

PharMerica CORP
Form 10-K
February 26, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to .

Commission File Number: 001-33380

PHARMERICA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

87-0792558

(I.R.S. Employer Identification No.)

1901 Campus Place

Louisville, KY

40299

(Address of Principal Executive Offices) (Zip Code)

(502) 627-7000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

N/A

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

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232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates as of June 30, 2015 was \$979,005,881.

Class of Common Stock	Outstanding at February 19, 2016
Common stock, \$0.01 par value	30,517,083

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates certain information by reference from registrant's definitive proxy statement for the 2016 annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2015.

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 FORM 10-K
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Part I

Item 1. Business

Overview

Formed in 2006, PharMerica Corporation (the "Corporation," "we," "us," or "our"), a Delaware Corporation, is an institutional pharmacy services company that services healthcare facilities, provides pharmacy management services to hospitals, provides specialty infusion services to patients outside a hospital setting, and offers the only national oncology pharmacy in the United States. The Corporation is the second largest institutional pharmacy services company in the United States based on revenues and customer licensed beds under contract, operating 94 institutional pharmacies, 17 specialty infusion centers and 5 specialty oncology pharmacies in 45 states. The Corporation's customers are typically institutional healthcare providers, such as skilled nursing facilities, assisted living facilities, hospitals, individuals receiving in-home care and patients with cancer.

Institutional Pharmacy Business

Our core business provides pharmacy products and services to residents and patients in skilled nursing facilities, nursing centers, assisted living facilities, hospitals, and other long-term alternative care settings. We purchase, repackage, and dispense prescription and non-prescription pharmaceuticals in accordance with physician orders and deliver such medication to healthcare facilities for administration to individual patients and residents. Depending on the specific location, we service healthcare facilities typically within a radius of 120 miles or less of our pharmacy locations at least once each day. We provide 24-hour, seven-day per week on-call pharmacist services for emergency dispensing, delivery, and/or consultation with the facility's staff or the resident's attending physician. We also provide various supplemental healthcare services that complement our institutional pharmacy services.

We offer prescription and non-prescription pharmaceuticals to our customers through unit dose or modified unit dose packaging, dispensing, and delivery systems, typically in a 14 to 30 day supply. Unit dose medications are packaged for dispensing in individual doses as compared to bulk packaging used by most retail pharmacies. The customers we serve prefer the unit dose delivery system over the bulk delivery system employed by retail pharmacies because it improves control over the storage and ordering of drugs and reduces errors in drug administration in healthcare facilities. Nursing staff in our customers' facilities administer the pharmaceuticals to individual patients and residents. The Corporation also utilizes an on-site dispensing system, with real time data transfer between the system and the Corporation, which provides timely medication administration in emergency and first dose situations. We also offer clinical pharmacy programs that encompass a wide range of drug therapy and disease management protocols, including protocols for anemia treatment, infectious diseases, wound care, nutritional support, renal dosing, and therapeutic substitution.

Our computerized dispensing and delivery systems are designed to improve efficiency and control over distribution of medications to patients and residents. We provide computerized physician orders and medication administration records for patients or residents on a monthly basis as requested. Data from these records are formulated into monthly management reports on patient and resident care and quality assurance. This system improves efficiencies in nursing time, reduces drug waste, and helps to improve patient outcomes.

Hospital Pharmacy Management Services

We also provide hospital pharmacy management services. These services generally entail the overall management of the hospital pharmacy operations, including the ordering, receipt, storage, and dispensing of pharmaceuticals to the hospital's patients pursuant to the clinical guidelines established by the hospital. We offer the hospitals a wide range of regulatory and financial management services, including inventory control, budgetary analysis, staffing optimization, and assistance with obtaining and maintaining applicable regulatory licenses, certifications, and accreditations. We

work with the hospitals to develop and implement pharmacy policies and procedures, including drug formulary development and utilization management. We also offer clinical pharmacy programs that encompass a wide range of drug therapy and disease management protocols, including protocols for anemia treatment, infectious diseases, wound care, nutritional support, renal dosing, and therapeutic substitution. The hospital pharmacy management services business is comprised of a few customers, of which, our largest service is to the majority of the Kindred Healthcare Inc. ("Kindred") hospitals.

Consultant Pharmacist Services

Federal and state regulations mandate that long-term care facilities, in addition to providing a source of pharmaceuticals, retain consultant pharmacist services to monitor and report on prescription drug therapy in order to maintain and improve the quality of resident care. On September 30, 2008, the United States Department of Health and Human Services Office of Inspector General ("OIG") published OIG Supplemental Compliance Program Guidance for Nursing Homes. With quality of care being the first risk area identified, the supplemental guidance is part of a series of government efforts focused on improving quality of care at skilled nursing and long-term care facilities. The guidance contains compliance recommendations and an expanded discussion of risk areas. The guidance stressed that facilities must provide pharmaceutical services to meet the needs of each resident and should be mindful of potential quality of care problems when implementing policies and procedures on proper medication management. It further stated that facilities can reduce risk by educating staff on medication management and improper pharmacy kickbacks for consultant pharmacists and that facilities should review the total compensation paid to consultant pharmacists to ensure it is not structured in a way that reflects the volume or value of particular drugs prescribed or administered to residents.

We provide consultant pharmacist services to approximately 67% of our patients serviced. The services offered by our consultant pharmacists include:

- Monthly reviews of each resident's drug regimen to assess the appropriateness and efficiency of drug therapies, including the review of medical records, monitoring drug interactions with other drugs or food, monitoring laboratory test results, and recommending alternative therapies;
- Participation on quality assurance and other committees of our customers, as required or requested by such customers;
- Monitoring and reporting on facility-wide drug utilization;
- Development and maintenance of pharmaceutical policy and procedure manuals; and
- Assistance with federal and state regulatory compliance pertaining to resident care.

Medical Records

The Corporation provides medical records services, which includes the completion and maintenance of medical record information for patients in the Corporation's customer's facilities. The medical records services include:

- Real-time access to medication and treatment administration records, physician order sheets and psychotropic drug monitoring sheets;
- Online ordering to save time and resources;
- A customized database with the medication profiles of each resident's medication safety, efficiency and regulatory compliance;
- Web-based individual patient records detailing each prescribed medicine; and
- Electronic medical records to improve information to make it more legible and instantaneous.

Specialty Infusion Services

The Corporation provides specialty infusion services focused on providing complex pharmaceutical products and clinical services to patients in client facilities, hospice, and outside of hospital or nursing home settings. We offer high-touch clinical services to patients with acute or chronic conditions. The delivery of specialty infusion therapy requires comprehensive planning and monitoring which is provided through our registered nursing staff. Our nursing staff performs an initial patient assessment, provides therapy specific training and education, administers therapy and monitors for potential side effects. We also provide extensive clinical monitoring and patient follow-up to ensure patient therapy adherence and proactively manage patients' conditions. An in-network strategy facilitates easier decision-making for referral sources and provides us with the ability to pre-authorize patients, auto adjudicate, and bill electronically, enabling faster prescription turnaround.

Specialty Oncology Pharmacy

We provide dispensing of oncology drugs, care management and other related services to patients, oncology practices, and hospitals. These services encompass clinical coordination and review, compliance with appropriate oncology protocols, patient assistance with outside funding, and timely delivery of medication. We coordinate the administration of medications to the physician's office or directly to the patient at the appropriate point of treatment. We work directly with the payers to bill insurance companies for the medication provided, ensuring all prior authorizations and approvals are obtained. These services offer physicians an alternative to the traditional buy-and-bill distribution model, allowing them to outsource drug procurement, inventory management, and prescription administration.

Our Business Focus

Drive Scale Economies. We focus on consistently providing quality pharmaceutical services to our customers at competitive prices and delivery of prescriptions in a timely and effective manner. Our business seeks to implement innovative and cost-effective solutions to improve the provision of medication to our customers and the residents and patients that they serve.

Focus on Organic Growth through New Sales and Client Retention. We aim to grow our business through expansion in our existing markets and by servicing new customers. We believe our industry has underlying market growth potential attributable to both an increase in drug utilization as well as the general aging population of the United States.

Acquire Competitors. We also intend to expand our market share through selected geographic expansion in markets not currently served by us and through strategic acquisitions in existing and underserved markets. The Corporation currently operates in 45 states. We believe that there are growth opportunities in several other markets. There are

numerous businesses in our markets, mostly small or regional companies that lack the scale that we believe will be necessary to ultimately compete in a market that is national in scope. We intend to actively seek opportunities to acquire companies. Since its formation in 2006, the Corporation has acquired 19 institutional pharmacy businesses, four specialty infusion services businesses, one specialty oncology pharmacy and one hospital services business.

Sales and Marketing

We sell our products and services through a national sales force. The sales force is organized by both geographic lines and size of client. We believe this helps us to maximize coverage, manage costs, and align more effectively with our operating regions. Our sales representatives specialize in the products and services we offer and the markets in which we operate. Their knowledge permits us to meet the unique needs of our customers while maintaining profitable relationships.

Customers

Institutional Care Settings. At December 31, 2015, the Corporation provided institutional pharmacy services to patients in 45 states. Our customers are typically institutional healthcare providers, such as skilled nursing facilities, nursing centers, assisted living facilities and other long-term alternative care settings. We are generally the primary source of pharmaceuticals for our customers.

Our customers depend on institutional pharmacies like us to provide the necessary pharmacy products and services and to play an integral role in monitoring patient medication regimens and safety. We dispense pharmaceuticals in patient specific packaging in accordance with physician instructions.

Specialty Infusion Services. At December 31, 2015, the Corporation provided specialty infusion services to patients in 14 states with acute or chronic conditions in a setting outside of a hospital or nursing home.

Specialty Oncology Services. At December 31, 2015, the Corporation provided specialty oncology medication services to patients in 46 states with acute and chronic conditions in a hospital or physician practice or the home setting.

Suppliers/Inventory

We obtain pharmaceutical and other products from Cardinal Health ("Cardinal Health") and other contracts negotiated directly with pharmaceutical manufacturers for discounted prices. The Corporation entered into a Prime Vendor Agreement with Cardinal effective April 1, 2015 ("Cardinal Health PVA"). The initial term of the agreement is through June 30, 2018 and contains one year automatic renewal provisions. The Cardinal Health PVA requires the Corporation to purchase certain levels of brand and non-injectable generic drugs from Cardinal Health. The Cardinal Health PVA does provide flexibility for the Corporation to contract with other suppliers. Under the agreement, the Corporation is entitled to certain rebates based on drug purchases. The loss of a supplier could adversely affect our business if alternate sources of supply are unavailable or if available are significantly more expensive.

We seek to maintain an on-site inventory of pharmaceuticals and supplies to ensure prompt delivery to our customers. Cardinal Health maintains local distribution facilities in most major geographic markets in which we operate. In addition, we supply many of our pharmacies with select products from a distribution center operated by a third-party logistics company.

Brand to Generic Conversions

The following table summarizes the Corporation's generic drug dispensing rate:

2013	2014	2015
83.4%	84.9%	86.0%

The following table summarizes the material brand-to-generic conversions expected to occur in 2016 through 2019:

2016	2017	2018	2019
Gleevec (Q1)*	Azilect(Q1)	Sensipar (Q1)*	Renexa (Q1)*
Combivent (Q2)*	Vytorin (Q2)	Nasonex (Q2)	Lyrice (Q2)*
Crestor (Q2)*	Reyataz (Q4)		Vesicare (Q2)*
Cubicin (Q2)*			
Tamiflu (Q3)			
Kaletra (Q4)			
Norvir (Q4)			
Seroquel XR (Q4)*			
Zetia (Q4)*			

* These represent the most significant brand-to-generic conversions (Number in parentheses refers to the expected quarter of conversion)

When a branded drug shifts to a generic, initial pricing of the generic drug in the market will vary depending on the number of manufacturers launching their generic version of the drug. Historically, a shift from brand-to-generic decreased our revenue and improved our gross margin from sales of these classes of drugs during the initial time period that a brand drug has a generic alternative. Third-party payers may reduce their reimbursements to the Corporation after the initial period. In addition, the number of generic manufacturers entering the market impacts the

overall cost and reimbursement of generic drugs. This acceleration in the reimbursement reduction and the number of generic manufacturers generally result in margin compression. Due to the unique nature of the brand-to-generic conversion, management cannot estimate the future financial impact of the brand-to-generic conversions on the Corporation's results of operations.

Supplier and Manufacturer Rebates

We currently receive rebates from certain manufacturers and distributors of pharmaceutical products for achieving targets of market share or purchase volumes. Rebates are designed to prefer, protect, or maintain a manufacturer's products that are dispensed by the pharmacy under its formulary. Rebates for brand name products are generally based upon achieving a defined market share tier within a therapeutic class and can be based on either purchasing volumes or actual prescriptions dispensed. Rebates for generic products are more likely to be based on achieving purchasing volume requirements.

Information Technology

Computerized medical records and documentation are an integral part of our distribution system. We primarily utilize a proprietary information technology infrastructure that automates order entry of medications, dispensing of medications, invoicing, and payment processing. These systems provide consulting drug review, electronic medication management, medical records, and regulatory compliance information to help ensure patient safety. These systems also support verification of eligibility and electronic billing capabilities for the Corporation's pharmacies. They also provide order entry, shipment, billing, reimbursement and collection of service fees for medications, specialty services and other services rendered.

Based upon our electronic records, we are able to provide reports to our customers and management on patient care and quality assurance. These reports help to improve efficiency in patient care, reduce drug waste, and improve patient outcomes. We expect to continue to invest in technologies that help critical information access and system availability.

Sources of Pharmacy Revenues

We receive payment for our services from third party payers, including Medicare Part D Plans, government reimbursement programs under Medicare and Medicaid, and non-government sources such as institutional healthcare providers, commercial insurance companies, health maintenance organizations, preferred provider organizations, private payers, and contracted providers. The sources and amounts of our revenues will be determined by a number of factors, including the mix of our customers' patients, brand to generic conversions and the rates and changes of reimbursement among payers. Changes in our customers' censuses, the case mix of the patients, brand and generic dispensing rates, and the payer mix among private pay, Medicare Part D, institutional healthcare providers, and Medicaid, will affect our profitability.

A summary of revenue by payer type for the years ended December 31, are as follows (dollars in millions):

	2013		2014	
	Amount	% of Revenues	Amount	% of Revenues
Medicare Part D	\$813.7	46.3%	\$866.0	45.7%
Institutional healthcare providers	519.2	29.5	459.7	24.3
Medicaid	157.0	9.0	167.1	8.8
Private and other	77.2	4.4	81.9	4.3
Insured	113.0	6.4	239.0	12.6
Medicare Hospital management fees	15.5	0.9	21.9	1.2
	62.3	3.5	58.9	3.1

Larry Myers has served as a director since 2003. From 1991 to 1999, Mr. Myers served as President, Chief Financial Officer, and Treasurer of MITRE Corporation, a non-profit organization that provides security solutions for the computer systems of the Department of Defense, the Department of Homeland Security, the Internal Revenue Service, and several agencies in the intelligence community. Prior to that, Mr. Myers served as Controller for Fairchild Semiconductor. The board of directors has concluded that Mr. Myers' financial and business expertise, including his experience with a security-based company, and his deep financial expertise in serving as a chief financial officer, are the qualifications and skills to serve as a director.

Richard Nottenburg has served as a director since February 2013, having previously served as President of Verint from July 2011 to November 2011. Dr. Nottenburg, an investor in early stage companies, served as President and Chief Executive Officer and a member of the board of directors of Sonus Networks, Inc. from 2008 through 2010. From 2004 until 2008, Dr. Nottenburg served as Executive Vice President, Chief Strategic Officer of Motorola, Inc., ultimately serving as its Executive Vice President, Chief Strategic Officer. Dr. Nottenburg is currently a member of the boards of directors of PM Tech (where he is a member of the audit committee), and Violin Memory Inc. (where he is Chairman of the compensation committee and the corporate governance and nominating committee). Dr. Nottenburg also served on the board of directors of Converse Technology, Inc. from 2006 to 2011. The board of directors has concluded that Dr. Nottenburg's financial and business expertise, including his diversified background in technology companies, serving as a chief executive officer, and serving as a director of public companies, are the qualifications and skills to serve as a director.

Howard Safir has served as a director since 2002. Since 2010, Mr. Safir has served as Chief Executive Officer of VRI Technologies LLC, a security consulting and law enforcement services company. Until 2010, Mr. Safir served as the Chairman and Chief Executive Officer of Safir Security and investigation services and a wholly owned subsidiary of Global Options Corporation. Mr. Safir also served as Vice Chairman of Global Options Group Inc. from its 2005 acquisition of Safir Security.

Chief Executive Officer of Bode Technology, also a wholly owned subsidiary from 2007 to 2010. Mr. Safir currently serves as a director of Implant Science device detection company, and LexisNexis Special Services, Inc., a leading provider of technology solutions to governments. During his career, Mr. Safir served as the Chief of the City of New York, as Associate Director for Operations, U.S. Marshals Service, and the Drug Enforcement Administration. Mr. Safir was awarded the Ellis Island Medal of Honor and other citations and awards. The board of directors has concluded that Mr. Safir's extensive professional background and his financial and business expertise, including a diversified background in serving as a director of public technology and security-based companies and serving as a senior officer, give him the qualifications and skills to serve as a director.

Earl Shanks has served as a director since July 2012. Mr. Shanks served as the Chief Financial Officer of Convergys Corporation, a global leader in relationship management solutions and outsourced business services from 2003 until 2012. From 1996 to 2003, Mr. Shanks held various leadership roles with NCR Corporation, ultimately serving as the Chief Financial Officer where he oversaw treasury, finance, real estate, tax, and six business unit financial operations. Mr. Shanks served as chairman of the board of directors of NCR Japan, a publicly traded company. From 1991 to 1996, Mr. Shanks served as the Vice President and Treasurer of Fruit of the Loom Inc., an apparel manufacturer. From 1983 to 1991, Mr. Shanks held various leadership roles at Farley Industries and Fruit of the Loom Inc. The board of directors has concluded that Mr. Shanks' financial and business expertise, including his deep financial expertise and experience as a senior officer of a public company, give him the qualifications and skills to serve as a director. For stockholders of record, if no voting specification is made on a properly returned proxy card, the person or persons voting your shares pursuant to instructions by proxy card will vote in favor of THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE BOARD OF DIRECTORS NOMINEES NAMED ABOVE.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The audit committee has appointed Deloitte & Touche LLP to act as Verint's independent registered public accountants for the year ending January 31, 2016. The audit committee has directed the proposal to be submitted to our stockholders for ratification at the 2015 Annual Meeting. Deloitte & Touche LLP is the current firm of independent registered public accountants for the year ended January 31, 2015. Stockholder ratification of the appointment of Deloitte & Touche LLP as Verint's independent registered public accountants is not required. The audit committee, however, is submitting the proposal for ratification as a matter of good corporate governance. If the stockholders do not ratify the appointment, the audit committee will reconsider whether or not to retain Deloitte & Touche LLP. Even if the appointment is ratified, the audit committee, in its discretion, may appoint a different accounting firm at any time during the year ending January 31, 2016. The audit committee believes that such a change would be in our best interests and in the best interests of our stockholders. Representatives of Deloitte & Touche LLP are expected to be present at the 2015 Annual Meeting and will have an opportunity to make a statement, if they so desire. They will also be available to answer your questions.

The proposal for the ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for the year ending January 31, 2016 will be approved if it is approved by a majority of the shares present in person or represented by proxy at the meeting. This proposal is considered a routine matter on which banks, brokers, or other nominees may vote on behalf of the stockholder, however, abstentions will count as votes against the proposal. For stockholders of record, if no voting specification is made on a properly returned proxy card, the person or persons voting your shares pursuant to instructions by proxy card will vote in favor of the proposal. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF PROPOSAL NO. 2.

PROPOSAL NO. 3

APPROVAL OF

THE VERINT SYSTEMS INC. 2015 LONG-TERM STOCK INCENTIVE PLAN

We currently have two active equity compensation plans. The Verint Systems Inc. 2010 Long-Term Stock Incentive Plan (as amended, the “2010 Plan”) was approved by our board of directors (subject to the approval of our stockholders) and by our stockholders on October 5, 2010. The 2010 Plan was approved by our stockholders on June 15, 2012 primarily to increase the available shares and to extend its expiration date. In February 2013, in connection with our acquisition of Comverse Technology, Inc., we assumed the Comverse Technology, Inc. Stock Incentive Plan (the “CTI Plan”). All equity compensation plans previously maintained by us other than the 2010 Plan and the CTI Plan have been terminated or have expired (however, such terminated or expired plans will continue in terms of outstanding awards previously granted under such plans).

On May 12, 2015, our board of directors approved (subject to the approval of our stockholders) the Verint Systems Inc. 2015 Long-Term Stock Incentive Plan (the “2015 Plan”). The 2015 Plan provides for an award of up to 9,700,000 shares of common stock. The 2015 Plan contains a stock option or stock-settled stock appreciation right granted under the 2015 Plan that will increase the plan capacity by one share and each other award denominated in shares that will reduce the available plan capacity by 2.29 shares.

If the 2015 Plan is approved by our stockholders, the 2010 Plan and the CTI Plan will terminate concurrently with the stockholders' approval of the 2015 Plan, meaning that all awards then available under the 2010 Plan and the CTI Plan as of April 30, 2015 will be cancelled. Awards that may be granted under the 2010 Plan or the CTI Plan, following the stockholders' approval of the 2015 Plan, will be governed by the applicable plan. Awards previously granted under the 2010 Plan and the CTI Plan will continue to be governed by the applicable plan. See “Equity Plan Information as of April 30, 2015” below.

As of April 30, 2015:

• There were a total of 61,358,001 shares of our common stock issued and outstanding.

• There were a total of 2,769 stock options outstanding, with an average exercise price of \$10.00 and an average remaining term of 4.98 years.

• There were a total of 3,404,343 restricted stock units outstanding, including 4,000,000 restricted stock units, at target achievement, or a total of 3,710,136 restricted stock units, at maximum achievement. Of these, 752,693 performance based restricted stock units, at maximum achievement.

• There were a total of 3,910,437 shares available for future award under our two equity plans, 1,756,967 of which were under the 2010 Plan and 2,153,470 of which were under the CTI Plan. Our “burn rate” measures the number of shares under outstanding equity awards that have been cancelled (disregarding cancellations), as a percentage of the weighted average number of shares of common stock outstanding for that fiscal year. It measures the potential dilutive effect of annual cancellations. Over the past three years, our burn rate was 2.9%, 2.9% and 2.6% (for the years ended January 31, 2013, 2014 and 2015, respectively).

• Over the past three years, our average annual dilution was 6.2%, 5.2% and 4.4% (for the years ended January 31, 2013, 2014 and 2015, respectively). “Dilution” is measured as the number of shares of common stock outstanding equity awards (i.e., share awards granted, less share award cancellations) as a percentage of the weighted average number of shares of common stock outstanding for that fiscal year.

• Over the past three years, our “overhang rate” was 19.2%, 17.5% and 13.3% (for the years ended January 31, 2013, 2014 and 2015, respectively). Our overhang rate measures the total number of shares of common stock outstanding plan awards, plus the number of shares authorized for future plan awards, as a percentage of the weighted average number of shares of common stock outstanding for that fiscal year. If the 2015 Plan is approved by the stockholders, our overhang rate would be 22.6%, based on the weighted average number of shares of common stock outstanding for the fiscal year ended January 31, 2015.

Reasons Why You Should Vote for Proposal 3

We believe our future success depends on our ability to attract, motivate, and retain our employees, directors, and consultants, and that the ability to continue to provide stock-based compensation is critical to achieving this success as we compete for talent in an industry in which stock-based compensation practice and is expected by many existing personnel and candidates.

Moreover, we believe that equity compensation motivates employees to create value and that the value employees realize from equity compensation is based on the performance of the company. Stock-based compensation also aligns the goals and objectives of our employees with the interests of our shareholders and promotes a focus on long-term value creation.

If the 2015 Plan is not approved, we expect that we would exhaust the remaining capacity of the 2010 Plan in less than a year. Under applicable NASDAQ rules, our ability to use shares under the CTI Plan is limited to individuals who joined Verint after the February 4, 2010 amendment to that plan, significantly restricting our ability to use such shares. If Proposal 3 is approved, the capacity available under the CTI Plan would effectively be transferred to the 2015 Plan, and the capacity for these shares within the proposed capacity of the 2015 Plan and the concurrent capacity of the CTI Plan could be at a severe competitive disadvantage if we cannot use stock-based awards to attract and retain our personnel. This would reduce the alignment between our employees and our compensation policy, increase cash compensation expense, and utilize cash that could otherwise be used to grow the company, fund acquisitions, repay debt, or for other corporate purposes.

As a result of the foregoing, we believe it is in our best interest and the best interest of our shareholders to approve the 2015 Plan to provide for additional capacity for awards to current and future employees, directors, and consultants. Our equity compensation practices are benchmarked against market data, and our historical share usage has reflected this. As noted above, as of April 30, 2015, we had approximately 9,700,000 common shares outstanding. Since 2012 (the fiscal year ended January 31, 2015), we have granted approximately 1.1 million - 1.5 million shares per year on average in our equity compensation programs, including the reservation of approximately 100,000 shares per year in the event of future acquisitions. Our goals are overachieved at maximum levels. All of these awards have been in the form of performance-based restricted stock units. Assuming future annual share utilization of approximately 1.5 million shares, 9,700,000 shares that would be available under the 2015 Plan after its approval would be available for approximately three years after the termination of the 2010 Plan and the CTI Plan and the fungibility ratio described above.

Plan Highlights

Below are some highlights from the 2015 Plan that we feel reflect our commitment to providing competitive compensation practices set forth by industry standards. We ask that you consider these highlights in connection with your vote on Proposal 3.

Reasonable Plan Limits. Subject to adjustment as described in the 2015 Plan, the aggregate number of shares available under the 2015 Plan are limited to 9,700,000 shares of our common stock. These shares may be shares of common stock, treasury shares or a combination of the foregoing. The 2015 Plan also provides for certain other limitations described in the 2015 Plan:

- no participant will be granted awards in the form of stock options and stock appreciation rights under the 2015 Plan for more than 2,000,000 shares of common stock during any one fiscal year;
- no participant will be granted a performance award under the 2015 Plan that is classified as “performance-based compensation” under Section 162(m) for more than 2,000,000 shares of common stock during any one fiscal year; and
- no non-employee member of our board of directors will be granted awards (including restricted stock and restricted stock appreciation rights) under the 2015 Plan for more than 500,000 shares of common stock during any one fiscal year.

-

Double-Trigger Vesting. The 2015 Plan contains a so-called “double-trigger” provides that awards will not be accelerated upon a change in control of us if substitutes outstanding awards in accordance with the requirements of the 2015 Plan holding the replacement or substitute award is not involuntarily terminated with a change in control.

Independent Plan Administrator. The compensation committee, which is comprised of independent directors, administers the 2015 Plan, and retains full discretion to determine the number of awards granted under the 2015 Plan, subject to the terms of the 2015 Plan.

Full Value Awards Weighted More Heavily. The settlement of one share pursuant to a Full Value Award is deemed to reduce the authorized share pool under the 2015 Plan by 2.29 shares.

No Discounted Stock Options. The 2015 Plan requires that the exercise price of any award (other than substitute awards) may not be less than the fair market value per share of common stock at the time of the award. **Prohibition of Dividends or Dividend Equivalents on Unvested Performance Awards.** The 2015 Plan prohibits the current payment of dividends or dividend equivalents with respect to shares of common stock underlying performance awards prior to the achievement of the applicable performance objectives. Any dividends or dividend equivalents will be deferred until and contingent upon the achievement of the applicable performance objectives.

Stockholder Approval of Material Amendments. The 2015 Plan requires us to obtain the approval of our stockholders for any material amendments to the 2015 Plan, such as materially increasing the number of shares available under the plan or materially increasing the number of shares available.

