

VERINT SYSTEMS INC
Form NT 10-Q
December 11, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
COMMISSION FILE
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FORM 12b-25

NOTIFICATION OF LATE FILING

(Check One): ☐ Form 10-K ☐ Form 20-F ☐ Form 11-K ☒ Form 10-Q ☐ Form N-SAR

For Period ended: October 31, 2007

- ☐ Transition Report on Form 10-K
- ☐ Transition Report on Form 20-F
- ☐ Transition Report on Form 11-K
- ☐ Transition Report on Form 10-Q
- ☐ Transition Report on Form N-SAR
- ☐ For the Transition Period

Ended: _____

Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.

If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

PART I REGISTRANT INFORMATION

Verint Systems Inc.
Full Name of Registrant

N/A
Former Name if Applicable

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330 South Service Road
Address of Principal Executive Office (*Street and Number*)

Melville, New York 11747
City, State and Zip Code

PART II RULES 12b-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate.)

- (a) The reasons described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;
- (b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K, or Form N-SAR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q, or portion thereof will be filed on or before the fifth calendar day following the prescribed due date; and
- (c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III NARRATIVE

State below in reasonable detail the reasons why Forms 10-K, 11-K, 20-F, 10-Q, N-SAR, or the transition report portion thereof, could not be filed within the prescribed time period. (Attach extra sheets if needed.)

Verint Systems Inc. (Verint or the Company) plans to file its Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2007 as soon as practicable, but does not currently expect that it will be filed on or before the fifth calendar day following the required filing date as prescribed in Rule 12b-25.

Prior to Verint's initial public offering in May 2002, Verint was a wholly-owned subsidiary of Comverse Technology, Inc. (Comverse) and, as a result, during that period certain Verint employees received from Comverse options to purchase Comverse common stock. Since May 2002 (other than the June 2002 repricing of stock options by Comverse), no Verint employee received compensatory awards from Comverse. As previously announced, the Board of Directors of Comverse, now the 64% stockholder of Verint, has created a special committee (the Comverse Special Committee) composed of outside directors, to review matters relating to Comverse's stock option grants, including the accuracy of the stated dates of Comverse option grants and whether Comverse followed all proper corporate procedures.

Comverse has announced that the Comverse Special Committee has substantially completed its investigation of employee stock option practices and has made a preliminary determination of the effect on its previously issued financial statements. On February 23, 2007, Verint announced its preliminary determination of the amounts of non-cash stock-based compensation expense that the Company will be required to record with respect to the backdated Comverse stock options issued to the Company's employees. For the fiscal years ended January 31, 2007, 2006, and 2005, the Company expects this charge to be approximately \$58,000, \$191,000, and \$28,000, respectively, and the Company expects this charge to be less than \$20 million in the aggregate for all periods. These figures exclude any tax expense or related payments, which have not yet been determined, however, the Company has announced that it does not expect the tax implications to materially impact its liquidity or capital resources.

Comverse has also announced that its Special Committee has expanded its investigation into certain non-options related accounting matters, including possible revenue recognition errors, errors in recording of certain deferred tax assets, expense misclassification, misuse of accounting reserves, and misstatement of backlog. Following the expansion of the Comverse Special Committee investigation, the Company commenced its own internal review into certain of these accounting matters, including accounting reserves, income statement expense reclassification and revenue recognition. Although the Comverse Special Committee has indicated that its options-related review is substantially complete, it has not yet produced its final report. In addition, the non-options related portion of the Comverse Special Committee investigation and the Company's own non-options related internal review are still on-going and there can be no assurance that the results of these investigations will not have a material and adverse impact on Verint's financial results.

Additionally, as announced by the Company on November 5, 2007, in connection with the audit of its financial statements for fiscal year 2006 (ended January 31, 2007) by its independent registered public accountants, Verint is conducting a review of its accounting treatment for revenue recognition under complex contractual arrangements under AICPA Statement of Position (SOP) 97-2, *Software Revenue Recognition* (SOP 97-2). In connection with this examination, Verint has begun performing a comprehensive review of its license and sale agreements, as well as re-performing technical calculations associated with the establishment of vendor specific objective evidence (VSOE). VSOE calculations involve making determinations regarding the fair value of the company's maintenance, professional and implementation services, as well as the application of the relative fair value method to allocate revenue to each element of the company's bundled hardware and software arrangements. If the company for accounting purposes is unable to determine the fair value of an undelivered element within a multiple element arrangement, as defined by VSOE, revenue for the entire arrangement is deferred until all elements have been delivered.

Verint is continuing to examine the SOP 97-2 matters described above, as well as other revenue recognition and any other issues that may arise during the completion of the audit of open and prior periods. There can be no assurance that Verint will not discover additional accounting errors or issues or that such errors or issues, if they exist, will not be material. Because of the uncertainty regarding how long this review and the Company's audit generally will take, as well as the impact, if any, on the Company's timetable resulting from the review process of Comverse, the Company cannot currently provide a timeline by when it expects to become current with its SEC filings.

