

VERINT SYSTEMS INC
Form DEF 14A
May 28, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Verint Systems Inc

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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(3) Filing Party:

(4) Date Filed:

VERINT SYSTEMS INC.

330 South Service Road

Melville, New York 11747

Notice of Annual Meeting of Stockholders

TO BE HELD ON JULY 27, 2004

NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Stockholders (the "Annual Meeting") of VERINT SYSTEMS INC. (the "Company") will be held at the Hilton Huntington, 598 Broadhollow Road, Melville, New York 11747, on Tuesday, July 27, 2004, commencing at 11:00 A.M. (local time) for the following purposes:

1. **ELECTION OF DIRECTORS.** To elect thirteen directors who will serve as the Board of Directors of the Company until the next annual meeting of stockholders and the election of their qualified successors.

2. **ADOPTION OF THE VERINT SYSTEMS INC. 2004 STOCK INCENTIVE COMPENSATION PLAN.** To consider and vote upon a proposal to adopt the Company's 2004 Stock Incentive Compensation Plan, under which up to 3,000,000 shares of the Company's Common Stock, par value \$.001 per share, may be issued as equity-based compensation to employees, directors and consultants of the Company and its subsidiaries and affiliates.

3. **RATIFICATION OF INDEPENDENT AUDITORS.** To consider and act upon a proposal to ratify the engagement of Deloitte & Touche LLP as independent auditors of the Company for the fiscal year ending January 31, 2005.

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only those stockholders of record at the close of business on June 9, 2004 are entitled to receive notice of and to vote at the Annual Meeting or any adjournment thereof.

A copy of the Company's Annual Report to Stockholders for the year ended January 31, 2004 accompanies this Notice of Meeting.

By Order of the Board of Directors,
Dan Bodner

May 25, 2004

ATTENDANCE AT THE ANNUAL MEETING BY HOLDERS OF AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK, APPEARING IN PERSON OR REPRESENTED BY PROXY, IS NECESSARY TO CONSTITUTE A QUORUM. YOUR ATTENDANCE IS IMPORTANT AND APPRECIATED. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD. YOUR PROXY MAY BE REVOKED IN YOUR DISCRETION AT ANY TIME BEFORE THE SHARES ARE VOTED.

VERINT SYSTEMS INC.

330 South Service Road

Melville, New York 11747

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 27, 2004

This Proxy Statement and the accompanying form of proxy are being furnished in connection with the solicitation of proxies by the Board of Directors of Verint Systems Inc., a Delaware corporation (Verint or the Company), for use at the Annual Meeting of the Stockholders of the Company to be held on Tuesday, July 27, 2004 or any adjournment thereof (the Annual Meeting), and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting. These proxy solicitation materials are first sent or given on or about June 17, 2004 to stockholders entitled to vote at the Annual Meeting.

Record Date and Share Ownership

Only stockholders of record at the close of business on June 9, 2004, will be entitled to vote at the annual meeting (Record Date). As of the close of business on May 24, 2004, there were 30,627,259 shares of Common Stock outstanding. A majority of the shares of Common Stock outstanding on the Record Date must be present in person or by proxy to have a quorum for transaction of business at the Annual Meeting. Each holder of shares of Common Stock outstanding on the Record Date is entitled to one vote, for each such share held, on each matter of business to be submitted to a vote at the Annual Meeting.

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the stockholder of record with respect to these shares and we will send our proxy materials to you directly. As the stockholder of record, you have the right to grant your voting proxy directly to the Company, or to vote in person at the Annual Meeting. The Company has enclosed a proxy card for you to use. If you choose to vote in person at the Annual Meeting, we recommend that you bring the enclosed proxy card or other form of identification. Even if you plan to attend, however, the Company recommends that you vote your shares in advance as described below so that your vote will be counted if for some reason you ultimately are unable to attend.

If your shares are held on your behalf in a stock brokerage account, or by a bank or other financial institution serving as your nominee, you are considered the beneficial owner of shares that you hold in street name. Your broker, bank or other nominee is considered the recordholder of your shares entitled to vote. However, as beneficial owner of your stock you have the right to instruct your broker, bank or other nominee on

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how to vote your shares. Please note that you may not vote your shares in person at the Annual Meeting without a proxy from your broker, bank or other nominee, although you are welcome to attend. You will receive our proxy materials and a voting instruction form from your broker, bank or other nominee, and you should return your voting instructions to that firm as soon as possible to ensure that your vote counts.