Prohibition on Repricing. The 2015 Plan prohibits the repricing of outstanding awards without the approval of our stockholder approval (outside of certain corporate transactions or adjustments to the plan). Similarly, the 2015 Plan does not provide for the repricing of stock appreciation awards.

No Transfers of Awards for Value. The 2015 Plan requires that no awards granted under the plan be transferred for value, subject to exceptions for certain familial transfers.

Our Response to Detrimental Activity by Participants. The 2015 Plan allows us to suspend or terminate an award or the forfeiture and repayment of any gain related to an award if we determine that such activity is detrimental to our company.

Summary of the 2015 Plan

Set forth below is a summary of the principal features of the 2015 Plan. This summary is not exhaustive and is qualified in its entirety by reference to the terms of the 2015 Plan, which are set forth in this proxy statement as Appendix A.

Purpose

The purpose of the 2015 Plan is to attract and retain employees, directors, and consultants of our company, Inc. (the “Company”) and its subsidiaries and to motivate such individuals, and to enable them to participate in our growth and success.

The 2015 Plan authorizes our board of directors to provide equity-based compensation awards, including incentive stock options (“ISOs”) entitling the participant to exercise options under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), (2) restricted stock units (“RSUs”), (3) restricted stock, (4) restricted stock units (“RSUs”), (5) performance awards (“Other Stock-Based Awards”), and (7) performance compensation awards as described below under “Types of Awards Under the 2015 Plan.”

Each of the awards will be evidenced by an award agreement setting forth the terms and conditions of the award. The 2015 Plan is designed to comply with the requirements of applicable federal and state law, including the Code, including, but not limited to, the performance-based exclusion from the deduction limitations under Section 162(m) of the Code for qualifying awards.

Our board of directors believes that it is in our best interest and the best interest of our stockholders to maintain an incentive plan under which compensation awards made to our named executive officers are eligible for deductibility for federal income tax purposes. Accordingly, the 2015 Plan has been designed so that awards under it can satisfy the requirements for the performance-based exclusion from the deduction limitations under Section 162(m) of the Code. In order for awards to satisfy the performance-based exclusion from the deduction limitations under Section 162(m) of the Code, the awards (which includes Performance Criteria (as hereinafter defined)) must be approved by our board of directors.

Shares Available Under the 2015 Plan

Subject to adjustment as provided in the 2015 Plan, following the approval of our board of directors, the number of shares of common stock that may be issued or transferred (1) upon the exercise of incentive stock options, (2) in payment of restricted stock and released from substantial risks of forfeiture the 2015 Plan, (3) in payment of performance awards or performance compensation awards the 2015 Plan, (4) in payment of performance awards or performance compensation awards the 2015 Plan, (5) in payment of performance awards or performance compensation awards the 2015 Plan, (6) as Other Stock-Based Awards, will not exceed the number of shares of common stock that are available for issuance under the 2015 Plan.

rules established by the Committee, through delivery of irrevocable instruction otherwise deliverable upon exercise of the stock option and to deliver to us an exercise price, (4) subject to any limitations, established by the Committee, the of shares otherwise issuable upon exercise of an option pursuant to a "net exercise combination of the foregoing, or (6) by other methods approved by the Committee. No stock option may be exercisable more than 10 years from the date of grant or period of continuous service with us or any of our subsidiaries that is necessary to become exercisable. Stock options will be evidenced by an award agreement and provisions, consistent with the 2015 Plan, as the Committee may approve.

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SARs. A SAR is a right to receive from us an amount equal to the spread between the price of our shares of common stock on the date of exercise and the value of our shares of common stock on the date of exercise. The Committee will determine whether the amount payable on exercise of a SAR may be paid by us in cash, in kind, or in any combination thereof. SARs may be granted in tandem with another award, or may be freestanding and unrelated to another award. If a SAR is granted in tandem with another award granted before, at the same time as the other award or at a later time. No SARs may be granted more than five years from the date of grant.

SARs with a grant price equal to or greater than the fair market value per share of our common stock are intended to qualify as “performance-based compensation” under Section 162(m). SARs will be evidenced by an award agreement containing such terms and provisions, consistent with the 2015 Plan, as the Committee may approve.

Restricted Stock. A grant of restricted stock involves the immediate transfer by us to the participant of a specific number of shares of common stock in consideration of the performance of services. The Committee will determine the participants to whom shares of restricted stock will be granted, the number of shares of restricted stock to be granted to each participant, the duration of the grant, the vesting schedule, and the conditions under which, the restricted stock may be forfeited to us, and the other terms and conditions of such awards. Shares of restricted stock may not be sold, assigned, transferred, pledged, or otherwise disposed of, except as provided in the award agreement. Upon lapse of the applicable restrictions, the restricted stock certificates to the participant or the participant’s legal representative, or our transfer agent, will be issued free of all restrictions relating to the transfer of such shares.

In the discretion of the Committee, dividends paid on any shares of restricted stock will be paid to the participant, withheld by us subject to vesting of the restricted stock pursuant to the award agreement, or be reinvested in additional shares of restricted stock.

In the discretion of the Committee, restricted stock grants may, but are not required to, be treated by the Committee as Performance Compensation Awards (as hereinafter defined). Grants will be evidenced by an award agreement containing such terms and provisions, consistent with the 2015 Plan, as the Committee may approve.

RSUs. A grant of RSUs constitutes an agreement by us to deliver shares of common stock to the participant in the future in consideration of the performance of services. The Committee will determine the participants to whom RSUs will be granted, the number of RSUs to be granted to each participant, the duration of the grant, during which, and any conditions under which the RSUs may be forfeited to us, and the other terms and conditions of such awards. RSUs may not be sold, assigned, transferred, pledged, or otherwise disposed of.

Each RSU will have a value equal to the fair market value of a share of our common stock, other securities, or other property, as determined in the sole discretion of the Committee at the lapse of the applicable restrictions, or otherwise in accordance with the applicable award agreement.

In the discretion of the Committee, RSU grants may, but are not required to, be treated by the Committee as Performance Compensation Awards. RSU grants will be evidenced by an award agreement containing such terms and provisions, consistent with the 2015 Plan, as the Committee may approve.

Performance Awards. The Committee has the authority under the 2015 Plan to grant performance awards. These awards consist of a right which is (i) denominated in cash or shares of common stock, (ii) payable at such time and in such amount as determined by the Committee, in accordance with the achievement of performance objectives during the Performance Periods established by the Committee, and (iii) payable at such time and in such amount as determined by the Committee. Each performance award will be subject to one or more specified performance objectives to be met within a specified period determined by the Committee (the “Performance Period”). If the performance objectives are met within the Performance Period, the performance awards may be paid in a lump sum or in installments. In the discretion of the Committee, if the performance objectives are not met within the Performance Period, the performance awards may be paid in a lump sum or in installments. In the discretion of the Committee, if the performance objectives are not met within the Performance Period as set forth in the applicable award agreement.

In the discretion of the Committee, performance awards may, but are not required to be, evidenced by an award agreement containing such terms and provisions, consistent with the Committee may approve.

Other Awards. The Committee may grant to a participant an Other Stock-Based Award, which is a right or option to purchase shares of common stock (or other securities convertible into shares). These awards must comply, to the extent deemed desirable, with Rule 16b-3 as promulgated and interpreted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other

applicable laws. The Committee will determine the terms and conditions of the award, if any, at which shares of common stock may be purchased pursuant to any Other Stock-Based Award under the 2015 Plan.

In the discretion of the Committee, Other Stock-Based Awards may, but are not limited to, be evidenced by the Committee as Performance Compensation Awards (as hereinafter defined) and may be evidenced by an award agreement containing such terms and provisions, which may be approved by the Committee may approve.

Performance Compensation Awards. The Committee has the authority, at the discretion of the Committee, to award a stock award, RSU award, performance award, or Other Stock-Based Award, to a participant, which will be evidenced by the Committee as a “Performance Compensation Award” in order to qualify such award as “performance award” under Section 162(m) of the Code. To qualify as a performance compensation award under Section 162(m) of the Code, which participants will be eligible to receive Performance Compensation Awards during a Performance Period within the first 90 days of the Performance Period (or, if shorter, within the first 90 days) under Section 162(m) of the Code).

The Committee has full discretion to select the length of such Performance Period, the Performance Compensation Awards to be issued, the Performance Criteria (as hereinafter defined) to be used to establish performance goals, and the kinds and/or levels of the performance goals to be used to determine whether a performance goal has been achieved. During a Performance Period, one or more objective formulas shall be applied to determine whether a performance goal to determine, with regard to the Performance Compensation Award of a participant, whether or some portion of the Performance Compensation Award has been earned for such participant. Unless otherwise provided in the applicable award agreement, a participant must be employed on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award during the applicable Performance Period.

Performance Criteria. The Performance Criteria that will be used to establish performance goals shall be based on the attainment by us (or one of our subsidiaries, divisions, or operations) of performance goals based on performance. The performance criteria (the “Performance Criteria”) that the Committee may use shall be specified levels of or growth in the following, whether determined on a GAAP basis: operating income, contribution, day sales outstanding, return on net assets, return on assets, return on capital, stockholder returns (on an absolute or relative basis), operating margin, contribution margin, earnings per share, net earnings, operating earnings, earnings from operations, earnings before interest, taxes, depreciation and amortization, EBITDA, number of customers, operating expenses, capital expenses, customer acquisition, sales, bookings, or market share.

If the Committee (1) anticipates or determines that any unusual or extraordinary item or development affecting us, (2) anticipates or recognizes any unusual or extraordinary item or development affecting us, or (3) anticipates or responds to changes in applicable accounting principles or business conditions, then the Committee is authorized to adjust or modify the calculation of a performance goal during the first 90 days of a Performance Period, or at any time thereafter (but only to the extent that such adjustment after the first 90 days of a Performance Period would not cause the Performance Compensation Award to any participant for the Performance Period to fail to qualify as “performance award” under Section 162(m) of the Code), to adjust or modify the calculation of a performance goal during a Performance Period to the extent permitted under Section 162(m) of the Code in order to protect the rights of participants.

Dividends

In the sole discretion of the Committee, a restricted stock award, RSU award, or Other Stock-Based Award may provide the participant with dividends or dividend equivalents of common stock, other securities, or other property on a current or deferred basis, in respect to which any applicable Performance Criteria have not been achieved,

only on a deferred basis, to the extent the underlying award vests.

Amendments

Our board of directors may amend, alter, suspend, discontinue, or terminate the Plan without the approval by our stockholders, except where (i) the amendment would materially increase the number of shares available to participants under the 2015 Plan, (ii) the amendment would materially increase the number of shares which may be issued under the 2015 Plan, (iii) the amendment would materially increase the percentage of participation in the 2015 Plan, or (iv) stockholder approval is required by applicable law, the New York Stock Exchange, Market, LLC rules and regulations. If any amendment, alteration, suspension,

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discontinuance, or termination of the 2015 Plan would impair the rights of any beneficiary of a previously granted award, the amendment, alteration, suspension, or termination will not be effective with respect to such person without the written consent of the participant, holder, or beneficiary.

Change in Control

In the event of a “change in control” (as defined in the 2015 Plan), to the extent that the 2015 Plan are not assumed, converted or replaced, all outstanding awards then unexercisable or otherwise unvested will automatically be deemed exercisable and vesting may be, and any specified performance goals will be deemed to be satisfied at the consummation of such change in control, unless the applicable award agreement provides otherwise. To the extent outstanding awards are assumed, converted or replaced in the event of a change in control, (i) all outstanding awards that are subject to performance goals will be assumed, converted or replaced as if performance had been achieved as of the date of the change in control, (ii) each outstanding Performance Compensation Award with service requirements will continue to have the same requirements during the remaining period set forth in the award agreement, and (iii) all awards will continue to vest (and/or the restrictions thereon shall continue to lapse) during the term of the applicable award agreement. If outstanding awards are assumed, converted or replaced, and a participant's employment or service with us or a subsidiary is terminated without cause (as defined in the 2015 Plan) during the two year period following a change in control, all outstanding awards that may be exercised will become fully exercisable and all restrictions thereon will become vested and non-forfeitable.

Detrimental Activity and Clawback

The Committee may provide for the cancellation or forfeiture of an award or the forfeiture of any gain related to an award, or other provisions intended to have a similar effect, which may be determined by the Committee from time to time, if a participant, during or after his or her service with us or a subsidiary engages in activity detrimental to our company. The Committee may also provide for the cancellation or forfeiture of an award or the forfeiture and related to an award, or other provisions intended to have a similar effect, upon the occurrence of which may be required by the Committee or under Section 10D of the Exchange Act, or any rules or regulations of the SEC or any national securities exchange or national securities association, if our common stock may be traded.

Transferability

Each award under the 2015 Plan, and each right under any award, shall be exercisable for the lifetime only by the participant or by the participant's guardian or legal representative. Awards may be transferred except by will or by the laws of descent and distribution, except that the terms of the applicable award agreement or in an amendment to the award agreement provide otherwise. Stock option awards may be transferred by the participant without consideration to children, trusts, or to specified types of partnerships, corporations, or limited liability companies, as determined by the Committee. The participant remains liable for any withholding taxes required for the exercise of such stock option by the permitted transferee.

Adjustments

In the event that the Committee determines that any dividend or other distribution (including shares of common stock, other securities, or other property), recapitalization, stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, redemption of common stock or our other securities, issuance of warrants or other rights to purchase common stock or our other securities, or other corporate transaction or event affects the share value, an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or intended to be made available under the 2015 Plan, then the Committee shall e

(i) the number of our shares of common stock or other securities (or number and kind of property) with respect to which awards may be granted, (ii) the number of our shares of common stock or other securities (or number and kind of other securities or property) subject to outstanding awards or exercise price with respect to any award or, if deemed appropriate, make pro rata adjustments to the number of shares of common stock or other securities held by the holder of an outstanding award in consideration for the cancellation of such awards. The excess of the fair market value of the shares of common stock or other securities underlying options and SARs shall equal the excess, if any, of the fair market value of the shares of common stock or other securities underlying the option or SAR over the per share exercise price or grant price of such stock or other securities. The Committee is also authorized to make equitable adjustments in the terms and conditions of awards included in, all outstanding awards in recognition of unusual or nonrecurring events or circumstances. In the event of a limitation, the events described in the

previous paragraph) affecting us, any of our subsidiaries, our financial statements, our subsidiaries, or of changes in applicable laws, regulations, or accounting principles, we determine that such adjustments are appropriate in order to prevent dilution of the potential benefits intended to be made available under the 2015 Plan.

Withholding Taxes

To the extent that we are required to withhold federal, state, local, or foreign taxes on any payment made or benefit realized by a participant or other person under the 2015 Plan, Section 409A of the Code, we have the right to withhold from any award or from any payment owing to a participant the amount (in cash, shares of common stock, other securities, or other property) of applicable withholding taxes and to take other actions necessary to satisfy all obligations for payment of such taxes. Subject to the foregoing, and with the consent of a participant, a participant may satisfy the withholding liability by delivering shares of common stock to the participant (which are not subject to any pledge or other security interest and which are held by the participant for at least six months) with a fair market value equal to the withholding liability. We may also withhold from the shares of common stock otherwise deliverable pursuant to a grant under the 2015 Plan common stock equal to the withholding liability.

Compliance with Section 409A of the Internal Revenue Code

To the extent applicable, it is intended that the 2015 Plan and any grants made under the 2015 Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A of the Code do not apply to the participants. The 2015 Plan and any grants made under the 2015 Plan will be administered in a manner consistent with this intent.

Termination

No grant will be made under the 2015 Plan more than 10 years after the date of the last meeting approved by our board, but all grants made on or prior to such date will continue to be governed by the terms thereof and of the 2015 Plan.

Federal Income Tax Consequences

The following is a brief summary of some of the federal income tax consequences of the 2015 Plan based on federal income tax laws in effect on January 1, 2015. This summary is not intended to be complete and does not describe state or local tax consequences. It is not intended to constitute tax advice for participants in the 2015 Plan.

Tax Consequences to Participants

Non-qualified Stock Options. In general, (1) no income will be recognized by a participant when a non-qualified stock option is granted; (2) at the time of exercise of a non-qualified stock option, income will be recognized by the participant in an amount equal to the difference between the amount paid for the shares of common stock and the fair market value of the shares, if any, at the time of exercise; and (3) at the time of sale of shares of common stock acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the shares of common stock will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares are held. **Incentive Stock Options.** No income generally will be recognized by a participant when an incentive stock option (ISO) is granted. The exercise of an ISO, however, may result in a taxable event if a disqualifying disposition of such shares is made by such participant within two years after the date of exercise or within one year after the transfer of such shares to the participant, then upon sale of such shares, the amount realized in excess of the exercise price will be taxed to the participant as a long-term capital gain. If the sale is not a disqualifying disposition, the amount realized in excess of the exercise price sustained will be a long-term capital loss.

If shares of common stock acquired upon the exercise of an ISO are disposed of within the holding period described above (i.e. disqualifying disposition), the participant will recognize income in the year of disposition in an amount equal to the excess (if any) of the amount realized on the shares at the time of exercise (or, if less, the amount realized on the disposition of such shares).

exchange) over the exercise price paid for such shares. Any further gain (or loss) generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

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SARs. No income will be recognized by a participant in connection with the grant of SARs. If a SAR is exercised, the participant normally will be required to include as taxable ordinary income an amount equal to the amount of cash received and the fair market value of any common stock received on the exercise.

Restricted Stock. The recipient of restricted stock generally will be subject to tax on the fair market value of the restricted stock (reduced by any amount paid by the participant for the stock) at such time as the shares are no longer subject to forfeiture or restriction under Section 83 of the Code (“Restrictions”). However, a recipient who so elects under the Plan within 30 days of the date of transfer of the shares will have taxable ordinary income if the shares equal to the excess of the fair market value of such shares (determined under the Plan Restrictions) over the purchase price, if any, of such restricted stock. If a Section 83 election is made, any dividends received with respect to restricted stock that is subject to restriction will be treated as compensation that is taxable as ordinary income to the participant.

RSUs. No income generally will be recognized upon the award of RSUs. The recipient of RSUs generally will be subject to tax at ordinary income rates on the fair market value of the common stock on the date that such shares are transferred to the participant (minus any amount paid by the participant for such RSUs), and the capital gains/loss holding period will also commence on such date.

Performance Awards. No income generally will be recognized upon the grant of a performance award. Upon payment or transfer made under the terms of a performance award, the recipient generally will include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares of common stock received.

Other Stock-Based Awards. No income generally will be recognized upon the grant of Other Stock-Based Awards. Upon payment of Other Stock-Based Awards, the recipient generally will include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares of common stock received.

Tax Consequences to the Company or Subsidiary

To the extent that a participant recognizes ordinary income in the circumstances described above, the subsidiary for which the participant performs services may be entitled to a corporate tax deduction, that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an “excess parachute payment” within the meaning of Section 280E, and is not disallowed by the \$1 million limitation on certain executive compensation under Section 502(c)(1). We intend to file a Registration Statement with the SEC.

We intend to file a Registration Statement on Form S-8 relating to the issuance of common stock under the 2015 Plan with the SEC pursuant to the Securities Act of 1933, as amended, and after approval of the 2015 Plan by our stockholders.

2015 Plan Benefits

Because awards to be granted in the future under the 2015 Plan are at the discretion of the Board, it is not possible to determine the exact benefits or amounts to be received under the 2015 Plan by any of our employees (including executive officers), or consultants. All of our executive officers and consultants intend to participate in the 2015 Plan and thus have a personal interest in the approval of the 2015 Plan.

Equity Compensation Plan Information

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2014 and April 30, 2015:

December 31, 2014	(a)	(b)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (1)
Equity compensation plans approved by security holders	2,626,497	(2) \$32.00
Equity compensation plans not approved by security holders	—	—
Total	2,626,497	\$32.00
April 30, 2015	(a)	(b)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (1)
Equity compensation plans approved by security holders	3,407,112	(4) \$9.49
Equity compensation plans not approved by security holders	—	—
Total	3,407,112	\$9.49

The weighted-average exercise price relates to outstanding stock options only. (1) Other outstanding awards carry no exercise price and are therefore excluded from the weighted-average exercise price.

(2) Consists of 15,191 stock options and 2,611,306 restricted stock units.

(3) Excludes 265,316 shares available under the Vovici Corporation 2006 Amended and Restated Stock Option Plan (which plan was assumed in connection with our acquisition of Vovici Corporation in 2014, other than in connection with such acquisition) and was terminated by our board of directors in 2015.

(4) Consists of 2,769 stock options and 3,404,343 restricted stock units.

The proposal for the approval of the Verint Systems Inc. 2015 Long-Term Stock Plan was approved by the vote of the holders of a majority of the shares present in person at the meeting and entitled to vote. This is not considered a routine matter and broker non-votes will not affect whether the proposal is approved. Broker non-votes will not affect whether the proposal is approved. Abstentions will count as votes against this proposal.

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For stockholders of record, if no voting specification is made on a properly returned proxy card, the person or persons voting your shares pursuant to instructions by proxy card will vote your shares as follows: **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR PROPOSAL NO. 3.**

PROPOSAL NO. 4

ADVISORY VOTE ON APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

At our annual meeting of stockholders held on June 16, 2011, our stockholders of the board of directors that future stockholder advisory votes on executive compensation every three years (approved by over 75% of the votes cast) ("say-when-on-pay" vote as a result of this triennial schedule occurred last year at our June 2011 stockholders, at which our stockholders approved the compensation of our named executive officers disclosed in the corresponding proxy statement by over 97% of the votes cast. In our proxy statement for our June 2014 annual meeting, notwithstanding the triennial "say-when-on-pay" vote by our stockholders, we expect to hold "say-on-pay" votes annually.

Although this say-on-pay vote is an advisory vote only and is not binding on the board of directors, the compensation committee and the board of directors value the opinions of our stockholders on the outcome of the vote when making future compensation decisions.

As described more fully in the Compensation Discussion and Analysis section of our proxy statement, our executive compensation program is designed to attract and retain the best talent and to provide providing incentives to our named executive officers to achieve outstanding performance relative to our direct competitors, and to optimize stockholder value. To support this philosophy, we structure our compensation arrangements in a range around median and structure our compensation arrangements so that our compensation outcomes will vary (above or below target) based on the performance achieved relative to our peers. Executive compensation with stockholder value on an annual and long-term basis. Executive pay consists of a mix of base pay, annual bonus, and long-term equity awards. Annual bonuses are based on revenue, profitability, cash flow and individual performance. There is a minimum threshold level of performance below which no payout is earned, and a maximum payout;

Long-term incentive awards are comprised of a combination of time-based awards and performance-based stock units, which are designed to link executive compensation with increased stockholder value. The performance-based awards subject to a minimum threshold level of performance. Payout is earned and a specified maximum payout;

A significant majority of the total direct compensation of each named executive officer is in the form of equity (whose value depends on our stock price), specifically, approximately 90% for the Chief Executive Officer and approximately 80% on average for the other named executive officers. The value of equity (both time-based and performance-based) plus performance-based awards. Performance-based bonuses alone accounted for approximately 60% of our total direct compensation and approximately 55% of the total direct compensation of our named executive officers.

We also have several governance programs in place to align executive compensation and mitigate risks in our compensation plans. These programs include:

- a clawback policy;
- stock ownership guidelines for executive officers and directors;
- limited perquisites;
- use of tally sheets and aggregate award summaries to facilitate oversight of executive compensation;
- a policy prohibiting all personnel (including executive officers and directors) from trading securities, from short-term trades in our securities (open market purchase and sale) and from trading options in our securities;
- a policy prohibiting hedging or significant pledging in our securities by our executive officers and directors;
- and
- a policy precluding us from entering into any new plan, program, agreement, or arrangement that would result in a 280G tax gross-up payment with any person or, subject to a limited exception, a 280G tax gross-up payments with executive officers.

Our long-term growth strategy focuses on three important areas of the Action Plan: customer engagement optimization, security intelligence, and fraud, risk and compliance. The following operational results that were reflected in or drove our executive compensation decisions for the year ended January 31, 2015 included:

The launch of our customer engagement optimization strategy, significantly increasing our addressable market, and execution of the new strategy both organically and with the acquisition of KANA Software, Inc. into our enterprise intelligence business;

The expansion of our security intelligence portfolio to address cyber security, significantly increasing our addressable market, and the announcement of and execution on a large cyber security deal worth more than \$100 million;

Advancing our human capital strategy and continued investment in infrastructure and technology development to support the long-term growth of our business;

Completion of a successful capital restructuring to reduce our leverage, diversify our debt, reduce interest expense, fix the interest rate on a portion of our debt at historically low rates, and increase our borrowing capacity for future strategic needs;

• Increase in non-GAAP revenue by 27.3%, from \$910.0 million to \$1.16 billion;

• Increase in non-GAAP operating income by 25.2%, from \$210.0 million to \$264.0 million.

Based on our review of these and other business and operational results for the year ended January 31, 2015 compared to our corresponding executive compensation decisions, we believe that our executive compensation for performance” executive compensation program for the year, as further discussed below, is consistent with the Discussion and Analysis” section of this proxy statement, including with respect to the following actions and key decisions regarding executive compensation for the year ended January 31, 2015:

• Increase in base salaries by 3.0%, generally consistent with our regular compensation review process;

No changes to target bonuses based on an assessment that target bonuses were appropriate vis-à-vis the compensation peer group as a result of a two-year process of migration to market levels begun in the year ended January 31, 2013;

Award of annual equity grants consistent with our regular compensation review process and benchmarking and other factors described below, with 50% of these awards tied to performance goals over a two-year performance period;

Establishment of executive officer bonus payouts at 100% of target based on the achievement of financial and operational results and individual objectives, including revenue at 101.1% of our target goal of \$1.11 billion, operating income at 101.1% of our target goal of \$260.0 million, and EBITDA at 102.6% of our target goal of \$221.0 million, which drove calculated payout at approximately 110% to approximately 114%, as

well as based on internal pay equity considerations between the named executive officers and the rest of the employee base (who were under different bonus plans); and

• Approval of performance vesting levels for previously-granted equity awards based on the level of achievement of our revenue and operating income goals described above.

The board of directors strongly endorses our executive compensation program and requests that stockholders vote in favor of the following resolution:

“RESOLVED, that, on an advisory basis, the compensation paid to our named executive officers pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, tables and narrative discussion in this proxy statement, is hereby APPROVED.

The advisory vote regarding the compensation of the named executive officers as disclosed in this statement will be approved by the vote of the holders of a majority of the shares of common stock represented by proxy at the meeting and entitled to vote. This is not considered a binding vote. Brokers, or other nominees may not vote without instructions from the stockholders. Abstentions will not affect whether this proposal is approved, however, abstentions will count as votes.

If no voting specification is made on a properly returned or voted proxy card, the proxy will vote shares pursuant to instructions by proxy card will vote FOR the approval, on a non-binding basis, of the compensation of the named executive officers as disclosed in this proxy statement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL NO. 4.

OTHER MATTERS

As of the date of this proxy statement, we know of no business that will be presented at the 2015 Annual Meeting other than the items referred to above. If any other matter is presented at the meeting for action by stockholders, the person or persons voting your shares pursuant to the enclosed card will be authorized to vote your shares in accordance with the policies of the proxy statement accordingly. The chairman of the 2015 Annual Meeting may refuse to allow a proposal or nominee for the board of directors if the proposal or nominee was not properly presented.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

All of our employees, including our executive officers, are required to comply with our Code of Business Conduct and Ethics for Senior Officers. Additionally, our Chief Executive Officer, Chief Financial Officer, and senior executives are required to comply with our Code of Business Conduct and Ethics for Senior Officers. The purpose of these codes is to ensure that our business is conducted in a consistently high ethical manner to the greatest possible extent that our business is conducted in a consistently high ethical manner. We have posted the Code of Conduct and the Code of Business Conduct and Ethics for Senior Officers on our website at <http://www.verint.com/About/investor-relations/corporate-governance/corporate-governance-guidelines>.

We intend to disclose on our website any amendment to, or waiver from, a provision of the Code of Conduct and the Code of Business Conduct and Ethics for Senior Officers in accordance with applicable law.