Note: Certain statements and information in this Form 12b-25 that involve expectations, plans, intentions or strategies regarding the future are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are often identified by words such as will , anticipates , expects , intends , plans , believes , estimates and similar expressions and statements about present trends and conditions that may extend into the future. These statements are not facts and are based upon information available to the Company as of the date of this release. The Company assumes no obligation to revise or update any such forward-looking statement except as otherwise required by law. Forward-looking statements believed true when made may ultimately prove to be incorrect. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from our current expectations. Some of the factors that could cause actual future results or conditions to differ materially from current

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expectations include the impact on Verint's financial results of the Comverse Special Committee's review of matters relating to grants of Comverse stock options and other non-options related accounting matters; the impact on Verint's financial results arising from Verint's internal review of certain accounting matters, Verint's review under SOP 97-2, as well as the audit of its financial results by its independent registered public accountants; the impact of governmental inquiries arising out of or related to option grants and practices and/or other accounting areas under investigation by Comverse and Verint and the risk of regulatory action or private litigation relating to the same; the effect of Verint's failure to timely file all required reports under the Securities Exchange Act of 1934; Verint's ability to have its common stock relisted on The NASDAQ Global Market; customer and partner concern relating to the foregoing; risk that Verint's recent merger with Witness Systems disrupts current plans and operations and the potential difficulties in employee retention and customer satisfaction as a result of the merger; the ability to recognize the expected benefits of the merger; the impact of the substantial indebtedness incurred to finance the consummation of the merger and challenges in maintaining covenant compliance; risks relating to current and potential future litigation or regulatory inquiries or actions inherited in connection with the merger, including with respect to Witness option grants and alleged patent infringement; introducing quality products on a timely basis that satisfy customer requirements and achieve market acceptance; lengthy and variable revenue cycles create difficulty in forecasting the timing of revenue; integrating the business and personnel of Verint's other acquisitions, including implementation of adequate internal controls; risks associated with significant foreign operations, including fluctuations in foreign currency exchange rates; aggressive competition in all of Verint's markets, which creates pricing pressure; managing our expansion in the Asia Pacific region; risks that Verint's intellectual property rights may not be adequate to protect its business or that others may claim that Verint or its subsidiaries infringe upon their intellectual property rights; risks associated with Verint's ability to retain existing personnel and recruit and retain qualified personnel in all geographies in which Verint operates; decline in information technology spending; changes in the demand for Verint's products; challenges in increasing gross margins; risks associated with changes in the competitive or regulatory environment in which Verint operates; dependence on government contracts; expected increase in Verint's effective tax rate; risk that Verint improperly handles sensitive or confidential information or risk of misperception of such mishandling; inability to maintain relationships with value added resellers and systems integrators; difficulty of improving Verint's infrastructure to support growth; risks associated with Comverse Technology, Inc. controlling Verint's business and affairs; and other risks described in filings with the Securities and Exchange Commission, including our Current Report on Form 8-K filed September 10, 2007, as supplemented by our Current Report on Form 8-K filed on November 5, 2007. All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval system (EDGAR) at www.sec.gov or from Verint's website at www.verint.com.

PART IV OTHER INFORMATION

1. Name and telephone number of person to contact in regard to this notification

Peter Fante
(Name)

631
(Area Code)

962-9600
(Telephone Number)

2. Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If answer is no, identify report(s). Yes ☐ No ☒

Verint did not file its Current Report on Form 8-K/A, which would have amended the Current Report on Form 8-K dated January 9, 2006 to include the financial information required by Form 8-K in connection with the January 9, 2006 acquisition by the Company of MultiVision Intelligence Surveillance Limited's networked video security business.

Verint did not file its Annual Report on Form 10-K for the fiscal year ended January 31, 2006.

Verint did not file its Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2006.

Verint did not file its Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2006.

Verint did not file its Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2006.

Verint did not file its Annual Report on Form 10-K for the fiscal year ended January 31, 2007.

Verint did not file its Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2007.

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Verint did not file its Current Report on Form 8-K/A, which would have amended the Current Report on Form 8-K dated May 29, 2007 to include the financial information required by Form 8-K in connection with the May 25, 2007 acquisition by the Company of Witness Systems, Inc.

Verint did not file its Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2007.

3. Is it anticipated that any significant change in results of operations for the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof? Yes ☒ No ☐

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

Because of the SOP 97-2 examination described above that is underway but not yet completed, and the ongoing audit of the financial statements for fiscal year 2006 (ended January 31, 2007), the Company cannot complete its procedures for the quarter ended October 31, 2007. Due to the uncertainty arising out of the Company's own non-options related investigation and the non-options related portion of the Converse Special Committee's investigation, Verint's financial results are not final and expected to change, possibly materially. As a result, although the Company is aware that its results for the third quarter of fiscal 2007 will be impacted by the inclusion of the results of operations of Witness Systems, Inc. as compared to same period in the last fiscal year, the Company at this time cannot provide a reasonable estimate and comparison of the results of its operations for the fiscal quarter ended October 31, 2007 compared to the corresponding period for the last fiscal year.

Verint Systems Inc.

(Name of Registrant as Specified in Charter)

has caused this notification to be signed on its behalf by the undersigned hereunto duly authorized.

VERINT SYSTEMS INC.

Date: December 10, 2007

By: /s/ Peter Fante
Name: Peter Fante
Title: Chief Legal Officer