Submitting and Revoking Your Proxy; How Your Proxy Will be Voted

If you complete and submit your proxy, the persons named as proxies will vote the shares represented by your proxy in accordance with your directions. If you submit a signed proxy card but do not fill out the voting instructions on that card, the persons named on the card as proxies will vote the shares represented by your proxy as follows, unless you later revoke your proxy according to the procedures discussed below:

For the election of director nominees, as set forth in Proposal No. 1 Election of Directors.

For adoption of the Company's 2004 Stock Incentive Compensation Plan, as set forth in Proposal No. 2 Adoption of the Verint Systems Inc. 2004 Stock Incentive Compensation Plan.

For ratification of the independent auditors, as set forth in Proposal No. 3 Ratification of Independent Auditors.

As noted above, we need a quorum to conduct business at the Annual Meeting, which consists of a majority of the shares of Common Stock voted in person or by proxy. Votes cast in person or by proxy at the Annual Meeting will be tabulated by the inspector of election appointed for that meeting, who will determine whether a quorum is present.

In addition, if matters other than Proposal Nos. 1 through 3 are properly presented for voting at the Annual Meeting, the persons named as proxies on the Company's proxy card will vote on such matters in their best judgment. We have not received notice of any other matters that may properly be presented for voting at the Annual Meeting.

Any proxy submitted pursuant to this solicitation may be revoked by the person giving it at any time before the Annual Meeting is adjourned on July 27, 2004, by: (1) delivering to the Company a later-dated proxy by mail (to 330 South Service Road, Melville, NY 11747) or facsimile (to 631-962-9300), each marked to the attention of the Company's General Counsel, Peter Fante; or (2) in person, by attending and voting at the Annual Meeting. If you hold shares through a broker, bank or other nominee, you must contact that firm to revoke any prior voting instructions you may have given so that the firm in turn can submit another proxy reflecting your change in instructions.

Solicitation and Voting Procedures; How Votes Will be Counted

The solicitation of proxies will be conducted primarily by mail, and the Company will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others who forward solicitation materials to beneficial owners of the Company's Common Stock, par value \$.001 per share (the Common Stock). The Company has retained American Stock Transfer & Trust Company to aid in the distribution of the proxy materials and the Company will bear all attendant costs. In addition to the solicitation of proxies by mail, the Company may solicit proxies by personal interview, telephone or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

Each share of Common Stock outstanding on the Record Date will be entitled to one vote on each of the three matters submitted to a vote. The 13 nominees for election to the board of directors who receive the most votes For election will be elected to serve as directors. Adoption of the Company's 2004 Stock Incentive Compensation Plan and ratification of the Company's independent auditors each will require an affirmative vote of the majority of the shares of Common Stock present or represented at the Annual Meeting.

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With respect to the election of directors, you may vote For all of the nominees or your vote may be Withheld as to one or more nominees. Because directors need only be elected by a plurality of the vote, a Withheld vote will not affect whether a particular nominee has received sufficient votes to be elected.

For the proposed adoption of the Company's 2004 Stock Incentive Compensation Plan and the ratification of the Company's independent auditors, you may vote For, Against, or Abstain. An Abstain vote on either of these matters will be counted as a vote Against such matter.

If you hold your shares of Common Stock in street name, and you do not instruct your broker or bank on how to vote your shares, the firm may exercise so-called discretionary authority to vote your shares or leave them unvoted. Depending on whether the particular matter subject to a vote is considered routine or non-routine, however, your broker or bank may not have the authority to vote your shares without your instruction. In that situation, the shares that cannot be voted by the broker or bank will be treated as broker non-votes. Generally speaking, brokers and banks may not vote uninstructed customer shares on matters defined as non-routine by the Nasdaq and/or New York Stock Exchange, although they can exercise discretion to vote uninstructed customer shares on matters deemed routine. Shares held by brokers and banks that do not have discretionary authority to vote uninstructed shares on non-routine matters are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved a particular matter, but will be counted in determining whether a quorum is present at the Annual Meeting. Accordingly, broker non-votes will have no impact on the calculation of votes on any of the three Proposals submitted, but will be viewed as present for quorum purposes.

Please note that brokers and banks generally cannot vote without instruction the shares owned beneficially by their customers on the non-routine proposal to adopt the Company's 2004 Stock Incentive Compensation Plan (Proposal No. 2), meaning that uninstructed shares will constitute broker non-votes on this matter. However, brokers and banks may exercise discretionary authority to vote uninstructed customer shares with respect to the election of directors (Proposal No. 1) and ratification of independent auditors (Proposal No. 3), both of which are considered routine matters. In sum, broker non-votes will have no impact on the approval of any of the three proposals, but will be treated as present for quorum purposes.