Board Leadership Structure and Role in Risk Oversight

The board of directors believes that the person who holds the position of our Chief Executive Officer should also serve as one of our directors. We currently separate the roles of Chief Executive Officer and Chairman of the Board which reflects our belief, at this time, that our stockholders' interests are best served by separating day-to-day management and direction of the company under Mr. Bodner's supervision from the role of Chief Executive Officer, and with the experience and perspective brought to the board by Mr. Bodner as our Chairman. As directors continue to have more oversight responsibility to the company, it is beneficial to have a Chairman or a lead director whose sole focus is leading the board of directors and the Chief Executive Officer to focus on running the company. In addition, our Chief Executive Officer has extensive experience with our business and industry, and most capable of effectively identifying strategic opportunities for discussion and execution of strategy, while our Chairman, with over a dozen years of experience as a director of a public technology company, provides guidance to the Chief Executive Officer, presides over meetings of the board of directors, and brings a depth of varied financial and business experience, including managing a security company, to the board as a director of a public technology company. We believe that separating the role of Chairman from the role of Chief Executive Officer, or the designation of a lead director, also helps create an environment that encourages objective evaluation and oversight of management's performance, increasing the effectiveness of the board in improving the ability of our board of directors to monitor whether management is acting in the best interests of Verint and its stockholders. We believe our Chief Executive Officer and our Chairman have a strong working relationship. The board annually reviews its structure and processes to assess whether changes to this structure or these processes are warranted if circumstances or the company's needs require changes to this structure or these processes. The board of directors and its committees take an active role in overseeing the company's operations and our risks. The board of directors believes an effective risk management system should (1) identify material risks that we face, (2) ensure communication of necessary information to the board of directors, senior executives and, as appropriate, to the board of directors or relevant committees, (3) implement appropriate and responsive risk management strategies consistent with our business objectives, and (4) integrate risk management into our decision-making.

The board of directors and its committees regularly receive information regarding the company's structure, operations, strategy, compensation, compliance activities, and risk management. During its review of such information, the board of directors and its committees identify and analyze risks associated with each area, as applicable.

The compensation committee discusses, reviews, and analyzes risks associated with compensation and arrangements. See "Compensation Discussion and Analysis" for additional information. The audit committee oversees management of financial and compliance risks, including financial reporting, credit and liquidity, information security, compliance, potential conflicts of interest, and related party transactions.

The corporate governance & nominating committee oversees risks associated with the company's governance practices and the leadership structure of our board of directors.

The full board of directors is regularly informed about the activities of its committees through reports and other communications, as well as participation in committee meetings by individual directors from time to time. Under the oversight of the board of directors, we have conducted enterprise risk assessments over the years, including most recently at the end of 2015, and have implemented programs designed to help manage the risks to our business and to align risk-taking appropriately with our efforts to increase stockholder value. We conduct a quarterly survey process which seeks to ensure that material information regarding our finances, and compliance activities are effectively conveyed to senior management. We have also launched an initiative to implement a more formalized, continuous global enterprise risk management process.

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Director Independence

As required by the NASDAQ Global Select Market's ("NASDAQ") listing standards, all members of our board of directors must qualify as "independent," as affirmatively determined by the board of directors. The board of directors evaluates the independence of its members at least annually, and at other times (e.g., in connection with a change in employment status or other significant change in circumstances could potentially impact the independence or effectiveness of a director). After review of all relevant transactions and relationships between each director and our company, Verint, our executive officers and our independent registered public accounting firm, the board of directors affirmatively determined that a majority of our current board is comprised of independent directors. The board of directors has determined that Messrs. DeMarines, Egan, Myers, Nottenburg and Verint are "independent" for purposes of NASDAQ's governance listing standards (specifically, NASDAQ Listing Rule 5605(a)(2)). The remaining member of our current board of directors, Mr. Boccardo, does not meet the "independence" definitions because he is an executive officer. A discussion of our board members under applicable committee standards appears below under "Board of Directors".

Board Attendance

The board of directors held eleven meetings during the year ended January 31, 2015. Each incumbent director attended over 75% of the meetings of the board of directors during the year served that were held during his tenure as director. As a general matter, all directors are expected to attend our Annual Meeting of Stockholders. Our last Annual Meeting of Stockholders was held on January 31, 2015. At that meeting, six of our seven directors then serving on our board of directors were present in person and one director attended telephonically. All of our board members are expected to attend the 2015 Annual Meeting of Stockholders telephonically. Our independent directors periodically hold executive sessions with management.

Communication with the Board of Directors

Stockholders and other parties interested in communicating directly with our board of directors, a committee, or with an individual director may do so by sending an email to board@verint.com or by writing to such group or persons at:

Verint Systems Inc.
330 South Service Road
Melville, New York 11747

Attention: Corporate Secretary

Communications should specify the addressee(s) and the general topic of the communication. The Corporate Secretary will review and sort communications before forwarding them to the appropriate board member. We do not forward communications from our stockholders or other parties which are unrelated to the duties and responsibilities of the board, including junk mail and solicitations from our customers concerning our products or services, resumes and other forms of job applications, surveys, polls, or business solicitations or advertisements.

Concerns relating to accounting or auditing matters or possible violations of our Code of Business Conduct and Ethics for Senior Officers should be reported pursuant to our Code of Business Conduct and Ethics for Senior Officers, which is available on our website at

<http://www.verint.com/About/investor-relations/corporate-governance/corporate-governance>
Committees of the Board of Directors

As of the date of this proxy statement, the board of directors consists of seven standing committees to assist it in carrying out its obligations: the corporate governance committee, the audit committee, and the compensation committee.

Each standing committee has adopted a formal charter that describes in detail the committee's structure, and responsibilities. Copies of the committee charters for our corporate

committee, audit committee, and compensation committee can be found on our website at <http://www.verint.com/About/investor-relations/corporate-governance/corporate-governance>. All members of the respective committees satisfy the applicable qualification requirements set forth in the respective charters and the respective charter.

A description of each committee and its membership follows.

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Corporate Governance & Nominating Committee

For the year ended January 31, 2015, our corporate governance & nominating committee consists of three members: Egan (Chair), DeMarines, and Safir. The current members of our corporate governance & nominating committee are all independent directors within the meaning of applicable NASDAQ listing standards. The corporate governance & nominating committee met four times during the year ended January 31, 2015. The corporate governance & nominating committee's responsibilities are set forth in its charter and include, among other things:

- responsibility for establishing our corporate governance guidelines;
- overseeing the board of director's operations and effectiveness; and
- identifying, screening, and recommending qualified candidates to serve as independent directors.

The corporate governance & nominating committee of the board of directors nominates and recommends director nominees to the board of directors and will consider director candidates from a variety of sources, including director candidates suggested by existing directors and board members. For information submitted in accordance with the applicable procedures set forth in our by-laws and our charter for nominating directors in accordance with our by-laws, please refer to "Stockholders' Rights" in our 2014 Annual Meeting" in this proxy statement. Pursuant to our corporate governance & nominating committee charter, the corporate governance & nominating committee seeks members from diverse professional and personal backgrounds who combine a variety of relevant experience and expertise with the highest ethical character and who share the same values. The selection of director candidates includes an evaluation of an individual's independence, diversity, age, high personal and professional ethical standards, sound business judgment, and professional accomplishment, background, and skills in the context of the needs of the company. In connection with its annual review of its charter, the corporate governance & nominating committee evaluates the effectiveness of its selection criteria set forth in our corporate governance guidelines. The composition of the current board of directors reflects diversity in business and professional experience among its independent directors.

Audit Committee

We have a separately designated standing audit committee as contemplated by the Securities Exchange Act of 1934. For the year ended January 31, 2015, our audit committee consisted of Mr. Egan, Mr. Safir, and Mr. Shanks. The audit committee oversees the engagement of our independent registered public accounting firm, reviews our annual financial statements and the scope of annual audits, and reports relating to accounting policies and internal controls.

Each member of the audit committee meets the independence criteria prescribed by the rules of the SEC for audit committee membership and is an "independent director" within the meaning of applicable NASDAQ listing standards. Each audit committee member meets NASDAQ listing standards' sophistication requirements, and the board of directors has further determined that each member is an "audit committee financial expert" as such term is defined in Item 407(d)(2) of Regulation S-K under the SEC. Stockholders should understand that this designation is an SEC disclosure requirement. Mr. Myers' and Mr. Shanks' experience and understanding of certain accounting and financial reporting issues the SEC has stated does not impose on the director so designated any additional duties or responsibilities otherwise is imposed generally by virtue of serving on the audit committee and reporting to the board of directors. The audit committee met five times during the year ended January 31, 2015.

The audit committee's responsibilities are set forth in its charter and include, among other things, assisting the board of directors in its oversight of our compliance with all applicable laws and regulations, which includes oversight of the quality and integrity of our financial reporting and internal control functions as well as general risk oversight; and

- direct and sole responsibility for appointing, retaining, compensating, and evaluating the performance of our independent registered public accounting firm.

A separate report of the audit committee is included in this proxy statement.

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Compensation Committee

For the year ended January 31, 2015 (through March 20, 2014), our compensation committee consisted of Messrs. Nottenburg (Chair), Safir, and Shanks, with Mr. Egan joining the committee in January 2015. The board of directors has affirmatively determined that the current members of the compensation committee are all independent directors within the meaning of applicable NASDAQ listing rules and that the current members are “non-employee directors” within the meaning of Rule 16b-3 and “outside directors” for purposes of Section 162(m) of the Internal Revenue Code. The compensation committee met six times during the year ended January 31, 2015. The compensation committee’s responsibilities are set forth in its charter and include reviewing and approving compensation arrangements for our executive officers; and administering our stock incentive compensation plans and approving all grants of stock and restricted equity grants to non-employee directors are approved by the full board of directors. The compensation committee delegates such authority to the compensation committee following its review. The compensation committee has the authority to retain third-party consultants to assist it in the discharge of these responsibilities. The compensation committee assesses the independence of third-party consultants and the conflicts of interest of compensation advisors in accordance with applicable listing rules and standards. Additional discussion regarding the role of third-party consultants, including the compensation of executive officers in determining or recommending the amount or form of executive compensation, is included in the “Compensation Discussion and Analysis” section of this proxy statement. A separate Compensation Committee Report is also included in this proxy statement.

Current Committee Membership

As of the date of this proxy statement, the membership of each of our standing committees is as follows:

Director	Corporate Governance & Nominating Committee	Audit Committee
Bodner, Dan		
DeMarines, Victor	X	X
Egan, John	X (Chair)	
Myers, Larry		X (Chair)
Nottenburg, Richard		
Safir, Howard	X	X
Shanks, Earl		X

EXECUTIVE OFFICERS

The following table sets forth the names, ages, and positions of our executive officers as of the date of this filing:

Name	Age	Position(s)
Dan Bodner	56	President, Chief Executive Officer, Corporate Officer
Douglas Robinson	59	Chief Financial Officer and Corporate Officer
Elan Moriah	52	President, Enterprise Intelligence Solutions and Solutions and Corporate Officer
Meir Sperling	66	Chief Strategy Officer and Corporate Officer (a Communications and Cyber Intelligence Solutions)
Peter Fante	47	Chief Legal Officer, Chief Compliance Officer,

Dan Bodner serves as our President, Chief Executive Officer, Corporate Officer and has served as our President and/or Chief Executive Officer and as a director since 2006. Mr. Bodner also served as President and Chief Executive Officer of Comverse Global, a wholly owned affiliate of ours. Prior to such positions, from 1987 to 1991, Mr. Bodner held various positions at CTI.

Douglas Robinson serves as our Chief Financial Officer and Corporate Officer in such capacity since late 2006. Prior to joining us, Mr. Robinson spent 17 years at Computer Associates International, Inc. (CAI), where he held the positions of Vice President, Finance, Americas Division, Corporate Controller, Interim Chief Financial Officer of CAI's iCan SP subsidiary, and Senior Vice President Investor Relations, among others.

Elan Moriah serves as President of our Enterprise Intelligence Solutions and Solutions global business lines and Corporate Officer. Mr. Moriah has served in various capacities, having previously served as our President, Americas from 2004 to 2008 and as President of a business unit from 2000 to 2004. Prior to joining us, Mr. Moriah held various positions at Motorola Inc., where he served as Business Development Manager for Europe and Worldwide Network Services Division and as Vice President of Marketing and Sales. Before then, Mr. Moriah worked for Comet Software Inc., as Vice President of Sales and Operations Manager.

Meir Sperling serves as our Chief Strategy Officer and Corporate Officer. Mr. Sperling has served as Chief Strategy Officer since May 2013, having previously served as President of our Enterprise Intelligence Solutions global business line and Corporate Officer from 2000 to 2013. Mr. Sperling was President, APAC (Asia Pacific) from 2006 to 2007. Before joining us, Mr. Sperling was President of ECI Telecom Ltd. ("ECI") as General Manager of its Business Systems and Services division at several ECI subsidiaries. Before then, Mr. Sperling held various management positions at ECI Telecommunications Communications Ltd. as well as with Tadiran Ltd and TI Ltd.

Peter Fante serves as our Chief Legal Officer, Chief Compliance Officer, and has been appointed as General Counsel in 2002 (subsequently retitled as Chief Legal Officer in 2008). He previously served as our Secretary from 2005 to early 2011. Mr. Fante was an associate at various global law firms including Morrison & Foerster LLP, Cadwalader, Wickersham & Taft LLP.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (“CD&A”) describes in detail our compensation program and addresses how we made compensation decisions for January 31, 2015.

This discussion describes the principles underlying our executive compensation executive compensation decisions for the year ended January 31, 2015, and also policies and decisions. We have included certain information in this CD&A (a periods subsequent to January 31, 2015 that we believe may be useful for a more executive compensation arrangements. While the focus of this discussion is on with our named executive officers, in some cases we also provide information arrangements with our other executives or our employees generally where we providing context for our named executive officer compensation arrangements.

Executive Summary

We are a global leader in Actionable Intelligence® solutions. Actionable Intel dynamic world of massive information growth because it empowers organization enables decision makers to anticipate, respond, and take action. With our solution organizations of all sizes and across many industries can make more timely and more than 10,000 organizations in over 180 countries, including over 80 percent solutions to improve enterprise performance and make the world a safer place. Smarter World with Actionable Intelligence®.

The goal of our executive compensation program is to attract and retain the best. Our philosophy in setting executive compensation is to provide incentives to create achieve outstanding performance results, to outperform our direct competitors value. To support this philosophy, we set target compensation in a range around compensation arrangements so that actual pay outcomes will vary (above or below performance achieved. Our executive compensation program seeks to align executive stockholder value on an annual and long-term basis as follows:

- Executive pay consists of a mix of base pay, annual bonus, and long-term equity. Annual bonuses are based on revenue, profitability, cash flow, and individual performance, with a minimum threshold level of performance below which no payout is earned, and a maximum payout;

- Long-term incentive awards are comprised of a combination of time-based and performance-based stock units, which are designed to link executive compensation with increased performance, with the performance-based awards subject to a minimum threshold level of performance below which no payout is earned, and a specified maximum payout; and

- A significant majority of the total direct compensation of each named executive officer is equity (whose value depends on our stock price), specifically, approximately 90% for the Chief Executive Officer and approximately 80% on average for the other named executive officers. The value of equity (both time-based and performance-based) plus performance-based awards ended January 31, 2015, as a function of total compensation). Performance-based awards and performance-based bonuses alone accounted for approximately 60% of our CD&A direct compensation and approximately 55% of the total direct compensation of our named executive officers.

We also have several governance programs in place to align executive compensation and mitigate risks in our compensation plans. These programs include:

- a clawback policy;
- stock ownership guideline for executive officers and directors;
- limited perquisites;
- use of tally sheets and aggregate award summaries to facilitate oversight of executive compensation;
- a policy prohibiting all personnel (including executive officers and directors) from trading securities, from short-term trades in our securities (open market purchase and sale) and from trading options in our securities;
- a policy prohibiting hedging or significant pledging in our securities by our executive officers and directors;
- and
- a policy precluding us from entering into any new plan, program, agreement, or arrangement for 280G tax gross-up payment with any person or, subject to a limited exception, for 280G tax gross-up payments with executive officers.

Results for the Year Ended January 31, 2015

Key initiatives, milestones, and operational results that were reflected in or drove our compensation decisions for the year ended January 31, 2015 included:

The launch of our customer engagement optimization strategy, significantly increasing our addressable market, and execution of the new strategy both organically and with the acquisition of KANA Software, Inc. into our enterprise intelligence business;

The expansion of our security intelligence portfolio to address cyber security, increasing our addressable market, and the announcement of and execution on a large cyber security contract worth more than \$100 million;

Advancing our human capital strategy and continued investment in infrastructure and technology development to support the long-term growth of our business;

Completion of a successful capital restructuring to reduce our leverage, diversify our debt, reduce interest expense, fix the interest rate on a portion of our debt at historically low rates, and increase borrowing capacity for future strategic needs;

• Increase in non-GAAP revenue by 27.3%, from \$910.0 million to \$1.16 billion;

• Increase in non-GAAP operating income by 25.2%, from \$210.0 million to \$264.0 million.

Pay-for-Performance Results

Based on our review of these and other business and operational results for the year ended January 31, 2015 compared to our corresponding executive compensation decisions, we believe that our "pay-for-performance" executive compensation program for the year, including with respect to the significant actions and key decisions regarding executive compensation for the year ended January 31, 2015, was:

• Increase in base salaries by 3.0%, generally consistent with our regular compensation review;

No changes to target bonuses based on an assessment that target bonuses were appropriate vis-à-vis the compensation peer group as a result of a two-year process of migration to market levels begun in the year ended January 31, 2013;

Award of annual equity grants consistent with our regular compensation review process, including benchmarking and other factors described below, with 50% of these awards tied to performance goals over a two-year performance period;

Establishment of executive officer bonus payouts at 100% of target based on the achievement of financial and operational results and individual objectives, including revenue at 101.1% of our target goal of \$1.11 billion, operating income at 101.1% of our target goal of \$260.0 million, and EBITDA at 102.6% of our target goal of \$221.0 million, which drove calculated payout at approximately 110% to approximately 114%, as

well as based on internal pay equity considerations between the named executive officer and the rest of the employee base (who were under different bonus plans); and

- Approval of performance vesting levels for previously-granted equity awards based on the level of achievement of our revenue and operating income goals described above.

The following discussion should be read together with the information we present in the tables, the footnotes and narratives to those tables, and the related disclosures appearing elsewhere in this statement.

Recent Developments in Executive Compensation Practices

Our compensation committee annually evaluates our compensation practices and identifies recent developments in executive compensation and corporate governance, market trends, and best practices. Throughout the second half of 2013 and the beginning of 2014, the compensation committee consulted with a compensation consultant, legal advisors, and members of senior management to design a new performance-based equity plan. The new plan enhances the long-term focus of our performance equity program by introducing performance goals, which we believe are an important driver of stockholder value. When the compensation committee implemented the new design for the first time, grants were made to our named executive officers and certain other executives which vest one-third based on an EBITDA metric, and one-third based on a relative total return to stockholders over a single 2-year performance period. 50% of each named executive officer's 2014 awards were granted in the form of these new performance-based RSUs. This new design replaced our previous performance-equity award design, which vested based on three 1-year performance periods. The previous design continues to be in place for existing outstanding awards. The new design is not applicable to grants of equity to our named executive officers on an annual basis.

On April 21, 2015, the compensation committee again granted 50% of each named executive officer's 2015 equity award in the form of the new performance-based RSUs (in respect of the portion of the award for the year ending January 31, 2016, to be discussed in detail in our spring 2016 proxy statement). Beginning with the April 2015 awards, an additional one-year vesting period was introduced (in respect of the performance period) with respect to one-third of the shares that are ultimately granted. This new design will benefit and extend the retentive effect of these awards.

Compensation Philosophy and Design

Philosophy and Objectives of Compensation Program

Our philosophy in setting executive compensation is to provide incentives to our named executive officers to achieve outstanding performance results, to outperform our direct competitors, and to create long-term value. To support this philosophy, we set target compensation in a range around market data and compensation arrangements so that actual pay outcomes will vary (above or below target) based on performance achieved. The compensation committee periodically reviews our compensation program and may make adjustments from time to time based on the needs of the organization. We believe that our compensation philosophy, including the opportunity to earn bonuses and performance-based equity for performance in excess of goals, ensures that we are well positioned to attract and retain a high level of executive officer talent and to properly incentivize our executive officers. Our compensation packages are generally comprised of a mix of base salary, annual bonus, restricted stock grant, plus limited perquisites. We believe this mix of compensation elements supports the foregoing compensation objectives, however, as noted above, the compensation committee periodically re-evaluates our compensation philosophy, objectives, and tools and, from time to time, introduces new elements into our executive compensation program.

We believe a significant portion of each executive officer's compensation should be based on the performance of our business or our stock price. We implement this belief through bonuses and performance-vested equity, for which payment or vesting is directly tied to performance, as well as through the use of equity-based compensation generally, such as restricted stock grants, of which depends on our stock price. We believe that equity-based compensation

on continued employment is also an effective tool for retaining our executive officers and directors, and for building long-term commitment to the company. In addition, consistent with those of our stockholders, and for building long-term commitment to the company, below, our executive officers and directors are also subject to stock ownership requirements.

Roles and Responsibilities in Determining Executive Compensation

The compensation committee establishes our executive officer compensation policy, including base salary, bonus payout and performance equity vesting levels for performance-based compensation, and oversees our long-term incentive programs. The compensation committee also administers our equity-based compensation programs over the relevant performance period. The compensation committee also administers our equity-based compensation programs over the relevant performance period.

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generally and any special compensation initiatives.

The compensation committee receives updates from its compensation consultant annually on recent developments and trends in executive compensation and relies on it in making compensation decisions.

For the year ended January 31, 2015, the compensation committee engaged Towers Watson group compensation “benchmarking” analysis for our executive officer compensation. The compensation committee in structuring and evaluating proposed executive officer compensation as well as year-end payouts. As discussed above, Towers Watson also advised on our performance equity plan. Any advice provided by Towers Watson in the year ended January 31, 2015, with respect to non-executive officer or director personnel did not exceed \$120,000 for our participation in broad-based plans that do not discriminate in scope, terms, or operation in favor of our directors and are available generally to all employees. The compensation committee did not consult outside counsel during the year ended January 31, 2015. In March 2014, the compensation committee and confirmed the independence of its advisors pursuant to the six-factor test provided in the Dodd-Frank Act with respect to the compensation period ended January 31, 2014. The compensation committee also reviewed and confirmed the independence of its advisors pursuant to the six-factor test, with respect to the compensation period ending January 31, 2015. In establishing the compensation packages for our named executive officers each year, the compensation committee also reviews the various components and amounts of compensation for each executive officer through the use of “tally sheets” or similar compensation summary sheets under the committee's oversight of executive compensation.

With the compensation committee's permission or at the compensation committee's request, members of senior management from our human resources, finance, or legal functions may consult with the compensation consultant in preparing proposals for executive officer compensation. The compensation consultant at all times remains independent of management and forms its own recommendations it makes to the compensation committee. The compensation committee meets in session (outside the presence of management), both with and without its compensation consultant, for the year ended January 31, 2015.

The Chief Executive Officer also provides input to the compensation committee on the executive officer compensation package. The Chief Executive Officer's input to the compensation committee, among other things, on his views of each executive officer's performance, achievements, responsibilities, competitive factors, and internal pay equity considerations. The Chief Executive Officer does not include a recommendation on his own compensation and, notwithstanding this, the compensation committee in any event exercises independent judgment on executive officer compensation. The Chief Executive Officer is responsible for final decisions on all matters related to the compensation of all

Peer Group

The composition of the peer group used for benchmarking analyses prepared by the compensation committee for the year ended January 31, 2015 was developed following discussions between the compensation committee, Towers Watson, and members of senior management, primarily on the basis of the results of these discussions, for the year ended January 31, 2015, the compensation committee identified the following peer group:

ACI Worldwide Inc.	Mentor Graphics Corp.
Autodesk Inc.	MicroStrategy Inc.
Cadence Design Systems Inc.	MICROS Systems Inc.
CommVault Systems	NetScout Systems, Inc.
Compuware Corp.	Nuance Communicati
Constellation Software Inc.	Pegasystems Inc.
DST Systems Inc.	Open Text Corp.
Fair Isaac Corporation	Red Hat Inc.
Fortinet Inc.	Salesforce.com Inc.
Informatica	Solera Holdings Inc.
Jack Henry & Associates Inc.	SS&C Technologies F
MacDonald Dettwiler and Assoc. Ltd.	TIBCO Software Inc.

The companies included in the peer group were selected by the compensation committee from a list of publicly traded software and technology companies with businesses similar to ours, market capitalizations, and/or enterprise values within a range above and below ours that the compensation committee believed was relevant. Certain of our closest competitors do not fit into this peer group because they are much larger or much smaller than us, are privately held, or are not publicly traded. The compensation committee also considers the growth and market leadership of the peer group companies, competitive considerations with regard to our business, as well as other factors in selecting the peer group, and is mindful of the parameters used by other companies in establishing their own compensation peer groups. During its annual review, the compensation committee will, to the extent practical, to maintain consistency in the peer group in an effort to ensure consistency from year to year in the results of the benchmarking process.

Overview of the Establishment of Executive Officer Compensation for the Year
In establishing actual cash and equity target award levels for each named executive officer, the compensation committee considers the relative balance between cash compensation and equity compensation, the factors considered by the committee in the past, and the following factors, which have consisted of:

- the compensation benchmarking analysis prepared each year by the compensation committee;
- the executive officer's compensation for the previous year;
- relevant terms of the officer's employment agreement;
- the executive officer's role, responsibilities, and skills;
- a subjective assessment of the executive officer's performance in the previous year, including the officer's contributions to our achievements;
- our performance, based on financial and non-financial metrics, in the previous year;
- our stock price performance over the course of the prior year and over longer-term periods;
- our growth, based on both financial and non-financial metrics, from the previous year;
- our outlook and operating plan for the upcoming year;
- the proposed packages for the other executive officers (internal pay equity);
- the proposed merit increases, if any, being offered to our employees generally, including:
 - the size of the aggregate equity pool available for awards for the year and the relative size of the equity pool between the executive officers and the other participants;
- overall equity dilution and burn rates as well as equity overhang levels;
- the value of and expense associated with proposed and previously awarded equity awards;
- the continuing retentive value of past awards;
- executive officer recruiting and retention considerations; and
- compensation trends and competitive factors in the market for talent in which we compete.

Elements of compensation were considered by the compensation committee in its decision making process. Although the compensation committee does not target a specific ratio of cash to equity, the compensation committee believes that equity should comprise a major portion of each executive officer's compensation package in order to foster a greater sense of personal investment and to further aligning executive officer incentives with the interests of our stockholders. We believe that such executive officer's compensation that is "at risk" by virtue of being dependent on performance. Subject to the parameters of our compensation philosophy, the compensation committee believes that it is appropriate for our Chief Executive Officer to be compensated on a cash and equity basis and an equity perspective than our other named executive officers, and this approach is consistent with our benchmarking analyses. In establishing the relative compensation of the other named executive officers, the compensation committee takes into account differences in the scope of each officer's responsibilities and skills.

The financial performance goals established by our compensation committee for the year and performance equity awards are based on our internal budget, which uses non-GAAP measures (in accordance with accounting principles) measures that our board of directors and senior management use to evaluate our business. See Appendix B to this proxy statement for additional discussion of our non-GAAP measures and reconciliation to the most directly comparable GAAP measure. The compensation goals contemplated by the budget approved by the board of directors are included in our annual compensation goals. For other extraordinary non-budgeted events, including non-GAAP awards granted by the budget, the compensation committee or the board of directors may normalize such awards to ensure comparability with performance goals, unless otherwise provided under our compensation policy. For example, the 2013 Special Grants (discussed below), which awards were granted in 2013, were the impact of extraordinary changes to the business, including M&A. Under the compensation policy, awards granted in April 2014 and April 2015, the board of directors plans to normalize such awards to the extent such normalization will be required at the time any such extraordinary t

Elements of Compensation - Establishment and Payouts for the Year Ended January 31, 2015

Base Salary

Base salaries for our named executive officers are subject to adjustment annually by the compensation committee as part of its regular compensation review process based on the benchmarking process and the other factors described above. For the year ended January 31, 2015, executive officer base salaries increased by an average of 3.0%, generally consistent with our regular company merit increases for the year ended January 31, 2015.

