
07/01/04	Options	325,000	$3.28	07/01/05	07/01/14	223,500	130,000	16,250 vest each quarter through 7/09
04/29/05	Options	125,000	$10.00	05/01/06	04/29/15	70,313	62,500	6,250 vest each quarter through 5/10
03/22/06	Options	80,000	$28.86	03/22/07	03/22/13	80,000	55,000	5,000 vest each quarter through 3/10

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03/22/06	R. Stock	10,000	N/A	03/22/07	03/22/10	6,875	6,875	625 vest each quarter through 3/10
09/12/06	R. Stock	40,000	N/A	09/12/07	09/12/10	40,000	40,000	10,000 vest in 9/07, 2,500 vest each quarter after