Security Ownership Of Certain Beneficial Owners And Management

The following table sets forth certain information regarding the beneficial ownership of common stock as of January 31, 2004 by:

(1) each person (or group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) known by Verint to own beneficially 5% or more of the common stock;

(2) Verint's directors and executive officers; and

(3) all directors and executive officers of Verint as a group.

As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or 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 the right to acquire within sixty days from January 31, 2004 through the exercise of any option, warrant or right. Shares of Common Stock subject to options, warrants or rights which are currently exercisable or exercisable within sixty days are deemed outstanding for computing the ownership percentage of the 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 30,098,732 Common Stock outstanding as of January 31, 2004.

Name of Beneficial Owners	Number of Shares		Number of Options
	Beneficially	Percentage of Total	Not Exercisable
	Owned ⁽¹⁾	Shares Outstanding	Within 60 Days After January 31, 2004
<i>Principal Stockholders:</i>			
Comverse Technology, Inc.	18,589,023	61.8%	
170 Crossways Park Dr. Woodbury, NY 11797			
<i>Directors and Executive Officers:</i>			
Kobi Alexander ⁽²⁾	475,931 ⁽³⁾	1.6%	
Dan Bodner ⁽⁴⁾	243,285 ⁽⁵⁾	*	198,599
Igal Nissim ⁽⁶⁾	101,903 ⁽⁷⁾	*	57,807
David Kreinberg ⁽⁸⁾	7,094 ⁽⁹⁾	*	4,647
William F. Sorin ⁽¹⁰⁾	4,403 ⁽⁹⁾	*	4,468
David T. Ledwell	37,016 ⁽⁹⁾	*	7,338
Paul D. Baker ⁽¹¹⁾	4,915 ⁽¹²⁾	*	5,935
Paul Robinson ⁽¹³⁾	1,223 ⁽⁹⁾	*	5,935
Harris T. Oliner ⁽¹⁴⁾	734 ⁽⁹⁾	*	5,935
Victor De Marines	9,500 ⁽⁹⁾	*	1,500
Kenneth A. Minihan	9,500 ⁽⁹⁾	*	1,500
Howard Safir	9,500 ⁽⁹⁾	*	1,500

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Larry Myers	5,000 ⁽⁹⁾	*	3,000
All executive officers and directors as a group (thirteen persons)	910,004 ⁽¹⁵⁾	3.0%	298,164

* Less than 1%

- (1) Unless otherwise indicated and except pursuant to applicable community property laws, to our knowledge, each person or entity listed in the table above has sole voting and investment power with respect to all ordinary shares listed as owned by such person or entity.
- (2) Mr. Alexander beneficially owns 204,860 shares of Comverse Technology common stock and options to purchase 3,869,248 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (3) Mr. Alexander beneficially owns 116,357 shares of our common stock and options to purchase 359,574 shares of our common stock exercisable within 60 days after January 31, 2004.

- (4) Mr. Bodner beneficially owns 35,774 shares of Comverse Technology common stock and options to purchase 46,221 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (5) Mr. Bodner beneficially owns 75,900 shares of our common stock and options to purchase 167,385 shares of our common stock exercisable within 60 days after January 31, 2004.
- (6) Mr. Nissim beneficially owns 1,825 shares of Comverse Technology common stock and options to purchase 29,673 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (7) Mr. Nissim beneficially owns 16,800 shares of our common stock and options to purchase 85,103 shares of our common stock exercisable within 60 days after January 31, 2004.
- (8) Mr. Kreinberg beneficially owns 70,128 shares of Comverse Technology common stock and options to purchase 98,138 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (9) Consists of shares of our common stock issuable upon the exercise of options exercisable within 60 days after January 31, 2004.
- (10) Mr. Sorin beneficially owns options to purchase 140,287 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (11) Mr. Baker beneficially owns options to purchase 4,251 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (12) Mr. Baker beneficially owns 1,000 shares of our common stock and options to purchase 3,915 shares of our common stock exercisable within 60 days after January 31, 2004.
- (13) Mr. Robinson beneficially owns options to purchase 3,188 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2004.
- (14) Mr. Oliner beneficially owns options to purchase 1,329 shares of Comverse Technology common stock within 60 days after January 31, 2004.
- (15) Consists of 210,057 shares of our common stock and 699,947 shares of our common stock issuable upon the exercise of options exercisable within 60 days after January 31, 2004.