Establishment of Annual Bonuses

Each of our named executive officers is eligible to receive an annual cash bonus. The establishment of annual bonuses are established annually by the compensation committee as part of its regular compensation review process described above based on the benchmarking process and the other factors described above. For the year ended January 31, 2015, target bonus opportunities were not changed from the year ended January 31, 2014. Target bonuses were well aligned with market vis-à-vis the compensation peer group. The process of migrating target bonuses towards market levels begun in the year ended January 31, 2014. Bonus payouts are based on performance by reference to pre-defined performance goals established by the compensation committee as part of the regular compensation review process and the benchmarking process and the other factors related to each executive officer's achievements and performance review process. The compensation committee is relevant by the compensation committee.

Performance goals for bonus plans for the year ended January 31, 2015 were based on the achievement of operating income, operating cash flow, and the achievement of management business objectives (MBOs). We believe these elements create a well-diversified set of performance goals. Revenue is our key growth driver, profitability, cash generation, and individual MBOs are tailored to each executive officer's function within the company. For the year ended January 31, 2015, the MBOs consisted of qualitative/subjective performance goals (such as the achievement of strategic or compliance plans or initiatives, successfully integrating acquired companies, or achieving human resource goals) and additional quantitative goals such as achievement of operating unit budget targets (such as the achievement of operating unit budget targets and responsibility).

Financial performance goals were in the form of a range in which an executive officer's performance would earn a target bonus at the low end of the performance range (or threshold), 100% of his target bonus at the middle of the performance range (target performance), and up to 150% of his target bonus at the high end of the performance range, for each performance goal, with the final bonus calculation based on the achievement of all goals. For performance below the applicable threshold, the executive officer would receive no bonus for that goal. For performance falling between established points, the bonus would be calculated on a formulaic basis based on those points. MBO goals were measured on a subjective basis of achievement, with the calculated percentage payout for such metric equal to the percentage of achievement. The compensation committee's objective in establishing a range of performance goals is to align with actual performance.

The compensation committee carefully evaluates the proposed financial performance goals and the proposed MBO goals, as part of its annual compensation review process, with the benchmarking process and the other factors described above. The compensation committee sets performance targets (the middle of the performance ranges) and the MBO goals based on the performance on the part of each recipient, but that is not so difficult to achieve that the executive officer will be unable to reach the goal. The compensation committee also sets threshold performance levels (and corresponding payout levels) that are reasonable and achievable. The compensation committee also provides for a cap on maximum payouts, at the discretion of the compensation committee, based on levels of achievement.

Annual Bonus Payouts for the Year Ended January 31, 2015

The following table summarizes the annual bonus payouts for each executive officer for the year ended January 31, 2015. All financial goals in the annual bonus plans were overachieved, resulting in bonus payouts ranging from approximately 110% to approximately 114%, however, based on other considerations (including, but not limited to, the named executive officers' performance and other considerations between the named executive officers and the broader employee group under the bonus plans), the compensation committee decided to reduce named executive officers' bonus payouts (see below for Target Bonus).

Name	In U.S. Dollars	In Local Currency	Bonus Plan Metric & Weight	Financial Target for Bonus Plan Metric	Final Payout Percentage
Dan Bodner	\$816,000	N/A	Company revenue: 30.0% Company operating income: 30.0% Cash flow: 20.0% MBO: 20.0%	\$1.11 billion \$260.0 million \$221.0 million	100.0%
Douglas Robinson	\$289,000	N/A	Company revenue: 30.0% Company operating income: 30.0% Cash flow: 20.0% MBO: 20.0%	\$1.11 billion \$260.0 million \$221.0 million	100.0%
Elan Moriah	\$289,000	N/A	Company revenue: 30.0% Company operating income: 30.0% Cash flow: 20.0% MBO: 20.0%	\$1.11 billion \$260.0 million \$221.0 million	100.0%
Meir Sperling (1)	\$214,577	NIS 842,000	Company revenue: 30.0% Company operating income: 30.0% Cash flow: 20.0% MBO: 20.0%	\$1.11 billion \$260.0 million \$221.0 million	100.0%
Peter Fante	\$221,000	N/A	Company revenue: 30.0% Company operating income: 30.0% Cash flow: 20.0%	\$1.11 billion \$260.0 million	100.0%

\$221.0
million

MBO: 20.0%

(1) Shown in U.S. dollars for comparative purposes only, based on the exchange rate used in the compensation committee's compensation review for the year. As noted in the 2014 Proxy Statement, Mr. Sperling's target bonus is set in his local currency and for the year ended January 31, 2014. The U.S. dollar amount shown is based on the applicable exchange rates on the applicable payment date (or date of board approval) as of the date of this proxy statement. The actual payment to Mr. Sperling appears in the last column.

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Performance vs. Payout Matrix

(applies to each officer on a goal by goal basis, based on the officer's individualized bonus plan per the table above)

Achievement Percentage	Payout Percentage			
	0%	25%	75%	90%
Percentage of Revenue Goal	<87%	87%	92%	97%
Achievement Percentage	Payout Percentage			
	0%	25%	65%	85%
Percentage of Operating Income Goal	<78%	78%	83%	93%
Percentage of Cash Flow Goal	<78%	78%	83%	93%

The achievement percentage for each of the performance goals listed above was: revenue, 101.1%; operating income, 101.1%; and cash flow from operations, 102.6%.

Establishment of Equity Awards

Each of our named executive officers is eligible to receive an annual equity award. Target bonuses, named executive officer equity grants are established annually as part of its regular compensation review process described above. For the April establishment of compensation for the year ended January 31, 2015), Mr. Sperber received an award in prior years, consistent with his change in role.

The compensation committee endeavors to establish the grant date well in advance of vesting dates to occur at a time when we would not normally be in a quarterly blackout period (to avoid the chances that vesting-related tax events occur during blackout periods). Apart from the vesting dates outside of blackout periods, we do not time our grants by reference to the company's financial material information.

In recent years, we have used RSUs (both time-based and performance-based) as a primary award, which provide predictable retention value and alignment of employee interests, particularly in times of volatile equity markets. The compensation committee also uses other elements of compensation it uses, however, and we may in the future incorporate stock options, in our executive officer compensation packages. To the extent that we use stock options, the exercise price of such options is the closing price of our stock on the date of board committee approval.

For the year ended January 31, 2015, annual equity awards for our named executive officers were split evenly between time-vested RSU awards and performance-vested RSU awards. We believe this provides good alignment of executive officer incentives with company performance and ensures that executive officer compensation is "at risk" both by being tied to the value of our stock and performance of our business.

• Time-based RSU awards vest in equal portions over a three-year period.

• The annual performance-based RSU awards for executive officers granted during 2015 (in April 2014) vest based on a single 2-year performance period ending January 31, 2016, split one-third on revenue, one-third on EBITDA, and one-third on relative TSR. Relative TSR is defined as Verint's total stockholder return, on a percentile basis, relative to the companies in the S&P 500 Information Technology Sector Index with respect to the applicable performance period. The performance period is based on the applicable 90-day volume-weighted trailing average closing price of our stock and the companies as of the beginning and end of the performance period (adjusted for stock splits) of those members of the index that constitute part of the index at both the beginning and end of the performance period.

performance period will be taken into account for purposes of the calculation. elected to include relative TSR in the new performance equity design in order long-term incentive program with the interests of our stockholders. In structure and selecting the index, the compensation committee's goal was to be able to performance to that of a large, steady-state sampling of technology companies

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median size within a range of ours, on a basis designed to eliminate any short- (for either Verint or companies in the index) at the start or the end of the performance period. Our historical annual performance-based RSU awards, some of which remain unvested, are granted in three tranches corresponding to three separate performance periods, each concluding at the end of the performance period. While we believe that waiting until the beginning of the performance period to set the performance goal for that period provides certain advantages, such as the greater incentive effect of these awards, the compensation committee has decided to change the performance-based RSU design (with longer performance periods) to emphasize the long-term perspective. Annual performance-based RSU awards granted in the years ended 2014 and 2015 vest 50% based on revenue and 50% based on operating income.

The revenue and operating income goals for the January 31, 2015 performance period. The annual performance-based RSU awards were set using the same methodology as the annual performance-payout scales, as described above under “—Elements of Compensation—”, for bonus goals.

The performance-payout scales for the revenue, EBITDA, and relative TSR goals for the performance RSUs granted during the year ended January 31, 2015 are set out below. For historical performance RSU awards, if performance falls below the applicable goal, the employee would not receive any vesting for the portion of the award attributable to that goal. If performance is between established points in the range, the amount earned is calculated on a pro-rata basis between the two points.

Revenue Achieved in Performance Period	Revenue Payout Percentage
Threshold (82% of Revenue Target)	25%
(90% of Revenue Target)	75%
(95% of Revenue Target)	90%
Target (100% of Revenue Target)	100%
(105% of Revenue Target)	150%
(108% of Revenue Target)	175%
Maximum (110% of Revenue Target)	200%

EBITDA Achieved in Performance Period	EBITDA Payout Percentage
Threshold (73% of EBITDA Target)	25%
(80% of EBITDA Target)	65%
(90% of EBITDA Target)	85%
Target (100% of EBITDA Target)	100%
(110% of EBITDA Target)	150%
(115% of EBITDA Target)	175%
Maximum (120% of EBITDA Target)	200%

Relative TSR Achieved in Performance Period	Relative TSR Payout Percentage
Threshold (25th or < percentile Relative TSR)	0%
Target (50th percentile Relative TSR)	100%
Maximum (75th or > percentile Relative TSR)	200%

Calculation of Performance Equity Vesting for the Year Ended January 31, 2015
 As a result of the transition to a single 2-year performance period for the performance period ended January 31, 2014, no vesting of these awards occurred during (or in respect of) the year ended January 31, 2015. The following table summarizes the performance versus payout matrices established by the compensation committee for the performance period ended January 31, 2015 for our historical performance. The actual goal achievement and calculated vesting levels for these awards in respect of the year ended January 31, 2015 were equal to the calculated vesting levels without adjustment based on the performance period. Performance vs. Payout Matrix (for third tranche of awards approved April 26, 2013)

Revenue Goal Opportunity		Payout For This Goal
Percentage of Revenue Goal Achieved	Percentage of Performance Shares Eligible to be Earned for Period	Percentage of Revenue Goal Achieved
87%	25%	
92%	75%	
97%	90%	
100%	100%	104.3%
103%	120%	
105%	140%	
108% or more	150%	
Operating Income Goal Opportunity		Payout For This Goal
Percentage of Operating Income Goal Achieved	Percentage of Performance Shares Eligible to be Earned for Period	Percentage of Operating Income Goal Achieved
78%	25%	
83%	65%	
93%	85%	
100%	100%	101.1%
105%	120%	
110%	140%	
115% or more	150%	
		Overall Payout (Average of Revenue and Operating Income Goals Achieved)
		102.7%

Performance vs. Payout Matrix (for second tranche of awards approved April 2014)		
Revenue Goal Opportunity		Payout For This Goal
Percentage of Revenue Goal Achieved	Percentage of Performance Shares Eligible to be Earned for Period	Percentage of Revenue Goal Achieved
87%	25%	
92%	75%	
97%	90%	
100%	100%	104.3%
103%	120%	
105%	140%	
108% or more	150%	
Operating Income Goal Opportunity		
Percentage of Operating Income Goal Achieved	Percentage of Performance Shares Eligible to be Earned for Period	Payout For This Goal
Percentage of Operating Income Goal Achieved	Percentage of Performance Shares Eligible to be Earned for Period	Percentage of Operating Income Goal Achieved
78%	25%	
83%	65%	
93%	85%	
100%	100%	101.1%
105%	120%	
110%	140%	
115% or more	150%	
		Overall Payout (Average)
		Percentage of Combined Goals Achieved
		102.7%

2013 Special Grant

On April 19, 2013, the compensation committee, with the approval of the board of directors, granted a special grant of equity to our named executive officers and certain other executives (the "2013 Special Grant") in conjunction with our regular annual equity grant for the year ended January 31, 2013. The 2013 Special Grant was comprised of a time-based component (one-third of the award) and a performance-based component (two-thirds of the award). The time-based RSU component will vest one-third on April 4, 2014, one-third on April 4, 2015, and will vest one-third on April 4, 2016. The performance-based RSU component of the grant was divided into two equal grants, "Revenue Units" and "EBITDA Units," each with its own performance vesting conditions that must be met over a five year period from the end of the month in which the grant was made, but subject to a sustainability test which may be achieved any time within a six year period from the date the grant was made.

In connection with the finalization of our financial results for the quarterly period ended January 31, 2015, the compensation committee determined that the performance vesting conditions for the Revenue Units had been satisfied and certified the vesting of such units. In connection with the finalization of our financial results for the quarterly period ended January 31, 2015, the compensation committee determined that the performance vesting conditions for the first half of the Revenue Units had been satisfied and certified the vesting of such units. The specific number of shares earned by each named executive officer is summarized in the table below. The second half of each of the EBITDA Units remain outstanding.

Named Executive Officer	First Vesting
Dan Bodner	12,500
Doug Robinson	3,000
Elan Moriah	4,500
Meir Sperling	3,000
Peter Fante	3,000

Stock Bonus Program

In order to foster a greater sense of company ownership for employees while reducing compensation cost, in September 2011, our board of directors approved a stock bonus program under which eligible employees may receive a portion of their bonuses, otherwise payable in cash, in the form of shares of our common stock. This program is subject to annual funding approval by the board of directors and an annual cap on the number of shares that can be issued. Named executive officers are eligible to participate in the program, to the extent that shares remain available for awards following the award to other participants, to encourage our officers to continue to increase their stake in the company. The program is also to named executive officers in respect of the discount feature of the program and to increase alignment of interests. For the program period ended January 31, 2014, the board of directors approved the issuance of 10,000 shares of common stock and a discount of 15% for awards under the program. For the program period ended January 31, 2015, the board of directors approved the issuance of 10,000 shares of common stock and a discount of 15% for awards under the program. For the program period ended July 31, 2014, the board of directors approved the issuance of 10,000 shares of common stock and a discount of 15% for awards under the program. These shares are included in the "Stock Awards" column of the Summary Compensation Table for the year ended January 31, 2015 (the year in which the shares in respect of the discount were issued). Sperling did not participate in the program.

Named Executive Officer	Shares
Dan Bodner	1,992
Doug Robinson	233
Elan Moriah	692
Peter Fante	539

For the program period ended January 31, 2015, the board of directors has approved the award of 125,000 shares of common stock and a discount of 15% for awards under the program in respect of this program period in

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the quarter ending July 31, 2015 (during the year ending January 31, 2016) and the amount of shares to be issued to the named executive officers in respect of the discount will not be determined until such time. For the program period ending January 31, 2016, the board of directors has approved the issuance of 125,000 shares of common stock and a discount of 15% for awards under the program. For the quarter ending July 31, 2016 (during the year ending January 31, 2017), the board of directors has approved the issuance of 125,000 shares of common stock and a discount of 15% for awards under the program. The amount of shares to be issued to the named executive officers in respect of this program period in the quarter ending July 31, 2016 (during the year ending January 31, 2017) will not be determined until such time.

Other Pay Elements

We do not currently make use of cash-based long-term incentive compensation plans, or deferred compensation plans. We provide a limited amount of perquisites to our named executive officers, which vary from officer to officer and region to region and include:

- use of a company car or an annual car allowance, plus fuel reimbursement allowance;
- an annual allowance for professional legal, tax, or financial advice;
- payments for accrued vacation days (prior to separation from service); and
- supplemental company-paid life insurance.

Named executive officers in the United States also receive the same partial medical and dental benefits as all other U.S. employees. Named executive officers in Israel receive compensation, a severance fund, and a continuing education fund, in each case, on the same basis as other employees. Named executive officers receive the same health insurance and disability insurance offered to all other employees in the country in which they are employed.

Employment Agreements

Each of our named executive officers is party to a formal employment agreement. The terms of our employment agreements are summarized under “Executive Officer Severance Benefits and Provisions—Provisions of Executive Officer Agreements” below.

Clawback Policy

Each of our named executive officers is subject to a clawback provision in his or her employment agreement which allows us to recoup from the officer, or cancel, all or a portion of the officer's incentive compensation (including bonuses and equity awards) for a particular year if we are required to restate our financial statements for that year due to material noncompliance with any financial reporting requirements under applicable laws as a result of the officer's misconduct. The clawback applies from and after the date the officer's employment agreement was first signed to performance-based awards made during the year in question which were paid based on the results required to be restated. The amount to be recouped from the officer will be the amount by which the incentive compensation for the year in question exceeded the amount that would have been awarded had the financial statements originally been filed as restated. Our Stock Incentive Plan also allows for the cancellation or forfeiture of an award, or the forfeiture of shares related to an award, if an officer engages in activity detrimental to our company.

Stock Ownership Guidelines and Other Policies

Our board of directors has adopted stock ownership guidelines for our named executive officers and non-employee directors who are compensated by us for their services. We believe that these guidelines will further align the interests of our executive officers and directors with those of our shareholders. The guidelines contain customary terms and conditions and establish the following target ownership levels:

- ownership equal to five times salary for our Chief Executive Officer;
- ownership equal to three times salary for our other executive officers (reduced to two times salary beginning at age 62); and
- ownership equal to three times annual cash retainer for non-employee directors.

Until the target ownership levels are met, executive officers and directors are required to hold 50% of the after-tax shares acquired from either the vesting of restricted stock awards or from the exercise of stock options. As a result of this requirement, there is no

reaching the target ownership levels and no minimum holding periods once such executive officer or director falls below the target ownership

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level after having achieved it, he or she would again become subject to the 50% ownership level until the ownership level had been re-established). Other than pledged shares (which are not counted towards the guidelines), officers and directors subject to the guidelines are permitted to count towards the guidelines shares of common stock held by such individual, regardless of source, including shares held in trusts, as well as the intrinsic value of vested stock options.

Our insider trading policy prohibits all personnel (including executive officers and directors) from short-term trades in our securities (open market purchases and sales) and from trading options in our securities. It also requires that any hedging transactions by personnel other than executive officers or directors, who are subject to prohibitions under a separate policy, be pre-cleared by our legal department.

We have also adopted a policy prohibiting our executive officers and directors from entering into significant pledging transactions in our securities. This policy supplements our insider trading policy, director and executive officer stock ownership guidelines. A pledge is considered significant if the number of shares equal to or exceeding the lesser of 1/2% of our outstanding equity securities owned by the executive officer or director. Any equity securities pledged by an executive officer or director are not eligible to be counted toward such person's stock ownership guidelines.

Our board of directors has adopted a policy generally precluding us from entering into any agreement, or arrangement providing for a 280G tax gross-up payment with an executive officer, except for an exception relating to relocations, any other tax gross-up payments with executive officers.

Tax Implications

Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction for compensation paid to certain executives above \$1 million per year. Compensation that satisfies the Internal Revenue Code's requirements for qualified performance-based compensation. To maintain flexibility in compensating executive officers in a variety of ways to achieve our corporate goals, the compensation committee has not adopted a policy that would require compensation to be deductible under Section 162(m) of the Internal Revenue Code.

Compensation Committee Report

The compensation committee has reviewed and discussed the "Compensation Discussion and Analysis" section of this proxy statement with management. Based on its review and discussions with management, the compensation committee recommended to the board of directors that the "Compensation Discussion and Analysis" section be included in this proxy statement.

Compensation Committee

Richard Nottenburg
John Egan
Howard Safir
Earl Shanks

The foregoing report shall not be deemed incorporated by reference by any general reference to this proxy statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate such information by reference, and shall not otherwise be deemed filed under such acts.

Compensation Programs and Risk Assessment

In connection with our annual budgeting process and our annual performance management reviews our compensation policies and practices, including with compensation policies and practices are relatively stable and tend not to change particularly below the executive level. We monitor the operation of these policies that they have proven to be well-calibrated over time. We also believe that the comparable to those used by similarly situated companies in our industry and to compete for talent. In conducting its risk review, management noted in particular compensation policies and procedures:

We use a combination of elements to achieve a balance between (1) fixed pay components and performance-based components, (3) quantitative targets and short-term and long-term elements.

Multiple quantitative targets (designed to support the budget approved by the compensation plan, as well as elements that differ from plan to plan, and discrete individual/team objectives in some plans.

Variable compensation elements represent less than 25% of our total annual compensation broadly distributed among the employee base.

Bonus plans and performance-based equity plans are subject to maximum pay performance-payout curves and staged goals below target to permit payout on approaches, but does not achieve, target.

The 2013 Special Grant contains a steady-state test to ensure that performance occurs.

Management maintains control over award templates and equity plan design and design elements such as sales quotas and commissions before adoption.

Checks and balances in place for the processing of transactions and the calculation of payout amounts, including a well-developed system of internal controls to help ensure the underlying transactions are sound.

Provisions in our commission plans allowing us to reduce, withhold, or not pay transactions that do not meet specified minimum requirements, even if not paid.

Quarter-end guidelines are in place to help ensure that sales transactions are handled in a consistent manner at the end of each reporting period.

Quarterly certifications from a broad base of employees helps promote accountability.

Stock ownership guidelines for our directors and executive officers, as well as restricting pledging to help maintain alignment between our directors / executive officers.

Clawback provisions are included in our executive employment agreements and allowing us to recoup payments or awards under appropriate circumstances. Our

Stock Incentive Plan also allows for the cancellation or forfeiture of an award, related to an award, if a participant engages in activity detrimental to our company.

Based on this review, we believe that our compensation policies and practices are

reasonably likely to have a material adverse effect on the company.

Executive Compensation Tables

Summary Compensation Table for the Year Ended January 31, 2015

The following table lists the annual compensation of our named executive officers for the years ended January 31, 2015, 2014, and 2013.

Name and Principal Position	Year Ended January 31,	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(3)
Dan Bodner - President and Chief Executive Officer and Corporate Officer	2015	722,825	—	8,049,928	—	816,000
	2014	702,975	—	7,128,611	—	865,327
	2013	685,000	—	3,941,673	—	709,279
Douglas Robinson - Chief Financial Officer and Corporate Officer	2015	406,000	—	1,593,531	—	289,000
	2014	394,575	—	1,565,450	—	304,158
	2013	384,475	—	938,967	—	250,915
Elan Moriah - President, Enterprise Intelligence Solutions and Video and Situation Intelligence Solutions and Corporate Officer	2015	406,000	—	1,857,143	—	289,000
	2014	394,575	—	1,987,396	—	300,690
	2013	384,475	—	942,641	—	245,835
Meir Sperling - Chief Strategy Officer and Corporate Officer (and former President, Communications and Cyber Intelligence Solutions)	2015	394,011	(5) —	1,172,300	—	214,577
	2014	384,597	—	1,501,610	—	251,909
	2013	349,586	—	876,182	—	261,430
Peter Fante - Chief Legal Officer, Chief Compliance Officer, and Corporate Officer	2015	372,300	—	1,394,525	—	221,000
	2014	361,988	—	1,416,775	—	234,359
	2013	352,763	—	772,107	—	233,160

(1) Includes cash bonuses awarded outside the officer's regular annual bonus plan.

(2) Reflects the aggregate grant date fair value of stock or option awards, as applicable, for each named executive officer in the applicable fiscal year computed in accordance with applicable accounting standards. Includes the aggregate grant date fair value of stock awards granted to the named executive officers in the fiscal year as a result of the discount feature under the stock bonus program, but excludes the value of shares issued or to be issued to the named executive officers under the stock bonus program if the award is included within the “Non-Equity Incentive Plan Compensation” column in the table for the fiscal year in which the corresponding cash bonus was earned. For a further discussion of our accounting policies, see Note 14, “Stock-Based Compensation and Other Benefit Plans” to the consolidated financial statements included under Item 8 of our Annual Report on Form 10-K for the year ended January 31, 2015. For performance-based awards, the value shown in the table for the year ended January 31, 2015 is based on the actual performance of the target level (or probable level) of performance. See the “Grant Date Value” column in the table below for the aggregate grant date fair value of these performance awards assuming that the target level of performance is achieved. Volatility in our stock price from year to year may impact the value of our annual equity awards.

(3) Amount represents performance-based annual cash bonuses tied to the executive incentive compensation plan. Includes the aggregate grant date fair value of shares to be issued to the named executive officers under the stock bonus program in respect of the fiscal year in which the cash bonus was earned, but excludes the value of shares effectively purchased by the executive officers at fair market value using bonus funds if the award is included in the “Non-Equity Incentive Plan Compensation” column in the table for the fiscal year in which such shares were granted. The amount shown in the table below is based on the actual performance of the target level (or probable level) of performance.

Mr. Sperling reflect the impact of applicable exchange rates on the applicable approval. See also footnote 5 to this table below.

(4) See the table below for additional information on “All Other Compensation” for the year ended January 31, 2015. “All Other Compensation” does not include premiums for group-term life insurance that is available generally to all salaried employees in the country in which they are employed and do not discriminate in scope, terms, or operation in favor of our executive officers.

(5) For the year ended January 31, 2015, Mr. Sperling received a salary of NIS 1,000,000 (an average exchange rate from February 1, 2014 through January 31, 2015 of 1 NIS=\$0.2548) and a performance-based bonus of NIS 842,000 (\$214,577 based on a January 31, 2015 performance goal of 110% of target, 1=\$0.2548), which will be paid during the year ended January 31, 2016.

Grant Date Value of Performance Awards

The following table sets forth the aggregate grant date fair value of the performance-based awards granted to executive officers during the years ended January 31, 2015, 2014, and 2013, as follows:

(a) the highest level of performance is achieved (see the Maximum Possible Shares column);

(b) the target level of performance (probable outcome) is achieved (see the Target Shares column).

Fair value, in the case of the Maximum Possible Shares, is calculated based on the fair market value of our common stock on the accounting grant date. Fair Value, in the case of the Target Shares, is calculated based on the closing price of our common stock on the dates the compensation committee approved the grant (April 26, 2012 (\$30.60), April 19, 2013 (\$32.77), and April 17, 2014 (\$45.29)). The date of grant is generally the date on which the performance goal for the applicable award was approved and communicated, which date is not always the same as the date the compensation committee approved the grant. Award tranches are grouped by accounting grant date below.

Name	Original Date of Committee Approval of Grant	Accounting Grant Date	Maximum Possible Shares	Fair Value on Accounting Grant Date
Dan Bodner	4/17/2014	4/17/2014	127,308	\$5,700
	4/19/2013 (2nd tranche)	3/20/2014	36,816	1,730
	4/26/2012 (3rd tranche)	3/20/2014	32,782	1,540
		Total Grants for Year Ended 1/31/2015	196,906	\$9,000
	4/19/2013 (1st tranche)	4/19/2013	31,930	\$1,000
	4/19/2013 (Special Equity all tranches)	4/19/2013	50,000	1,630
	4/26/2012 (2nd tranche)	3/14/2013	27,318	973
	4/12/2011 (3rd tranche)	3/14/2013	22,500	802
		Total Grants for Year Ended 1/31/2014	131,748	\$4,400

4/26/2012 (1st tranche)	4/26/2012	43,710	\$1,3
4/12/2011 (2nd tranche)	3/22/2012	36,000	1,05
3/17/2010 (3rd tranche)	3/22/2012	50,194	1,47
	Total Grants for Year Ended 1/31/2013	129,904	\$3,8

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Douglas Robinson	4/17/2014	4/17/2014	24,400	\$1,1
	4/19/2013 (2nd tranche)	3/20/2014	7,363	347,
	4/26/2012 (3rd tranche)	3/20/2014	7,975	375,
		Total Grants for Year Ended 1/31/2015	39,738	\$1,8
	4/19/2013 (1st tranche)	4/19/2013	6,136	\$20
	4/19/2013 (Special Equity All Tranches)	4/19/2013	12,000	393,
	4/26/2012 (2nd tranche)	3/14/2013	6,646	236,
	4/12/2011 (3rd tranche)	3/14/2013	5,000	178,
		Total Grants for Year Ended 1/31/2014	29,782	\$1,0
		4/26/2012 (1st tranche)	4/26/2012	10,632
	4/12/2011 (2nd tranche)	3/22/2012	8,000	235,
	3/17/2010 (3rd tranche)	3/22/2012	11,614	341,
		Total Grants for Year Ended 1/31/2013	30,246	\$90
Elan Moriah	4/17/2014	4/17/2014	28,644	\$1,2
	4/19/2013 (2nd tranche)	3/20/2014	8,766	413,
	4/26/2012 (3rd tranche)	3/20/2014	7,975	375,
		Total Grants for Year Ended 1/31/2015	45,385	\$2,0
	4/19/2013 (1st tranche)	4/19/2013	7,305	\$23
	4/19/2013 (Special Equity All Tranches)	4/19/2013	18,000	589,
	4/26/2012 (2nd tranche)	3/14/2013	6,646	236,
	4/12/2011 (3rd tranche)	3/14/2013	5,156	183,

		Total Grants for Year Ended 1/31/2014	37,107	\$1,2
	4/26/2012 (1st tranche)	4/26/2012	10,632	\$32,
	4/12/2011 (2nd tranche)	3/22/2012	8,250	242,
	3/17/2010 (3rd tranche)	3/22/2012	11,614	341,
		Total Grants for Year Ended 1/31/2013	30,496	\$90,
Meir Sperling	4/17/2014	4/17/2014	15,912	\$72,
	4/19/2013 (2nd tranche)	3/20/2014	6,837	322,
	4/26/2012 (3rd tranche)	3/20/2014	7,536	355,
		Total Grants for Year Ended 1/31/2015	30,285	\$1,3

	4/19/2013 (1st tranche)	4/19/2013	5,697	\$18
	4/19/2013 (Special Equity All Tranches)	4/19/2013	12,000	393
	4/26/2012 (2nd tranche)	3/14/2013	6,278	223
	4/12/2011 (3rd tranche)	3/14/2013	4,740	168
		Total Grants for Year Ended 1/31/2014	28,715	\$97
	4/26/2012 (1st tranche)	4/26/2012	10,046	\$30
	4/12/2011 (2nd tranche)	3/22/2012	7,584	222
	3/17/2010 (3rd tranche)	3/22/2012	10,200	299
		Total Grants for Year Ended 1/31/2013	27,830	\$83
Peter Fante	4/17/2014	4/17/2014	21,216	\$90
	4/19/2013 (2nd tranche)	3/20/2014	6,310	297
	4/26/2012 (3rd tranche)	3/20/2014	6,651	313
		Total Grants for Year Ended 1/31/2015	34,177	\$1,
	4/19/2013 (1st tranche)	4/19/2013	5,258	\$17
	4/19/2013 (Special Equity All Tranches)	4/19/2013	12,000	393
	4/26/2012 (2nd tranche)	3/14/2013	5,541	197
	4/12/2011 (3rd tranche)	3/14/2013	4,115	146
		Total Grants for Year Ended 1/31/2014	26,914	\$90
	4/26/2012 (1st tranche)	4/26/2012	8,866	\$27
	4/12/2011 (2nd tranche)	3/22/2012	6,584	193

3/17/2010 (3rd
tranche)

3/22/2012

9,032

265

Total Grants for
Year Ended
1/31/2013

24,482

\$73

All Other Compensation Table

Name	Employer Retirement Contrib. (\$)	Severance Fund Contrib. (\$)	Study Fund Contrib. (\$)	Car Allowance or Cost of Company Car Plus Fuel Allowance (\$)	Professional Advice Allowance (\$)	Accrued Vacation Pay (\$)
Dan Bodner	2,000	—	—	12,780	20,000	13,99
Douglas Robinson	2,000	—	—	12,000	10,000	3,146
Elan Moriah	2,000	—	—	12,773	—	
Meir Sperling (1)	22,160	32,813	29,551	16,277	—	—
Peter Fante	2,000	—	—	12,000	1,800	22,53

(1) For the year ended January 31, 2015, Mr. Sperling received a company car of NIS 79,878 (\$22,160), to his severance fund of NIS 118,275 (\$32,813), to his study fund of NIS 29,551 (\$29,551), use of a company car plus a fuel reimbursement allowance which covered the period, and a statutory recreation payment of NIS 3,024 (\$839). For purposes of this table, the amounts have been translated into U.S. dollars based on an average exchange rate from February 2015 of NIS 1=\$0.2774.

(2) During the year ended January 31, 2015, each of Messrs. Bodner, Robinson, and Fante participated in a program available to all U.S. employees by which a portion of the employee's salary was monetized and the after-tax amount is donated to a children's charity as part of the program. The table above reflects the pre-tax amount that was included in the calculation of the such donation.

Grants of Plan-Based Awards for the Year Ended January 31, 2015

The following table sets forth information concerning equity and other plan-based awards granted to executive officers during the year ended January 31, 2015. The table also contains information regarding awards originally approved in prior years to the extent that one or more of the performance conditions for such awards was established in the year ended January 31, 2015 (the "award date" for such tranche was in the year ended January 31, 2015).

Name	Type of Award	Original Date of Committee Approval of Grant	Accounting Grant Date	Estimated Possible Realization of Awards Under Non-Equity Incentive Plan Awards	
				Threshold (\$)(1)	Target (\$)
Dan Bodner	RSU (Time-vested grants) (3)	4/17/2014	4/17/2014		
	RSU (Stock Bonus Program discount shares) (4)	6/11/2014	6/11/2014		
	RSU (Performance-vested grant) (5) (6) (7)	4/17/2014	4/17/2014	(9)	
		4/19/2013	3/20/2014	(10)	
		4/26/2012	3/20/2014	(10)	
	Annual Bonus for Year Ended 1/31/15	N/A	N/A	163,200	816,000
Douglas Robinson	RSU (Time-vested grants) (3)	4/17/2014	4/17/2014		
	RSU (Stock Bonus Program discount shares) (4)	6/11/2014	6/11/2014		
	RSU (Performance-vested grant) (5) (6) (7)	4/17/2014	4/17/2014	(9)	
		4/19/2013	3/20/2014	(10)	
		4/26/2012	3/20/2014	(10)	
	Annual Bonus for Year Ended 1/31/15	N/A	N/A	57,800	289,000
Elan Moriah	RSU (Time-vested grants) (3)	4/17/2014	4/17/2014		
		6/11/2014	6/11/2014		

	RSU (Stock Bonus Program discount shares) (4)					
	RSU (Performance-vested grant) (5) (6) (7)	4/17/2014	4/17/2014	(9)		
		4/19/2013	3/20/2014	(10)		
		4/26/2012	3/20/2014	(10)		
	Annual Bonus for Year Ended 1/31/15	N/A	N/A		57,800	289,000
Meir Sperling	RSU (Time-vested grants) (3)	4/17/2014	4/17/2014			
	RSU (Performance-vested grant) (5) (6) (7)	4/17/2014	4/17/2014	(9)		
		4/19/2013	3/20/2014	(10)		
		4/26/2012	3/20/2014	(10)		
	Annual Bonus for Year Ended 1/31/15 (8)	N/A	N/A		42,915	214,570
Peter Fante	RSU (Time-vested grants) (3)	4/17/2014	4/17/2014			
	RSU (Stock Bonus Program discount shares) (4)	6/11/2014	6/11/2014			
	RSU (Performance-vested grant) (5) (6) (7)	4/17/2014	4/17/2014	(9)		
		4/19/2013	3/20/2014	(10)		
		4/26/2012	3/20/2014	(10)		
	Annual Bonus for Year Ended 1/31/15	N/A	N/A		44,200	221,000

- (1) The threshold column corresponds to the minimum bonus payable to the executive if the minimum financial performance goals are achieved and assuming that MBO achievement is zero, the minimum financial performance goals are not achieved and MBO achievement is zero, the bonus for the officer would be zero.
- (2) The accounting grant date fair value of equity awards is based on the target bonus amount using the closing price of our common stock on the accounting grant date, which is the date the compensation committee originally approved the grant. The accounting grant date is the date on which the performance goal for the applicable award tranche has been both achieved and determined. For a further discussion of our accounting for equity compensation, see Note 10, "Equity Compensation and Other Benefit Plans" to the consolidated financial statements included under "Financial Statements" in our Form 10-K for the year ended January 31, 2015. See the "Grant Date Value of Equity Awards" table above for information about the grant date values of the performance-vested equity awards. The table calculated using the closing price of our common stock on the dates the compensation committee originally approved the grants.
- (3) The April 17, 2014 time-based awards vest 1/3 on April 8, 2015, 1/3 on April 8, 2016, and 1/3 on April 8, 2017.
- (4) Shares granted during the year ended January 31, 2015 in respect of the Stock Bonus Program for the program period ended January 31, 2014. These shares were not included in our compensation disclosure for the year ended January 31, 2015 because the shares were not granted through the year ended January 31, 2015 and under the terms of the Stock Bonus Program, the number of shares to be granted was not determinable until such time. These shares are subject to forfeiture if the target is not met in June 2015. For more information on the Stock Bonus Program, see "—Compensation—Analysis—Stock Bonus Program" above.
- (5) The April 17, 2014 annual performance awards vest based on a single 2-year performance period, the compensation committee's determination of our achievement of specified revenue and operating income TSR targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2014 through January 31, 2016, but no earlier than April 8, 2016.
- (6) The April 19, 2013 annual performance awards vest 1/3 following the compensation committee's determination of our achievement of specified revenue and operating income targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2013 through January 31, 2015, but no earlier than April 4, 2014, 1/3 following the determination of such achievement for the period from February 1, 2014 through January 31, 2015, but no earlier than April 4, 2015, and 1/3 following the determination of such achievement for the period from February 1, 2015 through January 31, 2016, but no earlier than April 4, 2016.
- (7) The April 26, 2012 annual performance awards vest 1/3 following the compensation committee's determination of our achievement of specified revenue and operating income targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2012 through January 31, 2014, but no earlier than April 10, 2013, 1/3 following the determination of such achievement for the period from February 1, 2013 through January 31, 2014, but no earlier than April 10, 2014, and 1/3 following the determination of such achievement for the period from February 1, 2014 through January 31, 2015, but no earlier than April 10, 2015.
- (8) On March 20, 2014, the compensation committee approved threshold, target and maximum bonus for Mr. Sperling of NIS 168,400, NIS 842,000, and NIS 1,178,800 respectively, which equate to \$300,408, based on a January 31, 2015 exchange rate of NIS1=\$0.2548).
- (9) As noted above, the April 17, 2014 annual performance awards vest based on a single 2-year performance period ending on January 31, 2016, for which the performance goals were established by the compensation committee.
- (10) The April 19, 2013 and April 26, 2012 annual performance awards contain performance goals based on three separate performance periods. Dates correspond to the accounting grant dates for the first, second, and third tranches, respectively. The accounting grant date is generally the date the compensation committee approved the grant.

performance goal for the applicable award tranche has been both established and achieved. The final tranche of the April 19, 2013 annual performance award does not have any performance goals have not yet been established, but this tranche is subject to the award or less.

(11) Represents the threshold number of shares that were available to be earned during the performance period. If the minimum performance goal is not achieved in any performance period during that period. The performance goals for the third and final tranche of the April 19, 2013 award have not yet been established.

The following table summarizes the actual number of shares earned with respect to the performance awards listed in the table above for each of the performance periods that have ended. The following table summarizes the actual number of shares earned with respect to the performance awards listed in the table above for each of the performance periods that have ended. Performance Grant Approved April 26, 2012

Name	Shares Earned for YE 1/31/13 Performance Period	Shares Earned for YE 1/31/14 Performance Period
Dan Bodner	20,274	24,095
Douglas Robinson	4,931	5,862
Elan Moriah	4,931	5,862
Meir Sperling	4,659	5,538
Peter Fante	4,112	4,887

Regular Annual Performance Grant Approved April 19, 2013

Name	Shares Earned for YE 1/31/14 Performance Period
Dan Bodner	27,060
Douglas Robinson	5,412
Elan Moriah	6,443
Meir Sperling	5,025
Peter Fante	4,638

Further Information Regarding Summary Compensation Table for the Year Ended January 31, 2015 of Plan-Based Awards Table for the Year Ended January 31, 2015

As of the date of this proxy statement, each of our named executive officers is bound by an employment agreement with us. Each agreement provides for certain severance payments and benefits in connection with a change in control. See “—Executive Officer Severance Benefits and Change in Control Provisions” below for a discussion of these severance and change in control provisions. In addition, the restrictive covenants and clawback provisions contained in such agreements may apply to our named executive officers. The agreements with our U.S. named executive officers generally provide for a term of one year, followed by automatic one-year renewals (unless terminated by either party in writing or by operation of law and subject to required notice). The agreements with our non-U.S. named executive officers generally have a fixed term. Termination of the agreements by us constitutes good reason for resignation for our U.S. named executive officers other than Mr. Bodner, and constitutes good reason for resignation under the agreement with Mr. Bodner.

Narrative to Summary Compensation Table for the Year Ended January 31, 2015

As discussed in the “Compensation Discussion and Analysis” above, each named executive officer’s employment agreement provides for an annual base salary, target bonus, and certain perquisites. The target bonuses specified in each employment agreement, bonuses are not guaranteed and are payable only if the named executive officer achieves performance goals. As of January 31, 2015, the target bonuses specified by the agreements are as follows: \$600,000 (for Mr. Bodner), \$219,000 (for Mr. Robinson), \$167,500 (for Mr. Moriah), and NIS 638,000 (for Mr. Sperling). Other than in the case of Mr. Bodner, the agreement with Mr. Bodner was signed in February 2010, all of the other executive officers entered into their current employment agreements in July 2011, which updated their contractual target bonuses established for them by the compensation committee in March 2011. The contractual target bonus for Mr. Sperling corresponded to \$162,589 based on a closing price of \$1.11=\$0.2548 on such date. Historically, the target bonuses for each executive officer are determined by the compensation committee as part of its annual compensation review process and are based on the bonus specified in the executive officer’s employment agreement (if any) as well as the bonus for the previous year.

Narrative to All Other Compensation Table

We provide a limited amount of perquisites to our named executive officers, with the amount depending on the terms of their employment agreements, local policy, and historical practice. One executive officer is entitled to use of a company car or an annual car allowance and an annual allowance for fuel reimbursement. Messrs. Bodner, Robinson, and Sperling are also entitled to an allowance for legal, tax, or accounting advice. In some years, Mr. Sperling has been provided a limited amount of legal or tax advice as agreed by us on a case by case basis. For the period ending January 31, 2016, Mr. Moriah will be entitled to an annual allowance for legal and tax advice. All executive officers receive the same health insurance and company-provided life insurance offered to all other employees in the country in which the executive officer is employed. Mr. Bodner has historically received a supplemental company-paid life insurance policy. Executive officers in the U.S. receive the same partial match of their 401(k) contributions as all other employees up to the maximum company contribution of \$2,000 per year.

Like all Israeli employees, under Israeli law, Mr. Sperling is entitled to severance pay equal to his salary for each year of employment upon termination without cause (as defined in the Labor Law). To satisfy this requirement, for all Israeli employees, including Mr. Sperling, we contribute on behalf of the employee to a severance fund. This severance fund is often part of a larger fund that also includes a retirement fund and in some cases an insurance component. Each executive officer contributes an amount equal to between 5% and 7% of his or her monthly salary to the severance fund. We also contribute an amount equal to between 5% and 7.5% of the employee's monthly salary to the severance fund (other provident fund) plus an additional amount equal to 8.33% of the employee's monthly salary to the severance fund. The employee is not required to contribute anything towards the severance fund. Contributions are incremental to the employee's base salary and, except as noted, are made to the third-party plan administrator. Applicable tax law permits allocations made to the retirement fund to be made on a tax-free basis up to a limit set by applicable Israeli law. Under Israeli company policy, the employee may request that any company contributions be made directly to him or her rather than being placed in the retirement fund. For the period ending January 31, 2016, the amount in the severance fund is insufficient to cover the required statutory amount. In addition, all Israeli employees, including Mr. Sperling, are also entitled to participate in a continuing education fund, often referred to as a study fund. The continuing education fund is a fund to which the employee can withdraw on a tax-free basis for any purpose after six years of service. Contributions to the fund are made on the employee's employment status with us. Each month, eligible employees contribute 2.5% of their monthly salary to the study fund. Applicable tax law permits a portion of the contributions to the study fund to be made tax-free. Under local Israeli company policy, the employee may request that company contributions in excess of this limit be made directly to him or her rather than being placed in the study fund. Our contributions are incremental to the employee's base salary and, except as noted, are made directly to the third-party plan administrator. Under applicable Israeli law, each executive officer with at least one year of service is paid a small annual amount for recreation based on a per-diem rate published by the Israeli government. Under local Israeli company policy, executive officers are also entitled to receive a cash payment in exchange for vacation days in accordance with our company policy.

Outstanding Equity Awards at January 31, 2015

The following table sets forth information regarding various equity awards held by our named executive officers as of January 31, 2015. The market value of all awards is based on the closing price of our common stock as of the last trading day in the year ended January 31, 2015 (\$53.38 on

Name	Date of Committee Approval of Grant	Option Awards				Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Number of Shares or Units of Stock That Have Not Vested (#) (9)		Number of Shares or Units of Stock That Have Not Vested (#) (9)	Number of Shares or Units of Stock That Have Not Vested (#) (9)
Dan Bodner	4/26/2012	(1)—	—	—	—	21,855	1	
	4/26/2012	(2)—	—	—	—	25,991	1	
	4/19/2013	(3)—	—	—	—	65,756	3	
	4/19/2013	(4)—	—	—	—	37,500	2	
	4/19/2013	(5)—	—	—	—	29,189	1	
	4/17/2014	(6)—	—	—	—	63,653	3	
	4/17/2014	(7)—	—	—	—	63,654	3	
	6/11/2014	(8)—	—	—	—	1,992	1	
Douglas Robinson	4/26/2012	(1)—	—	—	—	5,317	2	
	4/26/2012	(2)—	—	—	—	6,323	3	
	4/19/2013	(3)—	—	—	—	13,818	7	
	4/19/2013	(4)—	—	—	—	9,000	4	
	4/19/2013	(5)—	—	—	—	5,838	3	
	4/17/2014	(6)—	—	—	—	12,200	6	
	4/17/2014	(7)—	—	—	—	12,200	6	
	6/11/2014	(8)—	—	—	—	233	1	
Elan Moriah	4/26/2012	(1)—	—	—	—	5,317	2	
	4/26/2012	(2)—	—	—	—	6,323	3	
	4/19/2013	(3)—	—	—	—	17,688	9	
	4/19/2013	(4)—	—	—	—	13,500	7	
	4/19/2013	(5)—	—	—	—	6,950	3	
	4/17/2014	(6)—	—	—	—	14,322	7	
	4/17/2014	(7)—	—	—	—	14,322	7	
	6/11/2014	(8)—	—	—	—	692	3	
Meir Sperling	4/26/2012	(1)—	—	—	—	5,024	2	
	4/26/2012	(2)—	—	—	—	5,974	3	
	4/19/2013	(3)—	—	—	—	13,117	7	
	4/19/2013	(4)—	—	—	—	9,000	4	

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	4/19/2013	(5)	—	—	—	—	5,420	2
	4/17/2014	(6)	—	—	—	—	7,957	4
	4/17/2014	(7)	—	—	—	—	7,956	4
Peter Fante	4/26/2012	(1)	—	—	—	—	4,434	2
	4/26/2012	(2)	—	—	—	—	5,273	2
	4/19/2013	(3)	—	—	—	—	12,416	6
	4/19/2013	(4)	—	—	—	—	9,000	4
	4/19/2013	(5)	—	—	—	—	5,003	2
	4/17/2014	(6)	—	—	—	—	10,609	5
	4/17/2014	(7)	—	—	—	—	10,608	5
	6/11/2014	(8)	—	—	—	—	539	2

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(1) The April 26, 2012 time-based awards vest 1/3 on April 10, 2013, 1/3 on April 10, 2015.

(2) The April 26, 2012 annual performance awards vest 1/3 following the compensation committee's determination of our achievement of specified revenue and operating income targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2012 through January 31, 2013, but no earlier than April 10, 2013, 1/3 following the determination of such achievement for the period from February 1, 2013 through January 31, 2014, but no earlier than April 10, 2014, and 1/3 following the determination of such achievement for the period from February 1, 2014 through January 31, 2015, but no earlier than April 10, 2015. The table excludes shares eligible to be earned in excess of the target level based on the overachievement of the applicable performance goals except with respect to the performance period had been completed as of January 31, 2015 (and the number of shares could be calculated). For tranches earned in respect of the performance period ended January 31, 2015, the table shows the number of shares earned in the column entitled "Number of Shares or Units of Stock That Have Not Vested" because the determination of the number of shares earned will not occur until after the conclusion of the year ended January 31, 2015. See "—Compensation Discussion and Analysis—2015 Special Awards" above and "—Grants of Plan-Based Awards for the Year Ended January 31, 2015" for more information.

(3) The April 19, 2013 time-based awards vest 1/3 on April 4, 2014, 1/3 on April 4, 2016.

(4) The April 19, 2013 special performance awards vest following the compensation committee's determination of our achievement of specified revenue and EBITDA targets (set by the compensation committee for the period from May 1, 2013 through April 30, 2019). The table shows the number of shares earned in the column entitled "Number of Shares or Units of Stock That Have Not Vested" because the determination of the number of shares earned will occur until after the conclusion of the year ended January 31, 2015. For a full description of the EBITDA targets, see "—Compensation Discussion and Analysis—2013 Special Awards" above.

(5) The April 19, 2013 annual performance awards vest 1/3 following the compensation committee's determination of our achievement of specified revenue and operating income targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2013 through January 31, 2014, but no earlier than April 4, 2014, 1/3 following the determination of such achievement for the period from February 1, 2014 through January 31, 2015, but no earlier than April 4, 2015, and 1/3 following the determination of such achievement for the period from February 1, 2015 through January 31, 2016, but no earlier than April 4, 2016. The table excludes shares eligible to be earned in excess of the target level based on the overachievement of the applicable performance goals except with respect to the performance period had been completed as of January 31, 2015 (and the number of shares could be calculated). For tranches earned in respect of the quarterly performance period ended January 31, 2015, the table shows the number of shares earned in the column entitled "Number of Shares or Units of Stock That Have Not Vested" because the determination of the number of shares earned will occur until after the conclusion of the year ended January 31, 2015. See "—Compensation Discussion and Analysis—2015 Special Awards" above and "—Grants of Plan-Based Awards for the Year Ended January 31, 2015" for more information.

(6) The April 17, 2014 time-based awards vest 1/3 on April 8, 2015, 1/3 on April 8, 2017.

(7) The April 17, 2014 annual performance awards vest based on a single 2-year performance period following the compensation committee's determination of our achievement of specified revenue and operating income and TSR targets (set by the compensation committee for the relevant performance period) for the period from February 1, 2014 through January 31, 2016, but no earlier than April 8, 2016. The table excludes shares eligible to be earned in excess of the target level based on the overachievement of the applicable performance goals except with respect to the performance period had been completed as of January 31, 2015 (and the number of shares could be calculated).

(8) Shares granted during the year ended January 31, 2015 in respect of the 2014 Bonus Program for the program period ended January 31, 2014. These shares

compensation disclosure for the year ended January 31, 2015 because the shares to be granted through the year ended January 31, 2015 and under the terms of the Stock Bonus Program to be granted was not determinable until such time. These shares are subject to forfeiture in June 2015. For more information on the Stock Bonus Program, see “—Component Analysis—Stock Bonus Program” above.

(9) Includes time-based awards and performance-based awards for which the performance goals were established by the compensation committee as of January 31, 2015.

(10) Includes performance-based awards for which the performance goals had been established by the compensation committee as of January 31, 2015 (i.e., the third and final tranche of a performance award).

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Option Exercises and Stock Vesting During the Year Ended January 31, 2015
 The following table sets forth information regarding option exercises and stock vesting for executive officers during the year ended January 31, 2015. The value realized on option exercises is calculated by multiplying the number of options being exercised by the spread between the market price of our common stock at the time of exercise. The value of stock vesting is calculated by multiplying the number of shares vesting by the closing price of our common stock at the date. See “—Outstanding Equity Awards at January 31, 2015” above for the value of stock awards.

Name	Option Awards		Stock Awards Number of Shares Acquired on
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	
Dan Bodner	168,000	3,593,348	155,832
Douglas Robinson	—	—	34,820
Elan Moriah	45,000	598,948	39,546
Meir Sperling	45,000	661,523	33,032
Peter Fante	20,000	238,267	30,013

Executive Officer Severance Benefits and Change in Control Provisions

As of the date of this proxy statement, each of our named executive officers is employed under an employment agreement with us. The following is a summary of the severance and change in control provisions of the named executive officer employment agreements as of the date of this proxy statement. The following information describes the severance and change in control provisions of the named executive officer employment agreements that our non-U.S. named executive officers may be entitled to under local law.

Provisions of Executive Officer Agreements

Each of the employment agreements with our named executive officers provides for a performance-based bonus target.

Severance or Advance Notice Not in Connection with a Change in Control

In the event of an involuntary termination of employment (a termination without cause or for good reason) not in connection with a change in control, the executive officers are entitled to severance and release and continued compliance with the restrictive covenants described below. The amount of severance and/or minimum amounts of advance notice.

Our U.S. executive officers, other than Mr. Bodner, are entitled to 12 months of severance consisting of base salary and reimbursement of health insurance premiums.

Mr. Bodner is entitled to a 60 day advance notice period (during which all of his health insurance benefits would be payable) and 18 months of severance consisting of base salary and reimbursement of health insurance premiums, continuation of his professional advice allowance, and a company car or vehicle.

Mr. Sperling is entitled to a 90 day advance notice period (during which all of his health insurance benefits would be payable), which subsumes the minimum notice period required by applicable law for Israeli employees, and 12 months of severance consisting of base salary and reimbursement of health insurance premiums.

As discussed under “—Narrative to ‘All Other Compensation’ Table” above, we are required to contribute to a severance fund pay equal to one month’s salary for each year of employment upon termination of employment (as defined in the Israel Severance Pay Law) under Israeli law applicable to all Israeli employees. We have established a severance fund to secure this severance obligation during the course of Mr. Sperling’s employment. If there is a shortfall as described under “—Potential Payments Upon Termination of Employment” above, we are not responsible for any payments at the time of a qualifying termination. The amounts of contributions into the severance fund each year are included in the table entitled “Summary of Compensation and Other Information Ended January 31, 2015” above, but not in the table entitled “Potential Payments Upon Termination of Employment” above.

Control (CIC)" below. However, the table entitled "Potential Payments Upon
(CIC)" below does include any additional amount of severance we are responsible for
the severance fund at the time of a qualifying termination (in the event there is no
mandated formula described above.

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Mr. Sperling is also entitled to a resettlement grant in an amount equal to his base salary for 10 months, plus 1 month for each full year of service beginning after September 1st of each year for the applicable portion of the final year of service. This resettlement grant and Mr. Sperling's severance fund discussed above (including any true-up required at the time of termination) is also payable in the event of Mr. Sperling's resignation, whether voluntary or involuntary, or in the event of a termination for cause.

In the event of an involuntary termination, each executive officer, other than Mr. Bodner, is entitled to a pro-rated portion of his annual bonus for such year plus an amount equal to 100% of his target bonus measured over the last three years. Mr. Bodner's agreement provides for a pro-rated portion of his annual bonus for such year plus an amount equal to 150% of his target bonus.