Executive Officers and Directors

The following table sets forth certain information concerning our executive officers and directors:

Name	Age	Position
<i>Executive Officers and Directors:</i>		
Kobi Alexander(1)(3)	52	Chairman of the Board of Directors
Dan Bodner(1)	45	President, Chief Executive Officer and Director
Igal Nissim	48	Chief Financial Officer and Director
David T. Ledwell	57	Chief Strategic Officer and Director
William F. Sorin(1)(3)	55	Secretary and Director
Paul D. Baker	45	Director
Victor A. De Marines(2)	67	Director
David Kreinberg(1)(3)	39	Director
Kenneth A. Minihan(2)	60	Director
Larry Myers(2)	65	Director
Harris T. Oliner	32	Director
Paul L. Robinson	37	Director
Howard Safir(2)	62	Director

- (1) Member of the Executive Committee.
- (2) Member of the Audit Committee and Stock Option Committee.
- (3) Member of the Compensation Committee.

Background of Nominees and Executive Officers

Kobi Alexander has served as Chairman of our Board of Directors since February 1994. Mr. Alexander, a founder of Comverse Technology, Inc., has been a director and senior executive officer of Comverse Technology since its formation, serving in the capacities of Chairman of the Board of Directors since September 1986 and Chief Executive Officer since April 1987. Mr. Alexander also serves as director and Chairman of the Board of various subsidiaries of Comverse Technology, including its other principal operating subsidiaries, Comverse, Inc. and Ulticom, Inc. Mr. Alexander received a B.A., magna cum laude, in Economics from the Hebrew University of Jerusalem in 1977, and an M.B.A. in Finance from New York University in 1980.

Dan Bodner is the President, Chief Executive Officer and a director of our company. Mr. Bodner served as our President and/or Chief Executive Officer and director since February 1994. From 1991 to 1998, Mr. Bodner also served as President and Chief Executive Officer of Comverse Government Systems Corp., a former affiliate of ours. Prior to such positions, from 1987 to 1991, Mr. Bodner held various management positions at Comverse Technology. Prior to joining Comverse Technology, Mr. Bodner was employed for two years as Director of Software Development for Contahal Ltd. From 1981 through 1985, Mr. Bodner served in the Israeli Defense Force in an engineering capacity. Mr. Bodner received a B.Sc., cum laude, in Electrical Engineering from the Technion, Israel Institute of Technology, in 1981 and a M.Sc., cum laude, in Telecommunications and Computer Science from Tel Aviv University in 1987.

Igal Nissim has served as our Chief Financial Officer and has been a director since January 1999. Prior to that time, Mr. Nissim was employed by Comverse Technology since 1986, where he served as Chief Financial Officer from 1993 until 1998. Prior to this position, Mr. Nissim served as Chief Financial Officer of Efrat Future Technology Ltd. From 1984 to 1986, Mr. Nissim was employed by Gadot Industrial Enterprises Ltd. as deputy controller, responsible for financial and cost accounting. Mr. Nissim is a Certified Public Accountant in Israel and was employed for four years by Kesselman & Kesselman (now a member of PriceWaterhouseCoopers). Mr. Nissim received a B.A. in Economics and Accounting from the Tel Aviv University in 1981.

David T. Ledwell has been a director since May 2002. Since May 2003, Mr. Ledwell has served as Chief Strategic Officer of the Company. From September 1999 until May 2003, Mr. Ledwell served as the President and Chief Executive Officer of our subsidiary, Loronix. Mr. Ledwell also served as a director of Loronix from September 1999 until July 2000. From 1986 to 1998, Mr. Ledwell served in various senior executive capacities at DH Technology, Inc., a company engaged in the development, marketing, sales and support of transaction and bar code printers and credit card readers. From 1995 to 1998, Mr. Ledwell served as Executive Vice President responsible for several of DH Technology's subsidiaries and divisions. Prior to 1986, Mr. Ledwell held various management positions with companies in the computer and electronics industries, including Texas Instruments and Datapoint Corporation. Mr. Ledwell holds a B.S. in Electrical Engineering from Colorado State University.

William F. Sorin has served as Secretary of the Company and has been a director since January 1999. Mr. Sorin has served as a director and the Corporate Secretary of Comverse Technology since its formation in October 1984. Mr. Sorin is also a director of Ulticom Inc. Mr. Sorin is an attorney engaged in private practice and is Senior General Counsel to Comverse Technology. Mr. Sorin received a B.A. from Trinity College in 1970 and a J.D., cum laude, from Harvard Law School in 1973.