Severance in Connection with a Change in Control

In the event of a termination of employment in connection with a change in control, each executive officer is entitled to severance and bonus severance described above, each of the executive officers is entitled to a severance equal to the sum of 1.5 times his base salary and target bonus, plus a pro-rated portion of his annual bonus for the year of termination, or in the case of Mr. Bodner, 2.5 times the sum of his base salary and target bonus plus a pro-rated target bonus for the year of termination. As noted above, Mr. Sperling is also entitled to a resettlement grant and release of his severance fund in the event of any termination of employment, including a termination for cause. Other payments or benefits triggered by a termination of employment, including the reimbursement of health insurance premiums, would continue to apply on the same basis as described in the preceding section.

Equity

Other than in the case of Mr. Bodner, no equity acceleration is provided in the event of a termination not in connection with a change in control. In the event of an involuntary termination of employment in connection with a change in control, each of the employment agreements provides for the acceleration of all unvested equity awards. Each of the agreements also provides that in the event of a change in control, each officer's outstanding equity awards will become fully vested if not assumed in connection with the change in control.

Other Provisions

Each of the employment agreements provides for customary restrictive covenants, including a non-compete, a non-solicitation of business, and an indefinite non-disclosure provision. Each agreement also contains a clawback provision that requires the officer to recoup from the officer, or cancel, a portion of the officer's incentive compensation (including cash and equity awards) for a particular year if we are required to restate our financial statements due to the officer's material noncompliance with any financial reporting requirement under the U.S. securities laws, or the officer's misconduct. The clawback applies from and after the year in which the officer first signed to performance-based awards made during the term of the agreement if the financial results required to be restated. The amount to be recovered or forfeited is the amount of the officer's compensation in the year in question that exceeded the amount that would have been reported in the financial statements originally filed as restated. Our proposed 2015 Long-Term Stock Incentive Plan provides for the cancellation or forfeiture of an award, or the repayment of any gain related to the award, if the officer engages in activity detrimental to our company. Each of our U.S. executive officers is also required to pay for any excise taxes he may become subject to in connection with a change in control, whether or not "change in control", "change of reason", and "change in control" are defined in the forms of employment agreement.

Potential Payments Upon Termination or Change in Control (CIC)

The table below outlines the potential payments and benefits that would have been payable to the named executive officers in the event of certain triggering events, assuming the triggering event occurred on January 31, 2015. In reviewing the table, please note the following:

The table does not include amounts that would be payable by third parties who are not our liability at the time of the triggering event, such as amounts payable under private pension or government insurance such as social security or national insurance, or 401(k) or 403(b) retirement plans. As a result, the table does not reflect amounts payable to Mr. Sperling under a local company retirement plan or retirement fund, for which we have no liability. Except as noted in the following bullet, the table does not include payments or benefits payable generally to all salaried employees in the country in which the executive officer is employed or discriminate in scope, terms, or operation in favor of our executive officers or directors. The table also does not include disability payments or payment for accrued but unused vacation.

- The table includes all severance or notice payments for which we are financially responsible at the time of the triggering event, even if such payments are available generally to all salaried employees in the country in which the executive officer is employed and do not discriminate in favor of our executive officers or directors.

With respect to Mr. Sperling's severance fund, the table includes the difference between the amount that would have been owed to Mr. Sperling under applicable Israeli labor law in the event of a triggering event and the amount in his severance fund at January 31, 2015, since we would be required to contribute to the fund (if any).

The value of equity awards in the table below is based on the closing price of our common stock on the last trading day in the year ended January 31, 2015 (\$53.38 on January 30, 2015).

- The table assumes that in connection with a change in control in which the executive officer is terminated, all of such executive officer's unvested equity is assumed to be vested.
- The table assumes that in the event an executive officer becomes disabled, the executive officer is eligible for benefits under our long-term disability insurance within six months of the triggering event.

Except with respect to tax gross-up amounts to which the executive officers may be entitled, all amounts are calculated on a pre-tax basis.

Mr. Sperling is compensated in his local currency of Israeli shekels. For purposes of the table, all amounts for Mr. Sperling have been translated into U.S. dollars using a January 31, 2015 exchange rate of 1 shekel=\$0.2548.

	Salary Continuation Value (\$)	Pro Rata Bonus (\$ (3))	Additional Bonus (\$ (4))	Accelerated Equity Awards (\$ (5))	Health Benefits (present value) (\$ (6))
Dan Bodner					
Death	—	816,000	—	—	62,900
Disability	364,000	816,000	—	—	20,900
Resignation for Good Reason/Involuntary Termination without Cause	1,092,000	816,000	1,224,000	17,367,343	62,900
Resignation for Good Reason/Involuntary Termination without Cause in Connection with CIC	1,820,000	816,000	2,040,000	17,367,343	62,900
Douglas Robinson					
Death	—	289,000	—	—	41,900
Disability	204,500	289,000	—	—	20,900
Resignation for Good Reason/Involuntary Termination without Cause	409,000	289,000	281,358	—	41,900
Resignation for Good Reason/Involuntary Termination without Cause in Connection with CIC	613,500	289,000	433,500	3,624,662	41,900
Elan Moriah					
Death	—	289,000	—	—	41,900
Disability	204,500	289,000	—	—	20,900
Resignation for Good Reason/Involuntary Termination without Cause	409,000	289,000	278,508	—	41,900
Resignation for Good Reason/Involuntary Termination without Cause in Connection with CIC	613,500	289,000	433,500	4,422,319	41,900

with CIC					
Meir Sperling					
Death	410,169	(1) 214,577	—	—	70
Disability	592,467	(1) 214,577	—	—	70
Resignation for Good					
Reason/Involuntary Termination without Cause	865,913	(2) 214,577	228,098	—	87
Resignation for Good					
Reason/Involuntary Termination without Cause in Connection with CIC	1,048,210	(2) 214,577	321,865	3,053,016	87
Peter Fante					
Death	—	221,000	—	—	41,930
Disability	187,500	221,000	—	—	20,930
Resignation for Good					
Reason/Involuntary Termination without Cause	375,000	221,000	229,506	—	41,930
Resignation for Good					
Reason/Involuntary Termination without Cause in Connection with CIC	562,500	221,000	331,500	3,227,088	41,930

(1) For Mr. Sperling, salary continuation for these events includes a resettlement grant of NIS 715,300 (\$410,169), and in the case of disability, 6 months of base salary, or NIS 715,300 (\$410,169).

(2) For Mr. Sperling, salary continuation for these events includes three months of base salary, or NIS 91,149 (\$91,149), during his contractual notice period, a resettlement grant of NIS 1,630,000 (\$911,490), 18 months of base salary, or NIS 1,430,670 (\$364,595), for a non-CIC termination, and NIS 2,146,005 (\$546,892), for a CIC termination.

(3) For each officer, in the case of death, disability or resignation for good cause without cause, the pro-rata bonus reflects the actual bonus awarded for the year (notwithstanding that the formal determination of bonuses did not occur until January 31, 2015). For Mr. Sperling, this amount is NIS 842,000 (\$214,577).

For each officer, for a CIC termination, the pro-rata bonus reflects the officer's target bonus for the year ended January 31, 2015. For Mr. Sperling, this amount is NIS 842,000 (\$214,577).

(4) For each officer other than Mr. Bodner, in the case of a non-CIC termination, the additional bonus reflects 100% of the average annual bonus awarded for the three-year period ended January 31, 2015 (notwithstanding that the formal determination of bonuses for the year ended January 31, 2015 did not occur until January 31, 2015 of the year). For Mr. Sperling, this amount is NIS 895,057 (\$228,098). For Mr. Bodner, in the case of a non-CIC termination, the additional bonus reflects 150% of his target bonus for the year ended January 31, 2015.

For each officer other than Mr. Bodner, for a CIC termination, the additional bonus reflects the officer's target bonus for the year ended January 31, 2015. For Mr. Sperling, this amount is NIS 895,057 (\$228,098). For Mr. Bodner, for a CIC termination, the additional bonus reflects 150% of his target bonus for the year ended January 31, 2015.

(5) For equity awards other than stock options, value is calculated as the closing price of the common stock on the last trading day in the year ended January 31, 2015 (\$53.38 on January 30, 2015). Shares accelerating includes the target number of performance shares for the performance period as well as for performance periods that had not yet been completed. The named executive officers did not hold any stock options as of January 31, 2015.

(6) For executive officers other than Mr. Sperling, amounts shown represent the number of months of COBRA payments, including applicable income tax, for continued health benefits during his notice period, and for a period of 12 months thereafter, the cost of which is considered nominal.

(7) For Mr. Sperling, other benefits include three months of continued contributions to his severance fund of NIS 19,970 (\$5,089), to his stock purchase plan of NIS 29,569 (\$7,536), to his student loan disability insurance premiums of NIS 8,932 (\$2,276), a statutory recreation payment of NIS 14,668 (\$3,718), and the use of a company car plus a fuel reimbursement allowance costing NIS 14,668 (\$3,718), for a total of NIS 100,525 (\$25,618).

(8) The tax reimbursement amount (if any) represents a reasonable estimate of the officer's tax liability under Internal Revenue Code Section 4999 and the subsequent federal tax reimbursement payment. With respect to tax gross-ups, the assumptions used to calculate the tax reimbursement amount are: a federal excise tax rate under 280G of the Internal Revenue Code of 20%, a federal, state and local blended rate of 48.36% (a 40.79% federal income tax rate, a 8.82% state income tax rate, and a 8.82% local income tax rate). To the extent applicable, we believe that a covenant not to compete with the officer would be sufficient to offset any "excess parachute payment."

DIRECTOR COMPENSATION

Director Compensation for the Year Ended January 31, 2015

The following table summarizes the cash and equity compensation earned by our directors during the year ended January 31, 2015 for service as a director.

Name	Fees Earned or Paid in Cash (\$) (1)	Stock Awards (\$) (2),(3)
Bodner, Dan	—	—
DeMarines, Victor	131,000	192,165
Egan, John	71,152	192,165
Myers, Larry	77,000	192,165
Nottenburg, Richard	70,000	192,165
Safir, Howard	81,000	192,165
Shanks, Earl	75,000	192,165

(1) Represents amount earned for board of directors service during the year in payment.

(2) Reflects the aggregate grant date fair value computed in accordance with a

(3) On April 17, 2014, each of our independent directors received an award of on the board of directors for the year ended January 31, 2015, which vested on the date of the award. The fair value of these awards is based on the \$45.29 closing price of our common stock on the date, however, the number of shares granted was determined by the board of directors based on the closing price of our common stock on March 20, 2014 (the date the compensation committee was authorized to fix the value of these awards as part of the administration of our grant process). The following table summarizes the aggregate number of unvested stock options, restricted stock or restricted stock units held by each member of our board of directors (as of January 31, 2015).

Name	Unvested Options
Bodner, Dan	—
DeMarines, Victor	—
Egan, John	—
Myers, Larry	—
Nottenburg, Richard	—
Safir, Howard	—
Shanks, Earl	—

Independent Directors

The board of directors is responsible for establishing independent director compensation recommendations from the compensation committee. These compensation arrangements provide competitive compensation necessary to attract and retain high quality independent directors. The compensation committee annually reviews our independent director compensation based on market studies or trends and from time to time engages its independent compensation consultant to conduct a customized peer group analysis. On the basis of this review, for director compensation for the year ended January 31, 2015, the compensation committee recommended and the board approved an increase of the annual director equity grant from \$140,000 to \$200,000 and an increase in the annual cash grant for the chairman of the board from \$40,000 to \$60,000 in order to increase the competitiveness of our compensation package and better align it to the market.

The following summarizes the compensation package for our independent directors as of December 31, 2015:

- An annual equity grant with a value of \$200,000, subject to one-year vesting;
- \$50,000 annual cash retainer;
- No per-meeting fees; and
- Annual board and committee chairmanship and membership fees as set forth below.

	Committee Membership Fee	Chairmanship Fee (paid to committee chair)
Board of Directors	N/A	\$60,000
Audit Committee	\$15,000	\$27,000
Compensation Committee	\$10,000	\$20,000
Corporate Governance & Nominating Committee	\$6,000	\$12,500

Non-Independent Directors

Mr. Bodner was the only non-independent director on our board of directors during 2015. Mr. Bodner has not been separately compensated for his service on the board.

Other Director Compensation Information

All directors are eligible to be reimbursed for their out-of-pocket expenses in connection with their service as directors or of committees of the board of directors.

Our board of directors has adopted stock ownership guidelines for our executive officers and directors who are compensated by us for their services. Our directors are also subject to a stock ownership policy and an additional policy restricting hedging and pledging transactions. See “Executive Compensation and Analysis—Stock Ownership Guidelines and Other Policies.”

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No executive officer has served on the board of directors or compensation committee. No director has or has had one or more executive officers who served as a member of our compensation committee. None of the members of the compensation committee is an executive officer or employee.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table and accompanying footnotes show information regarding common stock as of April 30, 2015 (the "Reference Date") by:

- each person (or group within the meaning of Section 13(d)(3) of the Exchange Act) who beneficially owns 5% or more of our common stock as of the Reference Date;
- each member of our board of directors and each of our named executive officers;
- all members of our board of directors and our executive officers as a group.

As used in this table, "beneficial ownership" means the sole or shared power to dispose or direct the disposition of any equity security.

A person is deemed to be the beneficial owner of securities that he or she has acquired from the Reference Date through the exercise of any option, warrant, or right.

- Shares of our common stock subject to options, warrants, or rights which are exercisable within 60 days are deemed outstanding for computing the ownership percentage of any person holding such options, warrants, or rights, but are not deemed outstanding for computing the ownership percentage of any other person.

The amounts and percentages are based upon 61,358,001 shares of common stock outstanding as of the Reference Date.

The foregoing outstanding share number includes employee equity awards that have vested but not yet delivered (if any).

The table below, however, includes awards that have vested or will vest within 60 days, even if the underlying shares have not yet been delivered.

Name of Beneficial Owner	Class	Number of Shares Beneficially Owned (1)
Principal Stockholders:		
Wellington Management Group LLP c/o Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	Common	5,613,312
Cadian Capital Management, LP 535 Madison Avenue 36th Floor New York, NY 10022	Common	5,280,787
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	Common	3,936,322
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	Common	3,608,466
Directors and Executive Officers:		
Dan Bodner	Common	425,665
Douglas Robinson	Common	106,083
Peter Fante	Common	5,595
Elan Moriah	Common	33,748
Meir Sperling	Common	28,628
Victor DeMarines	Common	27,848
John Egan	Common	10,403
Larry Myers	Common	6,675
Richard Nottenburg	Common	8,170
Howard Safir	Common	12,683
Earl Shanks	Common	14,395
All executive officers and directors as a group (twelve persons)		679,893
* Less than 1%.		

- Unless otherwise indicated and except pursuant to applicable community
- (1) knowledge, each person or entity listed in the table above has sole voting respect to all shares listed as owned by such person or entity.
 - (2) As reported in the Schedule 13G filed with the SEC on February 12, 2015, Group LLP (“Wellington”), Wellington has shared voting power over 4,883,312 shares of Verint common stock and shared dispositive power over 5,613,312 shares of Verint common stock.
 - (3) As reported in the Schedule 13G filed with the SEC on February 17, 2015, CCM Management, LP (“CCM”), Cadian Fund, LP (“CF”), and Eric Bannasch, collectively, with CCM and CF, collectively, the “Cadian Entities”), the Cadian Entities have shared dispositive power over shares of Verint common stock as follows: CCM - 2,883,311 shares; and Mr. Bannasch - 5,280,787 shares.
 - (4) As reported in the Schedule 13G filed with the SEC on January 29, 2015, (“BlackRock”), BlackRock has sole voting power over 3,787,974 shares of Verint common stock and dispositive power over 3,936,322 shares of Verint common stock.
 - (5) As reported in the Schedule 13G filed with the SEC on February 11, 2015, (“Vanguard”), Vanguard has sole voting power over 80,390 shares of Verint common stock and dispositive power over 3,532,976 shares of Verint common stock and 75,490 shares.
 - (6) Mr. Bodner beneficially owns 423,673 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (7) Mr. Robinson beneficially owns 105,850 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (8) Mr. Fante beneficially owns 5,056 shares of Verint common stock and 5,056 shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (9) Mr. Moriah beneficially owns 33,056 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (10) Mr. Sperling beneficially owns 28,628 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (11) Mr. DeMarines beneficially owns 27,848 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (12) Mr. Egan beneficially owns 10,403 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (13) Mr. Myers beneficially owns 6,675 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (14) Dr. Nottenburg beneficially owns 8,170 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (15) Mr. Safir beneficially owns 12,683 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.
 - (16) Mr. Shanks beneficially owns 14,395 fully vested shares of Verint common stock units which will vest within 60 days of the Reference Date.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE
Section 16(a) of the Exchange Act, requires our directors, executive officers, and more than 10% of a registered class of our equity securities, to file initial reports of changes in ownership on Forms 4 or 5 with the SEC. Such officers, directors, and more than 10% of our equity security holders are also required by SEC rules to furnish us with copies of all Section 16(a) reports. Based solely on review of the copies of such reports furnished to us, or written representations received from such persons, if any, we believe that during the year ended January 31, 2015, our directors, executive officers, and more than 10% of our equity security holders were required, we believe that during the year ended January 31, 2015, our directors, executive officers, and more than 10% of our equity security holders complied with all filing requirements, except that a Form 4 of restricted stock by Mr. Myers on September 11, 2014 was filed on March 11, 2015, due to an error by Mr. Myers' broker in communicating the applicable trade information.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Under our audit committee charter, all related-party transactions (as described and relevant SEC and stock exchange rules) other than director and officer compensation and approved by the full board of directors or the compensation committee must be approved by the audit committee. In addition to the requirements of our audit committee charter regarding the approval of related-party transactions. Such policy provides that any transaction which includes any financial transaction, arrangement, or relationship between us and a series of similar transactions, arrangements, or relationships between us and a third party, the aggregate amount involved will or is expected to exceed \$120,000 in any fiscal year, must be written and submitted to our Chief Compliance Officer prior to the transaction. Any transaction must be reviewed by our Chief Compliance Officer and/or Chief Financial Officer and submitted to our audit committee for its review and approval. Our Chief Compliance Officer, and audit committee will consider several factors in their review, including the nature of the transaction, the role of the related party in the transaction, and whether the transaction is in the best interest of the company on the status of any director or director nominees as an independent director or officer. The audit committee has reviewed and approved all of the agreements and transactions referred to in this proxy statement. The following summarizes various agreements and arrangements that were in effect from the beginning on February 1, 2014 (the first day of our most recently completed fiscal year) through the date of this proxy statement between us and related parties, principally CTI, our former subsidiary and affiliates.

CTI Merger Agreement

On August 12, 2012, we entered into the CTI Merger Agreement providing for the merger of CTI and subject to the conditions set forth in the CTI Merger Agreement. The CTI Merger Agreement was completed on February 4, 2013. Pursuant to the terms of the CTI Merger Agreement, each share of CTI common stock outstanding immediately prior to the effective time of the CTI Merger was converted into new shares of our common stock at an exchange ratio of 0.1298 shares of our common stock for each share of CTI common stock. In addition, each outstanding share of our Series A Convertible Preferred Stock with a par value \$0.001 per share ("Preferred Stock") and each outstanding share of our Series B Convertible Preferred Stock immediately prior to the effective time of the CTI Merger was canceled. Immediately after the effective time of the CTI Merger, former CTI shareholders owned approximately 54.6% of our common stock outstanding after completion of the CTI Merger.

Pursuant to the terms of the CTI Merger Agreement, the completion of the CTI Merger, among other things, CTI's completion of a distribution to its shareholders of stock in us greater than its interest in us (the "Comverse share distribution") or another sale or disposition of its interest in us ("Comverse disposition").

The share exchange provision of the CTI Merger Agreement provided that each share of CTI common stock would receive new shares of our common stock representing such number of shares as an aggregate number of shares of our common stock equal to the sum of (1) the number of shares of our common stock held by CTI immediately prior to the completion of the CTI Merger (including the number of shares of our common stock issuable upon conversion of the shares of our Preferred Stock held by CTI at a conversion price of \$0.001 per share) plus (2) additional shares of our common stock the number of which is equal to the number of shares of our common stock (described below) divided by the average of the daily volume weighted average price of our common stock on NASDAQ during the 20 consecutive trading days ending on the date immediately prior to the closing date of the CTI Merger, plus (3) additional shares of our common stock on the positive net worth of CTI (as determined in accordance with the CTI Merger Agreement) immediately prior to the completion of the CTI Merger, up to a maximum dollar value of \$100,000,000. Pursuant to the CTI Merger Agreement, the Target Amount was determined based on the timing of the completion of the CTI Merger or a Comverse disposition and the level of CTI's beneficial ownership of shares of our common stock on the date of the CTI Merger Agreement.

Under the terms of the CTI Merger Agreement, each outstanding share of our Stock held by CTI at the effective time of the CTI Merger was canceled. Holders of stock immediately prior to the completion of the CTI Merger, other than CTI, shares, which were not affected by the CTI Merger.

The CTI Merger Agreement restricted CTI from amending or modifying the terms of the Comverse share distribution from the forms attached to the CTI Merger Agreement. Those amendments or modifications would adversely affect our rights or the rights of our shareholders in any material respect, including without limitation the right of our shareholders to recover losses related to its former subsidiary, Comverse, Inc. ("Comverse").

Comverse Share Distribution Agreement and Tax Disaffiliation Agreement

On October 31, 2012, CTI completed the Comverse share distribution in which all outstanding shares of common stock of Comverse were distributed to CTI's shareholders. As a result of the distribution, Comverse became an independent publicly held company and ceased to be a subsidiary of CTI.

Distribution Agreement

In connection with the Comverse share distribution, Comverse and CTI entered into a Distribution Agreement, dated as of October 31, 2012 (the "Distribution Agreement"). We were a third party to the Distribution Agreement and assumed CTI's rights and obligations under that agreement in connection with the distribution. The Distribution Agreement sets forth the agreement between CTI and Comverse regarding the distribution and transactions necessary to separate Comverse from CTI. It also sets forth other terms and conditions, including aspects of CTI's relationship with Comverse following the completion of the distribution. The Distribution Agreement provides certain indemnities to CTI and its affiliates (including us) related to the distribution and the Comverse share distribution and the Comverse business.

Distribution. Under the terms of the Distribution Agreement, on October 31, 2012, CTI distributed to Comverse shareholders one share of Comverse common stock for every ten shares of CTI common stock held by CTI shareholders. Fractional shares were aggregated and sold in the public market at the prevailing market prices, with the net proceeds distributed to each of the holders of the fractional shares to receive the fractional shares.

Transfer of Assets and Assumptions of Liabilities. The Distribution Agreement provided for the transfer of assets and assumptions of liabilities that were necessary in advance of the distribution. Each of CTI and Comverse retained the assets of, and the liabilities associated with, the Comverse business. The Distribution Agreement also provided for the settlement or extinguishment of certain obligations between CTI and Comverse as well as procedures for the conveyance of assets and liabilities that were initially misallocated.

Release of Claims. Comverse agreed to broad releases pursuant to which it released, defended, and held harmless its successors and assigns from, and indemnified and held harmless all such persons from, claims, damages, losses, and expenses against any of them arising out of or relating to the management of Comverse's business prior to the Comverse share distribution. The Distribution Agreement and the other agreements entered into in connection with the distribution, Comverse's post-share distribution certificate of incorporation and its bylaws, and any other agreement made or action taken relating to Comverse. The releases did not extend to obligations of CTI and Comverse that remained in effect following the distribution.

Exchange of Information. CTI and Comverse agreed to provide each other with information regarding the other party or the conduct of its business prior to the Comverse share distribution, and to cooperate in the preparation necessary to prepare financial statements and any reports or filings to be made to the SEC. CTI and Comverse also agreed to retain such information in accordance with their respective retention policies as in effect on the date of the Distribution Agreement or as otherwise determined. **Access to Information; Witnesses; Confidentiality.** CTI and Comverse each agreed to provide the other party and its representatives reasonable access to all records in its possession relating to the other party, including for audit, accounting, litigation, income taxes, financial reporting, and compliance purposes. CTI and Comverse also agreed to use reasonable efforts to identify and locate witnesses, officers, employees and representatives as witnesses and to otherwise cooperate in connection with any proceeding arising out of its or the other party's business prior to or after the Comverse share distribution. Subject to limited exceptions, each party agreed to provide the other party with information in its or their possession concerning the other party.

Indemnification. CTI and Comverse agreed to indemnify each other and each other's successors, representatives, and each of the heirs, executors, successors and assigns of such

liabilities in connection with their respective businesses and any breach by such party of the Distribution Agreement. These respective indemnity obligations under the Distribution Agreement are subject to a cap and limitation.

In addition, under the Distribution Agreement, Comverse agreed to indemnify us) against certain losses that may arise as a result of the CTI Merger and the CTI Merger. Certain of these indemnification obligations are capped at \$25.0 million and certain of the capped indemnification obligations include indemnifying us against losses resulting from the breach of representations, warranties and covenants made to us in the CTI Merger Agreement. Certain of the uncapped indemnification obligations include indemnifying us against losses relating to CTI that were known by CTI but not included on the net worth statement delivered to us in connection with the CTI Merger. Comverse's uncapped indemnification obligations include indemnifying us against losses relating to Comverse's business; claims by any shareholder or creditor of CTI.

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to the Comverse share distribution, the CTI Merger or related transactions or claims made by employees or former employees of CTI and any claims made by employees of Comverse; any failure by Comverse to perform under any of the agreements in connection with the Comverse share distribution; claims related to CTI's ownership interest in Starhome B.V.; claims related to the disposition of CTI's ownership interest in Starhome B.V.; claims that were not reflected on or reserved against on the net worth statement delivered in connection with the CTI Merger; and claims arising out of the exercise of appraisal rights by a shareholder in connection with the Comverse share distribution. CTI agreed to place \$25.0 million in cash in an escrow account in connection with the CTI Merger to support certain indemnification claims to the extent made a claimant's claim. Amounts remaining in the escrow account at the 18 month anniversary of the completion of the CTI Merger (excluding amounts set aside for existing liability claims) were released to Comverse. CTI assumed all pre-Comverse share distribution tax obligations of each of Comverse and CTI.

Tax Disaffiliation Agreement

In connection with the Comverse share distribution, Comverse and CTI entered into a Tax Disaffiliation Agreement, dated as of October 31, 2012 (the "Tax Disaffiliation Agreement"). The Tax Disaffiliation Agreement governs CTI's and Comverse's respective rights, responsibilities and obligations during the pre- and post-Comverse share distribution periods, including tax liabilities and obligations, the filing of tax returns, and the control of audits and other tax matters. CTI and Comverse entered into the Tax Disaffiliation Agreement effective as of the effective date of the Comverse share distribution. Comverse is required under the Tax Disaffiliation Agreement to pay (a) all CTI group taxes attributable to periods ending on or before the date of the Comverse share distribution, including any straddle period ending on the date of the Comverse share distribution, and (b) all CTI group taxes attributable to periods beginning on the day after the date of the Comverse share distribution, including any straddle period beginning on the day after the date of the Comverse share distribution. Comverse is required under the Tax Disaffiliation Agreement to pay all CTI group taxes attributable to the day after the date of the Comverse share distribution and the portion of any CTI group taxes attributable to the day after the date of the Comverse share distribution. Comverse's obligations under the Tax Disaffiliation Agreement are not limited in amount or subject to any cap. The Tax Disaffiliation Agreement also contains obligations for each of CTI and Comverse to indemnify the other for breaches of the Tax Disaffiliation Agreement, including in respect of payment of taxes for which it is responsible. The Tax Disaffiliation Agreement must be made within 60 days after the expiration of the limitations for the assessment of the tax that is the subject of such indemnity c

AUDIT MATTERS

Audit Committee Pre-Approval Procedures

The audit committee of our board of directors is directly responsible for the approval and evaluation of our independent registered public accounting firm. In accordance with our charter, it must approve, in advance of the service, all audit and permissible non-audit services by our independent registered public accounting firm and establish policies and procedures of the outside auditor to provide audit and permissible non-audit services. Our independent registered public accounting firm may not be retained to perform non-audit services specified in the Sarbanes-Oxley Act.

The committee may delegate pre-approval authority to one or more of its members. If pre-approval authority is delegated must report any pre-approval decisions to the audit committee at its next meeting.

The audit committee appointed Deloitte & Touche LLP as our auditors for the years ended January 31, 2015 and 2014. Deloitte & Touche LLP has advised the audit committee that they are independent with respect to Verint, within the meaning of standards established by the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, the Independence Standards Board, and securities laws administered by the SEC.

In conjunction with our management, the audit committee regularly reviews the independence of our independent registered public accounting firm. Our audit committee has determined that the provision of certain non-audit services, as described below, is compatible with maintaining the independence of Deloitte & Touche LLP.

In addition to performing the audit of our consolidated financial statements, Deloitte & Touche LLP provided various other services during the years ended January 31, 2015 and 2014. Our audit committee has determined that these services did not impair Deloitte & Touche LLP's independence from us. For more information, see "Fees of Independent Registered Public Accountants" in our 2015 Annual Report.

During the years ended January 31, 2015 and 2014, we retained Deloitte & Touche LLP for the following services in the following categories and amounts:

(in thousands)
Audit fees (1)
Audit-related fees (2)
Tax fees (3)
All other fees (4)
Total fees

(1) "Audit fees" include fees for audit services principally related to the year-end audits and quarterly reviews of our consolidated financial statements, consultation on matters that require pre-approval, the review of SEC filings, audit services performed in connection with our acquisitions, and other audit services.

(2) "Audit-related fees" include fees which are for assurance and related services that are reasonably related to the audit of our consolidated financial statements.

(3) "Tax fees" include fees for tax compliance and advice.

(4) "All other fees" include fees for all other non-audit services.

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

The primary purpose of the audit committee is to assist the board of directors in the financial reporting process, including its internal controls and audit functions, and its Code of Business Conduct and Ethics for Senior Officers and the Code of Conduct for Directors. The responsibilities of the audit committee are more fully described in its charter, which is available on our website at

<http://www.verint.com/About/investor-relations/corporate-governance/corporate-governance>. The audit committee's key responsibilities, as reflected in its charter, is to select and, when appropriate, replace Verint's independent registered public accounting firm, and to have authority to engage its own outside advisers, including experts in particular areas, when appropriate, apart from counsel or advisers hired by management.

Review of Verint's Audited Financial Statements for the Year Ended January 31, 2015. Management is primarily responsible for the preparation, presentation, and integrity of Verint's financial statements. The audit committee reviews Verint's financial statements on a quarterly basis. In connection with these reviews, it discusses Verint's financial statements with management and the independent registered public accounting firm. The audit committee has reviewed Verint's financial statements for the year ended January 31, 2015 and discussed them with management. In March 2015, the audit committee reviewed Verint's audited financial statements and footnotes for inclusion in Verint's 2015 Form 10-K for the year ended January 31, 2015. Based on this review and prior discussions with the independent registered public accountants as described below, the audit committee recommended to the board of directors that Verint's audited financial statements be included in its Annual Report for the year ended January 31, 2015 for filing with the SEC.

Review and Discussions with the Independent Registered Public Accounting Firm. The audit committee has reviewed Verint's independent registered public accounting firm, Deloitte & Touche LLP, and its audit of an independent audit of the consolidated financial statements of Verint, and expressed its opinion on the conformity of those financial statements with generally accepted accounting principles. The audit committee is also responsible for performing a review of Verint's quarterly financial results and earnings releases and Forms 10-Q.

The audit committee has discussed with Deloitte & Touche LLP the matters required by the SEC Statement on Auditing Standards ("SAS") No. 61, as amended by SAS No. 89, and SEC Regulation S-X regarding the independent registered public accounting firm's independence from Verint's accounting principles as applied in its financial reporting. The audit committee has reviewed the disclosures and the letter from Deloitte & Touche LLP required by Public Company Accounting Board Rule 3526 and has discussed with Deloitte & Touche LLP its independence from Verint, and whether the independent registered public accounting firm's provision of non-audit services is compatible with the independent registered public accounting firm's independence from Verint. The audit committee discussed with Verint's independent registered public accounting firm its audit and plans for its audit. The audit committee met with the independent registered public accounting firm to discuss the results of its examinations, the evaluations of Verint's internal controls, and the impact of Verint's financial reporting. The audit committee also met in private sessions with the independent registered public accounting firm at certain of its meetings, without management present to discuss management, accounting, and internal control issues.

Audit Committee

Larry Myers, Chair
Victor DeMarines
Howard Safir
Earl Shanks

STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING

Proposals which stockholders desire to have included in our proxy statement pursuant to Exchange Act Regulation 14a-8, must be addressed to our Corporate Secretary, not later than the close of business on January 14, 2016. Such proposals must be addressed to our Corporate Secretary, Inc., at 330 South Service Road, Melville, New York 11747, and should be sent to our Corporate Secretary by certified mail, return receipt requested. SEC rules establish the deadline for the submission of stockholder proposals that are not intended to be included in our proxy statement for discretionary voting. The deadline for these proposals for the 2016 Annual Meeting is January 29, 2016. Our proxy related to the 2016 Annual Meeting may give discretionary authority to vote with respect to all such proposals received by us. The requirements for stockholder proposals under our By-laws are separate from and in addition to the requirements of the SEC that apply to proposals included in a proposal included in our proxy statement.

In accordance with our Amended and Restated By-laws, any stockholder entitled to vote at the Annual Meeting may nominate persons for election as directors of the Company. Stockholders only if our Corporate Secretary receives written notice of any such nomination on or before February 26, 2016 and no later than March 27, 2016. Any stockholder notice of nomination shall include:

- as to the nominee:
 - the name, age, business address and residential address of such person;
 - the principal occupation or employment of such person;
 - the class, series and number of our securities that are owned of record or beneficially by such person;
 - the date or dates the securities were acquired and the investment intent of each such person;
 - any other information relating to such person that is required to be disclosed in our proxy statement for the election of directors pursuant to Regulation 14A under the Exchange Act (or any other applicable securities regulation);
 - any other information relating to such person that the board of directors or any committee of the board of directors reviews in considering any person for nomination as a director of the Company; and
 - the name and address of the stockholder giving the notice and any Stockholder Associate (as such term is defined in our By-laws) who is acting in concert with the stockholder giving the notice, as they appear on our stock ledger, and the name and address of the stockholder, and the name and address of any Stockholder Associate;
- a representation that at least one of these persons is a holder of record or beneficially by the stockholder giving the notice and intends to remain so through the date of the meeting;
- a representation that the stockholder giving the notice and any Stockholder Associate acting in concert with the stockholder giving the notice intend to vote at the meeting and intends to remain so through the date of the meeting;
- a representation that the stockholder giving the notice and any Stockholder Associate acting in concert with the stockholder giving the notice intend to use their proxy at the meeting to nominate the person or persons specified in the stockholder notice;
- the class, series and number of our securities that are owned of record or beneficially by the stockholder giving the notice and any Stockholder Associate as of the date of the stockholder's notice;
- a description of any material relationships, including legal, financial and/or commercial relationships, between the stockholder giving the notice, any Stockholder Associate and the proposed nominee;
- a description of any derivative positions related to any class or series of our securities owned of record or beneficially by the stockholder or any Stockholder Associate;
- a description of whether and the extent to which any hedging, swap or other transaction involving our securities has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of securities) has been made, the effect of which is to hedge, reduce or mitigate loss to, or manage risk of stock price changes for, or to increase the value of, the securities owned of record or beneficially by the stockholder or any Stockholder Associate with respect to any of our securities; and
- a representation that after the date of the stockholder's notice and until the date of the meeting, the stockholder and any Stockholder Associate acting in concert with the stockholder giving the notice will provide written notice to our Corporate Secretary as soon as practicable of any change in the number of our securities held as described immediately above that equals or exceeds 1% of the number of then-outstanding shares, and/or entry, termination, amendment or modification of any hedging, swap or other transaction involving our securities.

or

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understanding described immediately above that results in a change that equal then-outstanding shares or in the economic interests underlying these agreements and the understanding;

a representation as to whether the stockholder giving notice and any Stockholder to be part of a group that intends: (A) to deliver a proxy statement and/or form of proxy (B) otherwise to solicit proxies from stockholders in support of the proposed nominee; a written consent of each proposed nominee to serve as a director of Verint, if the proposed nominee (A) does not or will not have any undisclosed voting commitments with respect to his or her actions as a director; and (B) will comply with our Board's publicly disclosed corporate governance, conflict of interest, confidentiality and other policies and guidelines.

For purposes of the notice, a "Stockholder Associate" of any stockholder means (1) any person, directly or indirectly, or acting in concert with, the stockholder; (2) any beneficially owned of record or beneficially by the stockholder; and (3) any person controlling or in common control with the Stockholder Associate.

At the request of the board of directors, any person nominated by the board of directors must furnish to our Corporate Secretary that information required to be set forth in the proxy nomination which pertains to the nominee or such other information as it may be necessary to determine the eligibility of such nominee to serve as a director.

However, if the number of directors to be elected at the Annual Meeting is increased by a public announcement naming all of the nominees for director or specifying the number of directors to be elected at least February 3, 2016, then a stockholder's notice will be considered timely for the new positions created by the increase if it is received by our Corporate Secretary on or before the tenth business day after we make such public announcement.

SOLICITATION OF PROXIES

We will bear the costs of soliciting proxies from our stockholders. In addition, proxies may be solicited by our directors, officers, and employees by personal interview. Our directors, officers, and employees will not be additionally compensated for such solicitation. We will reimburse out-of-pocket expenses incurred in connection with such solicitation. Arrangements for the use of brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxies to the beneficial owners of common stock held of record by such persons, and we will reimburse brokerage houses, custodians, nominees, and fiduciaries for reasonable out-of-pocket expenses incurred in connection with such solicitation.

ANNUAL REPORT

Our Annual Report on Form 10-K for the year ended January 31, 2015, was filed with the SEC on February 12, 2015, and such Form 10-K is being sent to stockholders or made available via the Internet on or before February 12, 2015. Stockholders are referred to that report for financial and other information. Such information can be obtained, free of charge, by submitting a written request to Verint System's Corporate Secretary, 330 South Service Road, Melville, New York 11747. That report is incorporated by reference into this proxy statement and is not to be deemed a part of the proxy soliciting materials.

By Order of the

Jonathan Kohl
Corporate Secretary

Melville, New York
May 13, 2015

APPENDIX A

VERINT SYSTEMS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN

Section 1. Purpose. The purposes of this Verint Systems Inc. 2015 Long-Term Stock Incentive Plan are to promote the interests of Verint Systems Inc. and its stockholders by (i) attracting and retaining directors of, and consultants to, the Company and its Subsidiaries, as defined below, (ii) motivating such individuals by means of performance-related incentives to achieve longer-range goals, and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company.

Section 2. Definitions. As used in the Plan, the following terms shall have the meanings set forth below.

“Affiliate” means any entity other than the Subsidiaries in which the Company holds a 10% or greater equity interest, as determined by the Board.

“Award” shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Performance Award, Other Stock-Based Award or Performance Compensation Award granted from time to time hereunder.

“Award Agreement” shall mean any written agreement, contract, or other instrument governing the Award, which may, but need not, be executed or acknowledged by a Participant in an electronic medium and may be limited to notation on the books and records of the Company.

“Base Salary” means the base salary or wages of the Participant excluding overtime pay, bonuses, benefits under benefit plans, fringe benefits, perquisites, and other such forms of compensation. Base Salary shall include any elective contributions that are paid through a reduction in a Participant's salary which are not includible in the Participant's gross income under Sections 125 and 133.

“Board” shall mean the Board of Directors of the Company.

“Cause” as a reason for a Participant's termination of employment or service shall mean any of the following: (A) a written agreement between the Participant and the Company or a Subsidiary or Affiliate of the Company in which such term is defined, then unless otherwise defined in the applicable Award Agreement; (B) the Participant's: (A) conviction of, or plea of guilty or nolo contendere to, a felony involving dishonesty, fraud or moral turpitude; (B) willful and intentional breach of any material policy of the Company or a Subsidiary or Affiliate of the Company; (C) willful misconduct, including a fraudulent act or omission; (D) violation of any securities or financial reporting requirements or policy of the Company or a Subsidiary or Affiliate of the Company relating to the policies of the Company or a Subsidiary or Affiliate of the Company on handling confidential information; (E) substance abuse; or (F) gross negligence, gross neglect of duties or gross insubordination in the performance of duties with the Company or a Subsidiary or Affiliate of the Company.

“Change in Control” shall be deemed to have occurred if the event set forth in the following subparagraphs shall have occurred:

- i. the acquisition by any Person, entity or affiliated group in one or a series of transactions of 50% or more of the voting power of the Company;
- ii. a merger, combination, amalgamation, consolidation, spin-off or any other transaction in which the holders of 50% or more of the Company's common stock immediately prior to such transaction do not hold 50% or more of the voting power of the merged, combined, amalgamated or other resulting entity;

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iii. a sale or other disposition, in one or a series of related transactions, of all or a portion of the assets of the Company (including its Subsidiaries); or

iv. during any period of two consecutive years, Incumbent Directors cease to be on the board. "Incumbent Directors" shall mean: (1) the directors who were serving on the board at the end of the two-year period, or (2) any directors whose election or nomination was approved by the Board under clause (1) or by a director approved under this clause (2).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Committee" shall mean the Compensation Committee of the Board (or its successor) or any other committee of the Board designated by the Board to administer the Plan and composed of at least three members, one of whom is required to be a "Non-Employee Director" (within the meaning of Rule 101(b)(1) of Regulation S-K) (within the meaning of Section 162(m) of the Code) to the extent Rule 16b-3 and Rule 16b-7, respectively, are applicable to the Company and the Plan. If at any time such a committee is not so designated or is not so composed, the Board shall constitute the Committee.

"Company" shall mean Verint Systems Inc., together with any successor thereof.

"Continuous Service" shall mean the absence of any interruption or termination of service as a director or consultant. Continuous Service shall not be considered interrupted if: (i) the director or consultant is on military leave; (ii) any other leave of absence approved by the Committee, in which the director or consultant is guaranteed by contract or applicable law, or unless provided otherwise pursuant to applicable law, to be reemployed from time to time; or (iii) in the case of transfer between locations of the Company, its Subsidiaries or Affiliates or their respective successors. Changes in status between a director and a consultant will not constitute an interruption of Continuous Service unless otherwise determined by the Committee, consultants providing services to the Company or Affiliate of the Company for less than 32 hours per month shall incur an interruption of Continuous Service.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean, unless otherwise defined in the applicable Award Agreement, for any property other than Shares, the fair market value of such property determined by the Committee using the procedures as shall be established from time to time by the Committee and (ii) on any date, (1) the closing sale price (excluding any "after hours" trading) of the Shares on the Stock Market for such date (or if not then trading on the Nasdaq Stock Market, the closing sale price of Shares on the stock exchange or over-the-counter market on which the Shares are trading on such date), or, if there were no sales on such date, on the closest preceding date on which there were sales; or (2) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"GAAP" shall mean United States Generally Accepted Accounting Principles.

"Good Reason" as a reason for a Participant's termination of employment or severance shall be a reason set forth in writing between the Participant and the Company or a Subsidiary or Affiliate of the Company, and meaning assigned such term in the employment, severance or similar agreement between the Participant and the Company or a Subsidiary or Affiliate of the Company. If the Participant is terminated from employment, severance agreement or similar agreement with the Company or

Company in which such term is defined, then unless otherwise defined in the a purposes of this Plan, “Good Reason” shall mean (i) a material reduction (i.e., Company or a Subsidiary or Affiliate of the Company in the Participant’s Base relocation of the Participant’s own office location by more than 50 miles; provided, Good Reason only if the Company (or the applicable Subsidiary or Affiliate of event within 30 days after receipt from the Participant of written notice of the Reason; provided, further, that Good Reason shall cease to exist for an event of its occurrence or the Participant’s knowledge thereof, unless the Participant notice thereof prior to such date.

“Incentive Stock Option” shall mean a right to purchase Shares from the Company of the Plan and that is intended to meet the requirements of Section 422 of the Code thereo. Incentive Stock Options may be granted only to Participants who meet under Section 3401(c) of the Code.

“Negative Discretion” shall mean the discretion authorized by the Plan to be a eliminate or reduce the size of a Performance Compensation Award; provided discretion would not cause the Performance Compensation Award to fail to qu compensation” under Section 162(m) of the Code. By way of example and not shall any discretionary authority granted to the Committee by the Plan includi Discretion, be used to (a) grant or provide payment in respect of Performance Performance Period if the Performance Goals for such Performance Period ha increase a Performance Compensation Award above the maximum amount pa 11(d)(vi) of the Plan. In no event shall Negative Discretion be exercised by the Option or Stock Appreciation Right (other than an Option or Stock Appreciati Performance Compensation Award under Section 11 of the Plan).

“Non-Qualified Stock Option” shall mean a right to purchase Shares from the Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

“Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Opti

“Other Stock-Based Award” shall mean any right granted under Section 10 of

“Participant” shall mean any (i) employee of, or consultant to, the Company or director who is a member of the Board or the board of directors of a Subsidiary Award under Section 5 and selected by the Committee to receive an Award un of, or consultant to, an Affiliate, eligible for a cash-settled Performance Award Unit under Section 5 and selected by the Committee to receive a cash-settled P cash-settled Restricted Stock Unit under the Plan.

“Performance Award” shall mean any right granted under Section 9 of the Pla

“Performance Compensation Award” shall mean any Award designated by the Compensation Award pursuant to Section 11 of the Plan.

“Performance Criteria” shall mean the measurable criterion or criteria that the of establishing the Performance Goal(s) for a Performance Period with respect under the Plan, including, but not limited to, Performance Compensation Awa that will be used to establish the Performance Goal(s) shall be based on the att performance of the Company (or a Subsidiary, Affiliate, division or operation be limited to the following, whether determined on a GAAP or non-GAAP bas contribution, day sales outstanding, return on net assets, return on stockholder on capital, stockholder returns (on an absolute or relative basis), profit margin margin, earnings per Share, net earnings, operating earnings, free cash flow, c earnings before interest, taxes, depreciation and amortization (EBITDA), inclu of customers, operating expenses, capital expenses, customer acquisition costs market share.

“Performance Formula” shall mean, for a Performance Period, one or more ob relevant Performance Goal to determine, with regard to the Performance Com Participant, whether all, some portion but less than all, or none of the Perform been earned for the Performance Period.

“Performance Goals” shall mean, for a Performance Period, one or more goals for the Performance Period based upon the Performance Criteria. To the extent required by the Code with respect to Awards intended to qualify as “performance-based compensation” under the Code, the Committee shall, within the first 90 days of a Performance Period (or the maximum period allowed under Section 162(m) of the Code), define in an objective manner the Performance Criteria it selects to use for such Performance Period. The Committee may, at any time during the first 90 days of a Performance Period (or, if shorter, within the period allowed under Section 162(m) of the Code for establishing Performance Goals), or at any time thereafter to the extent the exercise of such authority after such period would not cause any Performance Goal to be intended to qualify as “performance-based compensation” under Section 162(m) of the Code, to cause a Participant for the Performance Period to fail to qualify as “performance-based compensation” under Section 162(m) of the Code, in its sole discretion, to adjust or modify the calculation of the Award for the Performance Period to the extent permitted under Section 162(m) of the Code, to the extent of the dilution or enlargement of the rights of Participants, (a) in the event of, or in anticipation of, an extraordinary corporate item, transaction, event or development affecting the Company, or in anticipation of, any other unusual or nonrecurring events

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affecting the Company, or the financial statements of the Company, or in response to changes in applicable laws, regulations, accounting principles, or business conditions.

“Performance Period” shall mean the one or more periods of time of at least six months that the Committee may select, over which the attainment of one or more Performance Objectives is the purpose of determining a Participant’s right to and the payment of a performance-based Performance Compensation Award.

“Person” has the meaning given in Section 3(a)(9) of the Exchange Act, as modified by Sections 3 and 14(d) thereof, except that such term shall not include (i) the Company and any subsidiary or other fiduciary holding securities under an employee benefit plan of the Company, (ii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iii) any person owned, directly or indirectly, by the shareowners of the Company in substantial ownership of stock of the Company.

“Plan” shall mean this Verint Systems Inc. 2015 Long-Term Stock Incentive Plan.

“Restricted Stock” shall mean any Share granted under Section 8 of the Plan.

“Restricted Stock Unit” shall mean any unit granted under Section 8 of the Plan.

“Rule 16b-3” shall mean Rule 16b-3 as promulgated and interpreted by the SEC or any successor rule or regulation thereto as in effect from time to time.

“SEC” shall mean the Securities and Exchange Commission or any successor agency or commission thereof.

“Shares” shall mean the common stock of the Company, \$.001 par value, or such other securities (i) into which such common stock shall be changed by reason of a recapitalization, stock split-up, combination, exchange of shares or other similar transaction or (ii) as determined by the Committee pursuant to Section 4(b) of the Plan.

“Stock Appreciation Right” shall mean any right granted under Section 7 of the Plan.

“Subsidiary” of any Person means another Person (other than a natural Person) in which securities, other voting ownership or voting partnership interests, of which is sufficient to constitute a majority of the Board or other governing body (or, if there are no such voting interests, equity interests of which is owned directly or indirectly by such first Person).

“Substitute Awards” shall mean any Awards granted under Section 4(a)(iii) of the Plan.

Section 3. Administration.

(a) The Plan shall be administered by the Committee. Subject to the terms of the Plan, in addition to other express powers and authorizations conferred on the Committee, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the Awards to be granted to a Participant and designate those Awards which shall constitute Substitute Awards; (iii) determine the number of Shares to be covered by, or with respect to, the Awards; other matters are to be calculated in connection with, Awards; (iv) determine the

Award; (v) determine whether, to what extent, and under what circumstances an Award may be exercised in cash, Shares, other securities, other Awards or other property, or otherwise; and the method or methods by which Awards may be settled, exercised, canceled, or forfeited; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property, and other amounts payable with respect to an Award (subject to the terms of any Performance Compensation Awards) shall be deferred either to the holder thereof or of the Committee (in each case consistent with Section 409(a) of the Internal Revenue Code); (vii) interpret, administer or reconcile any inconsistency, correct any defect, resolve any ambiguity, or fill any omission in the Plan, any Award Agreement, and any other instrument or agreement entered into under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (ix) establish, modify, and certify whether, and to what extent, they have been attained; (x) adopt, amend, or repeal, or amendments, restatements or alternative versions of the Plan (including, without limitation, in accordance with

Section 14(n) of the Plan; and (xi) make any other determination and take any action it deems necessary or desirable for the administration of the Plan.

(b) Unless otherwise expressly provided in the Plan, all designations, determinations, and decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee and may be made at any time and shall be final, conclusive, and binding upon all Participants, any Subsidiary or Affiliate of the Company, any Participant, any holder or beneficiary of the Plan, and any stockholder.

(c) The mere fact that a Committee member shall fail to qualify as a "Non-Employee Director" within the meaning of Rule 16b-3 and Section 162(m) of the Code, respectively, shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan.

(d) No member of the Committee shall be liable to any Person for any action or omission in good faith with respect to the Plan or any Award hereunder.

(e) With respect to any Performance Compensation Award granted to a Covered Employee (within the meaning of Section 162(m) of the Code) under the Plan, the Plan shall be interpreted and applied in accordance with Section 162(m) of the Code.

(f) The Committee may delegate to one or more officers of the Company (or, in the absence of such officers, the Board may delegate to a committee made up of one or more directors) the authority to grant Awards to Participants who are not executive officers or directors of the Company subject to the provisions of the Act or Covered Employees (within the meaning of Section 162(m) of the Code).

Section 4. Shares Available for Awards.

(a) Shares Available.

(i) Subject to adjustment as provided in Section 4(b), the aggregate number of Shares that may be granted from time to time under the Plan shall in the aggregate not exceed 9,700,000; provided, that, subject to adjustment as provided for in Section 4(b), the maximum number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall not exceed 9,700,000; and, subject to adjustment as provided in Section 4(b), the maximum number of Shares with respect to which Stock Appreciation Rights may be granted to any Participant in any fiscal year shall not exceed 9,700,000. In the event such Performance Compensation Award is paid in cash or a combination of cash and Shares, the maximum number of Shares which may be paid to a Participant in the Plan in respect of any Award(s) designated as "Performance Compensation Awards" in respect of which the maximum number of Shares which may be paid to a Participant in the Plan is 2,000,000 or, in the event such Performance Compensation Award is paid in cash, the maximum number of Shares with respect to which Awards (including, with respect to Stock Appreciation Rights) may be granted to any single non-employee member of the Company shall be 500,000 Shares. In the case of any Awards granted under the Plan, (x) if an Option or stock-settled Stock Appreciation Right is granted under the Plan, the number of Shares that may be delivered under the Plan by one Share and (y) if any other Award denominated in Shares (other than an Option or stock-settled Stock Appreciation Right) is granted under the Plan shall reduce the aggregate number of Shares that may be granted under the Plan by 2.29 Shares.

(ii) If any Shares subject to an Award are forfeited, cancelled, exchanged, with the Award terminates or expires without a distribution of Shares to the Participant, the Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, or expiration, again be available for Awards under the Plan. For the avoidance of doubt, if the Award is exercised together in tandem, the Shares underlying any portion of the tandem Award which is not settled in Shares will again be available for Awards under the Plan. Upon payment of cash provided by any Award granted under this Plan, any Shares that were covered by the Award shall be available for Awards under the Plan. If, under this Plan, a Participant has elected cash compensation in exchange for Shares based on fair market value, such Shares shall be available for Awards up to the aggregate limit described in Section 4(a)(i).

(iii) Awards may, in the discretion of the Committee, be made under the Plan in exchange for, outstanding awards previously granted a company acquired by the Company or its subsidiaries ("Substitute Awards"). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan.

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(b)Adjustments. Notwithstanding any provisions of the Plan to the contrary, it determines that any dividend or other distribution (whether in the form of cash or property), recapitalization, stock split, reverse stock split, reorganization, merger, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company or warrants or other rights to purchase Shares or other securities of the Company or any event affects the Shares such that an adjustment is appropriate in order to prevent the benefits or potential benefits intended to be made available under the Plan, the Committee may adjust any or all of (i) the number of Shares or other securities of the Company (or other securities or property) with respect to which Awards may be granted, (ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, a cash payment to the holder of an outstanding Award in consideration for the exercise of the Award, in the case of Options and Stock Appreciation Rights shall equal the excess, if any, of the fair market value of the Share subject to each such Option or Stock Appreciation Right over the exercise price of such Option or Stock Appreciation Right. The Committee will also make such other adjustments in the number of shares specified in Section 4(a)(i) of this Plan as it may, in its discretion, exercised in good faith, may determine is appropriate to reflect any change in the value of the Shares or other securities of the Company (or other securities or property) under this Section 4(b); provided, however, that any such adjustment to the numbers of Shares or other securities of the Company (or other securities or property) shall be made only if and to the extent that such adjustment would not cause any Option or Stock Appreciation Right or Incentive Stock Option to fail to so qualify.

(c)Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award shall be, in whole or in part, of authorized and unissued Shares or of treasury Shares.

Section 5. Eligibility. Any employee of, or consultant to, the Company or any subsidiary of the Company (or prospective employee), or non-employee director who is a member of the Board of Directors or a Subsidiary of the Company, shall be eligible to be selected as a Participant and receive any cash or cash-settled Restricted Stock Unit as determined by the Committee.

Section 6. Stock Options.