Paul D. Baker has been a director since May 2002. Mr. Baker also serves as Vice President, Corporate Marketing and Corporate Communications of Comverse Technology, a position he has held since joining Comverse Technology in April 1991. Mr. Baker is also a director of Ulticom. Mr. Baker held various positions in sales, marketing, and corporate communications with Robotic Vision Systems, Inc. from 1984 to 1991. Mr. Baker received a B.S. in Management from Babson College in 1980 and an M.B.A. in Marketing Management from St. John's University in 1984.

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Victor A. De Marines has been a director since May 2002. In May, 2000, Mr. De Marines retired from his position as President and Chief Executive Officer of MITRE Corporation, a nonprofit organization, which

provides security solutions for the computer systems of the Department of Defense, the Federal Aviation Administration, the Internal Revenue Service and several organizations in the U.S. intelligence community. Mr. De Marines currently serves on the board of trustees of MITRE. Mr. De Marines has recently served as an advisor to the Department of Defense on matters concerning the transformation of the military. Mr. De Marines is a member of an advisory group for the National Reconnaissance Office and is a member of the Massachusetts Business Roundtable. Mr. De Marines served as a Presidential Executive with the Department of Transportation and is a Lieutenant (retired) of the U.S. Air Force. Mr. De Marines holds a B.S. from Pennsylvania State University and a M.S. in Electrical Engineering from the Northeastern University.

David Kreinberg has been a director since January 1999. Mr. Kreinberg has served as Executive Vice President and Chief Financial Officer of Comverse Technology, Inc. since September 2002. Previously, Mr. Kreinberg served as Comverse Technology's Vice President of Finance and Chief Financial Officer from May 1999, as Vice President of Finance and Treasurer from April 1996 and as Vice President of Financial Planning from April 1994. Mr. Kreinberg also served as the Chief Financial Officer of Ulticom Inc. from December 1999 until September 2001. Mr. Kreinberg is also a director of Ulticom. Mr. Kreinberg is a Certified Public Accountant, and prior to joining Comverse Technology he served as a senior manager at Deloitte & Touche LLP. Mr. Kreinberg received a B.S., summa cum laude, in Accounting from Yeshiva University in 1986 and an M.B.A. in Finance and International Business from Columbia Business School in 1990.

Kenneth A. Minihan has been a director since May 2002. Lieutenant General Minihan was a career U.S. Air Force officer who attained the rank of Lieutenant General and retired from the Air Force on June 1, 1999. Lieutenant General Minihan served as the 14th Director of the National Security Agency/Central Security Services and was the senior uniformed intelligence officer in the Department of Defense. Prior to this, Lieutenant General Minihan served as the Director of the Defense Intelligence Agency. Lieutenant General Minihan is currently the President of the Security Affairs Support Association, is a member of several organizations, including the Air Force Association and the National Military Intelligence Association and consults and works on national security and intelligence committees and panels. Lieutenant General Minihan served as Chief Executive Officer of TeleHub Network Services Corporation from June 1999 to September 1999. In October 1999, after Lieutenant General Minihan was no longer affiliated with that company, TeleHub Network Services Corporation filed a voluntary petition for reorganization under the federal bankruptcy laws. Lieutenant General Minihan holds a B.A. from Florida State University, an M.A. from the Naval Postgraduate School, and has completed executive development programs at the University of Illinois and Harvard University. Lieutenant General Minihan was awarded the National Security Medal, the Defense Distinguished Service Medal, the Bronze Star and the National Intelligence Distinguished Service Medal, among other awards and decorations.

Larry Myers has been a director since August 2003. Since November 1999, Mr. Myers has been retired from his position of Senior Vice President, Chief Financial Officer and Treasurer of MITRE Corporation, a nonprofit organization which provides security solutions for the computer systems of the Department of Defense, the Federal Aviation Administration, the Internal Revenue Service and several organizations in the U.S. intelligence community. Mr. Myers served in this capacity with MITRE Corporation since 1991. Mr. Myers received a B.S. from Saint Vincent College in 1960 and an M.B.A. from Ohio State University in 1962. Mr. Myers served in the U.S. Army from 1962 to 1964.

Harris T. Oliner has been a director since May 2002. Mr. Oliner has served as a Senior Counsel of Comverse Technology since April 2001. Prior to joining Comverse Technology, Mr. Oliner was a Director of Business Development of VastVideo, Inc. from March 2000 to April 2001. From October 1997 to February 2000, Mr. Oliner served as an associate attorney at Simpson Thacher & Bartlett. Mr. Oliner received a B.A., magna cum laude, in Political Science from Yale University in 1994 and a J.D., cum laude, from Harvard Law School in 1997.