(a)Grant. Subject to the terms of the Plan, the Committee shall have sole authority to determine to whom Options shall be granted, the number of Shares to be covered by each Option, the conditions and limitations applicable to the exercise of the Options, and the authority to grant Incentive Stock Options, or to grant Non-Qualified Stock Options. In the case of Incentive Stock Options, the terms and conditions of such Options shall conform to and comply with such rules as may be prescribed by Section 422 of the Code, and any regulations implementing such statute. All Options when granted under the Plan shall be Incentive Stock Options, unless the applicable Award Agreement expressly provides otherwise. If an Option is intended to be an Incentive Stock Option and for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Non-Qualified Stock Option appropriately granted under the Plan; provided that such Option (or portion thereof) shall comply with the Plan's requirements relating to Non-Qualified Stock Options. No Option shall expire more than ten years from the date of grant.

(b)Exercise Price. The Committee shall establish the exercise price at the time exercise price shall be set forth in the applicable Award Agreement and which respect to Substitute Awards) shall not be less than the Fair Market Value per

(c)Exercise. Each Option shall be exercisable at such times and subject to such Committee may, in its sole discretion, specify in the applicable Award Agreement shall specify the period or periods of Continuous Service by the Pa the Option or installments thereof will become exercisable. The Committee m respect to the exercise of Options, including without limitation, any relating to securities laws, as it may deem necessary or advisable.

(d)Payment.

(i)No Shares shall be delivered pursuant to any exercise of an Option until pay exercise price therefor is received by the Company. Such payment may be ma or

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(B) subject to the Company's consent, by exchanging Shares owned by the op of any pledge or other security interest and which have been owned by such op (C) subject to such rules as may be established by the Committee and applicab irrevocable instructions to a broker to sell the Shares otherwise deliverable up to deliver promptly to the Company an amount equal to the aggregate exercise conditions or limitations established by the Committee, the Company's withho upon exercise of an Option pursuant to a "net exercise" arrangement (it being of determining the number of treasury shares held by the Company, the Shares as issued and acquired by the Company upon such exercise), or (E) by a comb such other methods as may be approved by the Committee, provided that the c cash equivalents and the Fair Market Value of any such Shares so tendered to the date of such tender or withholding is at least equal to such aggregate exerc

(ii) Wherever in this Plan or any Award Agreement a Participant is permitted to Option or taxes relating to the exercise of an Option by delivering Shares, the procedures satisfactory to the Committee, satisfy such delivery requirement by ownership of such Shares, in which case the Company shall treat the Option as payment and shall withhold such number of Shares from the Shares acquired b

Section 7. Stock Appreciation Rights.

(a) Grant. Subject to the provisions of the Plan, the Committee shall have sole Participants to whom Stock Appreciation Rights shall be granted, the number of Stock Appreciation Right Award, the grant price thereof and the conditions an exercise thereof. Stock Appreciation Rights with a grant price equal to or grea Share as of the date of grant are intended to qualify as "performance-based com of the Code. In the sole discretion of the Committee, Stock Appreciation Righ performance-based compensation in accordance with Section 11 hereof. Stock granted in tandem with another Award, in addition to another Award, or freest Award. Stock Appreciation Rights granted in tandem with or in addition to an before, at the same time as the Award or at a later time. No Stock Appreciation than ten years from the date of grant.

(b) Exercise and Payment. A Stock Appreciation Right shall entitle the Particip the excess of the Fair Market Value of a Share on the date of exercise of the S grant price thereof (which grant price (except with respect to Substitute Award Market Value on the date of grant). The Committee shall determine in its sole Appreciation Right shall be settled in cash, Shares or a combination of cash an

(c) Other Terms and Conditions. Subject to the terms of the Plan and any appli Committee shall determine, at the grant of a Stock Appreciation Right, the term and form of settlement, and any other terms and conditions of any Stock Appr may impose such conditions or restrictions on the exercise of any Stock Appr appropriate.

Section 8. Restricted Stock and Restricted Stock Units.

(a) Grant. Subject to the provisions of the Plan, the Committee shall have sole Participants to whom Shares of Restricted Stock and Restricted Stock Units sh

Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted during the duration of the period during which, and the conditions, if any, under which, the Restricted Stock Units may be forfeited to the Company, and the other terms and conditions

(b)Transfer Restrictions. Shares of Restricted Stock and Restricted Stock Units shall not be transferred, pledged or otherwise encumbered, except, in the case of Restricted Stock, as provided in the applicable Award Agreements. Unless otherwise directed by the Committee, all Shares of Restricted Stock shall be registered in the name of the Participant or the Participant's legal representative, together with a stock power endorsed in blank, with the Company. Such Shares of Restricted Stock shall be held at the Company's transfer agent in book entry form with appropriate restrictions on the transfer of such Shares of Restricted Stock. Upon the lapse of the restrictions on Restricted Stock, the Company shall, as applicable, either deliver such certificates to the Participant or the Participant's legal representative or the transfer agent shall remove the restrictions on such Shares.

(c)Payment. Each Restricted Stock Unit shall have a value equal to the Fair Market Value of the Restricted Stock Units. Restricted Stock Units shall be paid in cash, Shares, other securities or other property, as determined by the Committee, upon or after the lapse of the restrictions applicable thereto, pursuant to the applicable Award Agreement. Dividends paid on any Shares of Restricted Stock Units shall be paid directly to the Participant, with respect to the vesting of the Restricted Stock or Restricted Stock Units, as applicable, pursuant to the applicable Award Agreement, or may be reinvested in additional Shares of Restricted Stock Units, as determined by the Committee in its sole discretion.

Section 9. Performance Awards.

(a)Grant. The Committee shall have sole authority to determine the Participants eligible to receive a “Performance Award”, which shall consist of a right which is (i) denominated in Shares, (ii) determined by the Committee, in accordance with the achievement of such Performance Goals during any Performance Period as the Committee shall establish, and (iii) payable at such time and in such amount as the Committee shall determine.

(b)Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the Performance Goals to be achieved during any Performance Period, the amount of any Performance Award and the amount of any cash or other property to be transferred to be made pursuant to any Performance Award.

(c)Payment of Performance Awards. Performance Awards may be paid in a lump sum or in installments, following the close of the Performance Period as set forth in the Award Agreement.

Section 10. Other Stock-Based Awards.

The Committee shall have authority to grant to Participants an “Other Stock-Based Award”, which shall consist of any right which is (i) not an Award described in Sections 6 through 9 above and (ii) denominated or payable in, valued in whole or in part by reference to, Shares (including, without limitation, securities convertible into Shares), as determined by the Committee, consistent with the purposes of the Plan; provided that any such rights must be deemed to be in the best interests of the Company as desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the applicable Award Agreement, the Committee shall determine the terms and conditions of any Other Stock-Based Award, including the price, if any, at which securities may be purchased, and the amount of any Other Stock-Based Award granted under this Plan.

Section 11. Performance Compensation Awards.

(a)General. The Committee shall have the authority, at the time of grant of any Award under Sections 6 through 10 (other than Options and Stock Appreciation Rights), to designate such Award as a Performance Compensation Award in order to qualify such Award as “performance-based compensation” under Section 162(m) of the Code.

(b)Eligibility. The Committee will, in its sole discretion, designate which Participants are eligible to receive Performance Compensation Awards in respect of such Performance Period. Participants who are not eligible to receive an Award hereunder for a Performance Period shall not in any event be eligible to receive payment in respect of any Performance Compensation Award for such Performance Period.

determination as to whether or not such Participant becomes entitled to payment of a Performance Compensation Award shall be decided solely in accordance with the provisions of the Plan. The designation of a Participant eligible to receive an Award hereunder for a particular Performance Period require designation of such Participant eligible to receive an Award hereunder for that Performance Period and designation of one person as a Participant eligible to receive an Award hereunder for that Performance Period and designation of any other person as a Participant eligible to receive an Award hereunder for any other period.

(c) Discretion of Committee with Respect to Performance Compensation Awards. For each Performance Period, the Committee shall have full discretion to select the applicable Performance Period, the type(s) of Performance Compensation Awards to be issued for such Performance Period, the Criteria that will be used to establish the Performance Goal(s), the kind or level of Awards that will apply to the Company, and the Performance Formula, as applicable. Within the Performance Period (or, if shorter, within the maximum period allowed under Section 162(b)(1)), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence. The Committee shall record its actions in writing in accordance with Section 11(c) and record the same in writing.

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(d)Payment of Performance Compensation Awards.

(i)Condition to Receipt of Payment. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period.

(ii)Limitation. A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that: (1) the Performance Goals for such period are achieved; and (2) the Performance Formula as applied against such Performance Goals determines that all or some portion of the Performance Award has been earned for the Performance Period.

(iii)Certification. Following the completion of a Performance Period, the Committee shall certify in writing whether, and to what extent, the Performance Goals for the Performance Period were achieved, and, if so, to calculate and certify in writing that amount of the Performance Compensation Award earned for the Performance Period based upon the Performance Formula.

(iv)Negative Discretion. Unless otherwise determined by the Committee, in determining the amount of an individual Performance Compensation Award for a Performance Period, the Committee may, at its discretion, eliminate the amount of the Performance Compensation Award earned under the Award Agreement for the Performance Period through the use of Negative Discretion if, in its sole judgment, such elimination is appropriate.

(v)Timing of Award Payments. Unless otherwise set forth in the applicable Award Agreement, any Award granted for a Performance Period shall be paid to Participants as soon as administratively practicable after the completion of the certifications required by this Section 11; provided, that, unless otherwise provided in the applicable Award Agreement, in no event shall any Award granted for a Performance Period be paid on or before the 15th calendar day of the third month following the end of the Participant's Performance Period. A Participant's right to payment is no longer subject to a "substantial risk of forfeiture" (within the meaning of Section 401(a)(9)(B) of the Code) or the 15th calendar day of the third month following the end of the Performance Period in which the payment is no longer subject to a "substantial risk of forfeiture".

(vi)Maximum Award Payable. Notwithstanding any provision contained in the Award Agreement, the maximum Performance Compensation Award payable to any one Participant under the Plan for any Performance Period in respect of a Performance Period is 2,000,000 Shares or, in the event the Performance Compensation Award is paid in cash, the equivalent cash value thereof on the first day of the Performance Period to which the Performance Compensation Award relates. Furthermore, any Performance Compensation Award payable in cash or deferred shall not (between the date as of which the Performance Compensation Award is earned and the payment date) increase (i) with respect to Performance Compensation Award based on any measuring factor for each fiscal year greater than a reasonable rate of interest, (ii) with respect to a Performance Compensation Award that is payable in Shares, by any amount greater than the appreciation of a Share from the date such Performance Compensation Award is earned.

Section 12. Amendment and Termination.

(a)Amendments to the Plan. The Board may amend, alter, suspend, discontinue, or terminate any portion thereof at any time; provided that if an amendment to the Plan (i) would materially decrease the amount accruing to Participants under the Plan, (ii) would materially increase the number of Shares to be issued under the Plan, (iii) would materially modify the requirements for partici-

otherwise be approved by the stockholders of the Company in order to comply with the requirements of the Nasdaq Stock Market, or, if the Shares are not traded on the Nasdaq Stock Market, the securities exchange upon which the Shares are traded or quoted, such amendments shall require the prior approval and will not be effective unless and until such approval has been obtained. No amendment, alteration, suspension, discontinuance or termination of any Award previously granted shall be made to any Participant or any holder or beneficiary of any Award previously granted shall be made to any Participant without the written consent of the affected Participant, holder or beneficiary.

(b) Amendments to Awards. The Committee may waive any conditions or rights of any Award previously granted, alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, amend, alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, amend, alter, suspend, discontinue, cancellation or termination of any Award previously granted shall be made to any Participant or any holder or beneficiary of any Award previously granted shall be made to any Participant without the written consent of the affected Participant, holder or beneficiary.

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(c) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee is hereby authorized to make equitable adjustments in the terms and conditions of outstanding Awards in recognition of unusual or nonrecurring events (including those described in Section 4(b) hereof) affecting the Company, any Subsidiary of the Company, any statement of the Company or any Subsidiary of the Company, or of changes in accounting principles, whenever the Committee determines that such adjustments are necessary to prevent dilution or enlargement of the benefits or potential benefits intended to be provided by the Plan.

(d) Repricing. Except in connection with a corporate transaction or event described in Section 4(b), the terms of outstanding Awards may not be amended to reduce the exercise price of Options or Stock Appreciation Rights, or cancel Options or Stock Appreciation Rights in whole or in part, or Options or Stock Appreciation Rights with an exercise price or grant price, or the exercise price of the original Options or grant price of the original Stock Appreciation Rights, without stockholder approval. This Section 12(d) is intended to prohibit the repricing of Options and Stock Appreciation Rights and will not be construed to prohibit the adjustments described in Section 4(b) of this Plan.

Section 13. Change in Control.

(a) Except as otherwise provided in an Award Agreement or by the Committee, all outstanding Awards granted under this Plan are not assumed, converted or replaced by the continuing entity in the event of a Change in Control, all outstanding Awards shall become fully exercisable, all restrictions with respect to outstanding Awards shall become vested and non-forfeitable, and any specified Performance Goals with respect to outstanding Awards shall be deemed to be satisfied at target immediately prior to the consummation of the Change in Control.

(b) Except as otherwise provided in an Award Agreement or by the Committee, to the extent outstanding Awards granted under this Plan are assumed, converted or replaced by the continuing entity in the event of a Change in Control, (i) any outstanding Awards shall become fully exercisable, (ii) any Performance Goals shall be converted, assumed or replaced by the resulting or continuing entity, and (iii) any Performance Compensation Award with service requirements shall continue to apply during the remaining period set forth in the Award Agreement, and all restrictions shall continue to vest (and/or the restrictions thereon shall continue to lapse) during the term of the Award Agreement.

(c) Except as otherwise provided in an Award Agreement or by the Committee, all outstanding Awards granted under this Plan are either assumed, converted or replaced by the continuing entity in the event of a Change in Control, if a Participant's employment is terminated without Cause by the Company or a Subsidiary or Affiliate of the Company or if the Participant ceases her employment or service with the Company or a Subsidiary or Affiliate of the Company, in either case, during the two year period following a Change in Control, all outstanding Awards that may be exercised shall become fully exercisable and all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable.

(d) Notwithstanding anything in this Plan or any Award Agreement to the contrary, the exercise of Awards under this Plan or an Award Agreement would cause a payment of deferred compensation.

409A of the Code to be made upon the occurrence of (i) a Change in Control, made unless such Change in Control also constitutes a “change in ownership” or “change in ownership of a substantial portion of the Company’s assets” within the meaning of Section 409A of the Code or (ii) a termination of employment or service, then such payment shall be made upon the termination of employment or service also constitutes a “separation from service” within the meaning of Section 409A of the Code. Any payment that would have been made except for the application of Section 409A of the Code shall be made in accordance with the payment schedule that would have applied had there been no Change in Control or termination of employment or service, but disregarding the requirements of Section 409A of the Code.

Section 14. General Provisions.

(a) Nontransferability.

(i) Each Award, and each right under any Award, shall be exercisable only by the Participant during the Participant’s lifetime, or, if permissible under applicable law, by the Participant’s designated representative.

(ii) No Award may be sold, assigned, alienated, pledged, attached or otherwise transferred by a Participant otherwise than by will or by the laws of descent and distribution, and no assignment, alienation, pledge, attachment, transfer or encumbrance shall be valid if made by a Participant, the Company or any Subsidiary or Affiliate of the Company; provided that the death of a Participant shall not constitute a sale, assignment, alienation, pledge, attachment, transfer or encumbrance.

(iii) Notwithstanding the foregoing, the Committee may, in the applicable Award Agreement, permit a Participant to transfer an Option granted under the Plan or at any time thereafter in an amendment to an Award Agreement. Options which are not intended to qualify as Incentive Options may be transferred to a transferee of such Option was granted (the "Grantee") without consideration, after such time as the requirements with respect to such Option have been satisfied, and subject to such rules as the Committee may determine for the purposes of the Plan, to: (1) the Grantee's spouse, children or grandchildren (including stepchildren and grandchildren) (collectively, the "Immediate Family"); (2) a partnership, corporation or other entity in which the Grantee and his or her Immediate Family; or (3) a partnership, corporation or other entity in which only partners, members or stockholders are the Grantee and his or her Immediate Family. The transferee described in clauses (1), (2) and (3) above is hereinafter referred to as a "Permitted Transferee." A Grantee gives the Committee advance written notice describing the terms and conditions of the transfer and the Committee notifies the Grantee in writing that such a transfer is permitted. The requirements of the Plan and any applicable Award Agreement evidencing the transfer shall apply to the Permitted Transferee.

The terms of any Option transferred in accordance with the immediately preceding paragraph shall be the terms of the Option transferred and any reference in the Plan or in an Award Agreement to the Grantee shall be deemed to refer to the Permitted Transferee, except that a Grantee shall be deemed to be entitled to transfer any Options, other than by will or the laws of descent and distribution, and Permitted Transferees shall not be entitled to exercise any transferred Options unless the Grantee registers the Shares to be acquired pursuant to the transfer with the SEC. If the Committee determines that such a registration statement is necessary or appropriate, the Company shall not be required to provide any notice to a Permitted Transferee if such notice is or would otherwise have been required to be given to the Grantee under the Plan or the Award Agreement. The consequences of termination of the Grantee's employment by, or services to, the Company shall not affect the Plan and the applicable Award Agreement shall continue to be applied with respect to the Permitted Transferee following which the Options shall be exercisable by the Permitted Transferee during the term and periods, specified in the Plan and the applicable Award Agreement.

(iv) Notwithstanding anything to the contrary herein, only gratuitous transfers of Awards are permitted. In no event may any Award granted under this Plan be transferred for value.

(b) Dividend Equivalents. In the sole discretion of the Committee, an Award (including an Award with Appreciation Rights), whether made as an Other Stock-Based Award described in Section 5 hereof, may provide the Participant with dividend equivalents, payable in cash, Shares, other securities or other property on a current basis or on a deferred basis. In the case of Awards with respect to which any applicable Performance Criteria are applicable, dividend equivalents may be paid only on a deferred basis, to the extent the unvested portion of the Award is not forfeited.

(c) No Rights to Awards. No Participant or other Person shall have any claim to an Award. There is no obligation for uniformity of treatment of Participants, or holders of Awards, under the terms and conditions of Awards and the Committee's determinations and interpretations of the terms and conditions of Awards need not be the same with respect to each Participant (whether or not such Participant is a Participant).

(d)Share Certificates. Shares or other securities of the Company or any Subsidiary of the Company under the Plan pursuant to any Award or the exercise thereof shall be subject to the same restrictions as other restrictions as the Committee may deem advisable under the Plan or the requirements of the SEC, any stock exchange upon which such Shares or other securities are listed, any applicable Federal or state laws, and the Committee may cause a legend on such certificates to make appropriate reference to such restrictions.

(e)Withholding.

(i)A Participant may be required to pay to the Company or any Subsidiary or Affiliate of the Company to Section 409A of the Code, and the Company or any Subsidiary or Affiliate of the Company has the right and is hereby authorized to withhold from any Award, from any payment under the Plan, or from any Award or under the Plan, or

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from any compensation or other amount owing to a Participant the amount (in other Awards or other property) of any applicable withholding taxes in respect of such payment or transfer under an Award or under the Plan, and to take such other action in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(ii) Without limiting the generality of clause (i) above, subject to the Company's right to satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares (which are not subject to any pledge or other security interest and which have a maturity of at least six months) with a Fair Market Value equal to such withholding liability, the Company may withhold from the number of Shares otherwise deliverable to the Participant a number of Shares with a Fair Market Value equal to such withholding liability.

(iii) Notwithstanding any provision of this Plan to the contrary, in connection with the exercise of a Permitted Transferee pursuant to Section 14(a), the Grantee shall remain liable for the taxes required to be withheld upon the exercise of such Option by the Permitted Transferee.

(f) **Detrimental Activity and Recapture.** Any Award Agreement may provide for the forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an Award intended to have a similar effect, upon such terms and conditions as may be determined from time to time, if a Participant during employment or other service with the Company engages in activity detrimental to the Company. In addition, notwithstanding any provision to the contrary, any Award Agreement may also provide for the cancellation or forfeiture of an Award, or the forfeiture and repayment to the Company of any gain related to an Award, or the imposition of a similar effect, upon such terms and conditions as may be required by the Company, the Exchange Act and any applicable rules or regulations promulgated by the SEC or any stock exchange or national securities association on which the Shares may be traded.

(g) **Award Agreements.** Each Award hereunder shall be evidenced by an Award Agreement delivered to the Participant and shall specify the terms and conditions of the Award, including thereto, including but not limited to, the effect on such Award of the death, disability, termination of employment or service of a Participant and the effect, if any, of such other events as determined by the Committee.

(h) **No Limit on Other Compensation Arrangements.** Nothing contained in the Plan or in any Subsidiary or Affiliate of the Company from adopting or continuing in effect any other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock or other Awards provided for hereunder (subject to stockholder approval if such arrangements are subject to stockholder approval) may be either generally applicable or applicable only in specific circumstances.

(i) **No Right to Employment.** The grant of an Award shall not be construed as creating any right to be retained in the employ of, or in any consulting relationship to, or as a director or officer of, or as a director, as applicable, of, the Company or any Subsidiary or Affiliate of the Company, or a Subsidiary or Affiliate of the Company may at any time dismiss a Participant or terminate or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless expressly provided in the Plan, any Award Agreement or any applicable employment agreement.

(j) **No Rights as Stockholder.** Subject to the provisions of the applicable Award Agreement, the beneficiary of any Award shall have any rights as a stockholder with respect to the Shares underlying the Award under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award Agreement shall provide that the

extent the Participant shall not be entitled to the rights of a stockholder in resp

(k)Governing Law. Unless otherwise provided for in an applicable Award Agre
construction, and effect of the Plan and any rules and regulations relating to th
shall be determined in accordance with the laws of the State of New York, app
conflict of laws principles.

(l)Severability. If any provision of the Plan or any Award is or becomes or is c
unenforceable in any jurisdiction or as to any Person or Award, or would disqu
under any law deemed applicable by the Committee, such provision shall be c
conform to the applicable laws, or if it cannot be construed or deemed amende
the Committee, materially altering the intent of the Plan or the Award, such pr
such jurisdiction, Person or Award and the remainder of the Plan and any such
and effect.

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(m)Other Laws. The Committee may refuse to issue or transfer any Shares or Award if, acting in its sole discretion, it determines that the issuance or transfer of such Award in consideration might violate any applicable law or regulation or result in any liability under the Securities Exchange Act, and any payment tendered to the Company by a Participant, other than the Company, in connection with the exercise of such Award shall be promptly refunded to the Participant or the beneficiary. Without limiting the generality of the foregoing, no Award granted under the Plan shall be an offer to sell securities of the Company, and no such offer shall be outstanding if the Committee in its sole discretion has determined that any such offer, if made, would violate the applicable requirements of the U.S. federal securities laws.

(n)Foreign Employees. In order to facilitate the making of any Award or other benefit under the Plan, the Committee may provide for such special terms for awards to Participants who are employed by the Company or any Subsidiary or Affiliate of the Company outside of the United States of America as the Committee may consider necessary or appropriate to accommodate local tax policy or custom. Moreover, the Committee may approve such supplemental or alternative versions of this Plan (including, without limitation, sub-plans) as may be necessary or appropriate for such purposes, without thereby affecting the terms of this Plan. The Committee may, for such purpose, and the Secretary or other appropriate officer of the Company may execute any such amendments having been approved and adopted in the same manner as this Plan. No such supplemental or amendments or restatements, however, shall include any provisions that are inconsistent with the Plan as then in effect unless this Plan could have been amended to eliminate such provisions without the approval by the stockholders of the Company.

(o)No Trust or Fund Created. Neither the Plan nor any Award shall create or establish a separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate of the Company and a Participant or any other Person. To the extent that any Person is entitled to payments from the Company or any Subsidiary or Affiliate of the Company pursuant to the Plan, such payments shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate of the Company.

(p)No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan, and the Committee shall determine whether cash, other securities, or other property shall be issued in lieu of any fractional Shares or whether such fractional Shares or any rights therein shall be terminated, or otherwise eliminated.

(q)Deferrals. In the event the Committee permits a Participant to defer any Award, all such elective deferrals shall be accomplished by the delivery of a written, irrevocable election by the Participant on a form provided by the Company. All deferrals shall be made in accordance with the guidelines established by the Committee to ensure that such deferrals comply with the requirements of Section 409A of the Code.

(r)Headings. Headings are given to the Sections and subsections of the Plan solely for reference. Such headings shall not be deemed in any way material or relevant to the interpretation of the Plan or any provision thereof.

Section 15. Compliance with Section 409A of the Code.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder shall be exempt from the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A of the Code do not apply to the Participants. This Plan and any grants made hereunder shall be made in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code shall mean the regulations or any other formal guidance promulgated with respect to such Section 409A by the Treasury or the Internal Revenue Service. In any case, a Participant shall be solely responsible for the satisfaction of all taxes and penalties that may be imposed on a Participant or on the Company in connection with this Plan and grants hereunder (including any taxes and penalties imposed under Section 409A of the Code), and neither the Company nor any of its Subsidiaries shall have any obligation to hold a Participant harmless from any or all of such taxes or penalties.

(b) Neither a Participant nor any of a Participant's creditors or beneficiaries shall have any right to a deferred compensation (within the meaning of Section 409A of Code) payable to or for a Participant hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant under the Plan or grants hereunder may not be reduced by, or offset against, any amount owing to or for a Participant or any of its Subsidiaries.

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(c)If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code) the Participant shall be a specified employee (within the meaning of Section 409A of the Code) and the identification methodology selected by the Company from time to time) and (i) a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be made under the six-month delay rule set forth in Section 409A of the Code in order to avoid taxation under Section 409A of the Code, then the Company shall not pay such amount on the otherwisely provided that the Company shall instead pay it, without interest, on the earlier of the first business day of the Participant's separation from service or death.

Section 16. Term of the Plan.

(a)Effective Date. The Plan shall be effective as of the date of its approval by the Board of Directors, subject to approval of the Plan by the stockholders of the Company.

(b)Expiration Date. No grant will be made under this Plan more than ten years after the date of the Plan. Grants made on or prior to such date will continue in effect thereafter subject to the terms of the Plan.

APPENDIX B

SUPPLEMENTAL INFORMATION REGARDING NON-GAAP FINANCIAL MEASURES

The Compensation Discussion and Analysis ("CD&A") section of this proxy statement contains supplemental information regarding non-GAAP financial measures. The tables below reconcile the non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

The presentation of these non-GAAP financial measures is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. These non-GAAP financial measures may be different from non-GAAP financial measures used by other companies. All non-GAAP financial measures have limitations in that they do not reflect all of the amounts and timing of cash flows from operations as determined in accordance with GAAP.

(in thousands)

Table of Reconciliation from GAAP Revenue to Non-GAAP Revenue

GAAP Revenue

Revenue adjustments related to acquisitions

Non-GAAP Revenue

Table of Reconciliation from GAAP Operating Income to Non-GAAP Operating Income

GAAP operating income

Revenue adjustments related to acquisitions

Amortization of acquired technology and backlog

Amortization of other acquired intangible assets

Stock-based compensation expenses

M&A and other adjustments

Non-GAAP operating income

Table of Reconciliation from GAAP Cash Flow from Operating Activities to Non-GAAP Cash Flow from Operating Activities

Cash Flow from Operating Activities

GAAP cash flow from operating activities

Net interest expense paid

Non-recurring payments (primarily cash paid for transaction costs associated with acquisitions)

Income tax refunds received

Other non-recurring cash inflows

Non-GAAP cash flow from operating activities

DIRECTIONS TO 2015 ANNUAL MEETING LOCATION
Hilton Garden Inn
1575 Round Swamp Road, Plainview, New York, USA 11803
Tel: 1-516-755-5552 Fax: 1-516-755-5592

Traveling from the East:

Take the Long Island Expressway (I-495) to Round Swamp Road (Exit 48). Proceed through the traffic light. Turn left onto Round Swamp Road and continue under the expressway. Proceed straight after light. The hotel entrance is the second left.

Traveling from the West:

Take the Long Island Expressway (I-495) to Round Swamp Road (Exit 48). Proceed through the traffic light. Turn right onto Round Swamp Road. The hotel entrance is the second left.

FORM OF PROXY CARD