Paul L. Robinson has been a director since May 2002. Since January 2003, Mr. Robinson has served as General Counsel of Comverse Technology. From January 1999 to January 2003, Mr. Robinson served as

Associate General Counsel of Comverse Technology. Prior to joining Comverse Technology, Mr. Robinson was an associate attorney at Kramer, Levin, Naftalis & Frankel, LLP from January 1998 to December 1998. From January 1997 to December 1997, Mr. Robinson served as counsel to the United States Senate Committee on Governmental Affairs with respect to its special investigation into illegal and improper campaign fund raising activities during the 1996 federal election. From June 1994 to January 1997, Mr. Robinson was an associate attorney at Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Robinson received a B.A. in Political Science and was Phi Beta Kappa from the State University of New York at Binghamton in 1989 and a J.D., cum laude, from Boston University School of Law in 1992.

Howard Safir has been a director since May 2002. Mr. Safir is the Chairman and Chief Executive Officer of SafirRosetti, Omnicom Group Inc., a premier company providing security and investigation services. Mr. Safir also serves as consultant to ChoicePoint, a leading provider of credential verification and identification services. Prior to these positions, Mr. Safir served as Vice Chairman of IPSA International, a company providing security and investigation services, and prior to that as the 39th Police Commissioner of the City of New York. Mr. Safir also served as Associate Director for Operations, U.S. Marshals Service, as Assistant Director of the Drug Enforcement Administration and as Chief of the Witness Security Division, U.S. Marshals Service. Mr. Safir holds a B.A. in History and Political Science from Hofstra University. Mr. Safir participated in several programs at Harvard University's John F. Kennedy School of Government. Mr. Safir was awarded the Ellis Island Medal of Honor among other citations and awards.

The Board, Board Committees and Meetings

The Board of Directors currently consists of 13 directors, and has four standing committees. The Executive Committee is empowered to exercise the full authority of the Board of Directors to the extent permitted by law in circumstances when convening the full board is not practicable. The Audit Committee assists the Board in its oversight of the Company's compliance with all applicable laws and regulations, which includes oversight of the quality and integrity of the Company's financial reporting, internal controls and audit functions, and is directly and solely responsible for the appointment, retention, compensation and monitoring of the performance of Verint's independent auditors. The Compensation Committee is responsible for approving compensation arrangements for executive officers of the Company and making recommendations to the Stock Option Committee and the Board of Directors regarding the Company's various incentive compensation and benefit plans. The Stock Option Committee is responsible for administering the Company's Stock Incentive Compensation Plan.

As a general matter, all Board members are encouraged to attend our Annual Meetings of Stockholders. At our 2003 Annual Meeting, 2 members of the Board were present.

During the fiscal year ended January 31, 2004, there were seven meetings of the Board of Directors, seven meetings of the Audit Committee, four meetings of the Compensation Committee, and five meetings of the Stock Option Committee. In addition, there was one action by the Board taken by unanimous written consent, as well as five by the Compensation Committee and one by the Stock Option Committee. Each member of the Board of Directors attended at least 75% of the meetings of the full Board and of each Committee of which he was a member during the year.

The Board of Directors has determined that directors Victor De Marines, Kenneth Minihan, Larry Myers and Howard Safir are independent for purposes of Nasdaq's amended governance listing standards (specifically, Rule 4200(a)(15) of the listing standards of the National Association of Securities Dealers), and the requirements of both the Securities and Exchange Commission (SEC) and the Nasdaq that all members of the Audit Committee satisfy a special independence definition. The full Board of Directors has determined that Messrs. DeMarines, Minihan, Myers and Safir not only are independent under the objective definitional criteria established by the SEC and the Nasdaq, but also qualify as independent under the separate, subjective determination required by Nasdaq that, as to each of these directors, no relationships exist which, in the opinion

of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. These four independent directors sit on the Company's Audit Committee and Stock Option Committee, both of which are composed entirely of independent directors satisfying SEC and Nasdaq requirements.

The remaining nine members of the Board of Directors do not satisfy these independence definitions. This is permissible under applicable Nasdaq listing standards because our parent company, Comverse Technology, owns more than 50% of the voting power of our stock (specifically, 61.8% as of January 31, 2004). As a controlled company within the meaning of relevant Nasdaq listing standards (Rule 4350(c)), we are not required to comply with certain provisions that would require us to have a majority of independent directors serving on our Board, or standing nominating and compensation committees, all of whose members must be independent under Nasdaq standards. In creating this exception, the Nasdaq has recognized that majority shareholders, including parent companies, have the right to select directors and control certain key decisions, such as executive officer compensation, by virtue of their stock ownership rights. To summarize, because we are a controlled company, we are exempt from the requirements of the Nasdaq listing standards relating to having:

(1) a majority of independent directors on the Board; as noted, the Board of Directors had determined that only four of the Board's 13 directors are independent under applicable Nasdaq and SEC requirements because the remaining directors are either executive officers of the Company or have been chosen by and/or are affiliated with our parent, Comverse;

(2) a standing Board nominating committee composed entirely of independent directors. As we explain below, our entire Board performs this function with input from our parent company; and

(3) a standing compensation committee composed entirely of independent directors as defined by the Nasdaq listing standards. We have a non-independent Compensation Committee that makes decisions on annual salary and cash bonus awards to our executive officers. However, the Board has appointed a Stock Option Committee whose members all qualify as independent under the Nasdaq's definition, and is responsible for making all decisions on equity compensation awards made to executive officers and directors.

As required by the rules of the SEC and Nasdaq, as discussed, our Audit Committee is composed entirely of directors whom the full Board has determined to qualify as independent for purposes of these rules. The Board also has determined that Larry Myers is an audit committee financial expert, as that term is defined by the SEC in Item 401(h). Stockholders should understand that this designation is an SEC disclosure requirement relating to Mr. Myer's experience and understanding of certain accounting and auditing matters, which the SEC has stated does not impose on the director so designated any additional duty, obligation or liability than otherwise is imposed generally by virtue of serving on the Audit Committee and/or the Board of Directors.

The Board of Directors adopted a charter for the Audit Committee in April 2002, which was amended in March 2004 to reflect the amendments made to the Nasdaq's governance listing standards as approved by the SEC in November 2003. The amended charter is attached to the proxy statement as Exhibit A.

As discussed, the Board of Directors does not have a nominating committee because we are a controlled company. Accordingly, the functions customarily performed by a nominating committee are performed by the Board of Directors as a whole, and were so performed during fiscal 2003. In this connection, the Board met one time in 2003. All directors of Verint serve one-year terms.

The Board of Directors will consider director candidates suggested by its members, senior management and stockholders and has been, and expects to continue to be, heavily influenced in selecting candidates by its controlling stockholder, Comverse Technology. Comverse

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Technology has the right to designate for nomination to our Board of Directors all members other than those required by applicable law and regulation, including Nasdaq's amended governance listing standards and the requirements of the SEC, to be independent, and may fill any vacancy resulting from a Comverse Technology designee ceasing to serve as a director. Comverse

Technology designees now sitting on the Board of Directors are Kobi Alexander, Paul Baker, Dan Bodner, David Kreinberg, David Ledwell, Igal Nissim, Harris Oliner, Paul Robinson and William Sorin; all have been re-nominated by the Board this year along with the incumbent independent directors identified above. Although a search firm has not been used to identify potential director candidates since the Company went public in 2002, the Board has authority to, and may, do so in the future where necessary or appropriate.

In evaluating the suitability of individuals for Board membership, the Board of Directors takes into account many factors, including the individual's: (1) reputation and character; (2) willingness to make the necessary time commitment to the Company and its stockholders required of a board member; (3) educational background and professional expertise relevant to the Company's businesses; (4) qualification under applicable SEC and Nasdaq definitions of independence; (5) possession of a contractual or other legally enforceable right to designate nominees (as is the case now solely with respect to our parent company); (6) understanding of the Company's businesses; and (7) other relevant factors that would serve to promote diversity of views and experience on the Board, perpetuate the success of our business and fully represent stockholder interests through the exercise of sound and reasoned judgment. In determining whether to nominate an incumbent director for re-election, the Board also will consider the director's past attendance at Board and Committee meetings and level of participation in and contributions to the activities of the Board. The Board of Directors has not established any specific minimum qualification standards for nominees to the Board, although from time to time certain skills or attributes (e.g., financial expertise, global business experience, independence from Verint and its affiliates, including our parent Converse Technology) may be identified as particularly desirable to help meet specific Company needs that have arisen.

Although the Board received no stockholder nominations in 2003, the Board will consider director candidates recommended by stockholders if properly submitted in accordance with the applicable procedures set forth in the Company's By-laws. These procedures are summarized later in our proxy statement under the caption "The 2005 Annual Meeting."

The information contained in this proxy statement with respect to the Audit Committee charter and the independence of the members of the Audit Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Codes of Business Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics to promote its commitment to the legal and ethical conduct of the Company's business. The Chief Executive Officer, Chief Financial Officer, and other senior officers are required to abide by the Code of Business Conduct and Ethics, which provides the foundation for compliance with all corporate policies and procedures, and best business practices. The policies and procedures address a wide array of professional conduct, including the establishment of sound employment policies, methods for avoiding and resolving conflicts of interest, safeguarding intellectual property, protecting confidential information, and a strict adherence to all laws and regulations applicable to the conduct of the Company's business. The Company intends to satisfy its obligations, imposed under the Sarbanes-Oxley Act, to disclose promptly on the Company's website amendments to, or waivers from, the Code of Business Conduct and Ethics, if any.

The Company also adopted an Employee Code of Business Conduct and Ethics, which can be found on the Company's website. This Code contains procedures for the Audit Committee to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters, and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Communications by Stockholders and Others with the Board of Directors

Stockholders and other interested persons may communicate with the Board of Directors by sending an e-mail to boardofdirectors@verint.com, or by writing to the full Board or any member of the Board as a group c/o Peter Fante, General Counsel. This centralized process will assist the Board in reviewing and responding to stockholder communications in an appropriate manner. Please note the name of any specific intended Board recipient in your communication. As the General Counsel is the initial recipient of all of these communications, the Board has instructed the General Counsel to forward such communications only to the intended recipient(s). However, you should be aware that the Board has asked the General Counsel to review all such correspondence before forwarding it to the designated recipient(s), and given him the discretion not to forward certain matters if deemed to be of a commercial or frivolous nature, or otherwise inappropriate for the Board's consideration. Examples include spam, junk mail and mass mailings, product inquiries and complaints, resumes and other forms of job inquiries, and business solicitations. In such cases, that correspondence may be forwarded elsewhere within the Company for review and possible response. Communications that are unduly hostile, threatening, illegal or similarly unsuitable likewise will not be forwarded to the Board or any member thereof, although may be available to any director or the full Board upon request.

In addition, the Audit Committee has established a Hotline to receive complaints and concerns regarding accounting, internal accounting controls and auditing matters, along with other matters, on a confidential and/or anonymous basis. This Hotline is available to all stockholders and other investors, as well as vendors, suppliers, customers and others. If you prefer this avenue of communication with the Audit Committee on any matter, you may request that your communication be sent directly to the Audit Committee. Otherwise, the matter will be referred upon receipt to the General Counsel. In that event, as authorized by the Board, the General Counsel will in his discretion, depending on the subject-matter of the communication, forward it to the Audit Committee, the full Board of Directors, or appropriate personnel within the Company.

The Hotline is operated by National Hotline Services, an independent firm unaffiliated with Verint, and is available 24 hours a day, 365 days a year. The Hotline toll-free number is 1-800-844-9113.

Anyone reporting a complaint or concern via the Hotline may do so without identifying him or herself by name. If a person chooses to give his or her name, that information will be kept confidential unless, as in the case of certain crimes, a law requires that such name be provided to law enforcement officials or a court. Even if a person contacting the Hotline does not provide his or her name, that person will be given a control number enabling him or her to call back the Hotline to check on the status of the complaint or concern.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of holdings and transactions in Company shares with the Securities and Exchange Commission, the NASD, and the Company.

Based solely on our review of Section 16(a) forms received by us and written representations of its executive officers, directors and more than 10% holders, we believe that, during the last fiscal year, all Section 16(a) filing requirements applicable to our executive officers, directors and 10% beneficial owners were met, except as described below:

* On December 15, 2003, the Company inadvertently filed late on behalf of Larry Meyers his Form 3 Initial Statement of Beneficial Ownership.

Equity Compensation Plan Information

The following table sets forth certain information regarding the Company's equity compensation plans as of January 31, 2004.

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	3,558,459	\$ 13.03	1,211,187
Equity compensation plans not approved by security holders			
Total	3,558,459	\$ 13.03	1,211,187⁽¹⁾

(1) Includes 896,416 shares available for issuance pursuant to the Company's Employee Stock Purchase Plan as of January 31, 2004.

Executive Compensation

The following table presents summary information regarding the compensation paid to or earned by the Company for services rendered during the fiscal years ended January 31, 2002, 2003, and 2004 by its executive officers:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation			Long-Term Compensation	
	Fiscal Year	Salary (\$) ⁽¹⁾	Bonus(\$) ⁽²⁾	Other Annual Compensation(\$) ⁽³⁾	Restricted Stock Awards (\$)