

THE GORES GROUP

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PRIVATE TECH CO. BUYING VERIFONE

May 11, 2001 – A private technology firm is buying electronic-payment provider VeriFone from Hewlett-Packard Co. for an undisclosed amount of cash.

The new owner is Los Angeles-based Gores Technology Group, which specializes in turning around high-tech companies it acquires. Founder and Chairman Alec Gores said VeriFone "has been in desperate need to be on its own, to be independent from a big company."

HP bought Santa Clara-based VeriFone in 1997 for about \$1.2 billion in stock, but the division didn't perform as well as HP had hoped. John Brennan, HP's vice president for strategy and corporate development, said the deal would let the computing giant "sharpen its focus."

Although HP invested a considerable amount of research and development money on VeriFone, "it didn't get the kind of attention it needed," Gores said in an interview. Gores said VeriFone, which makes hardware and software for electronic transactions, is well positioned to take advantage of the expected growth in "smart cards," which for years have been considered the future of commerce. Smart cards are like credit cards but have embedded microchips that give them several kinds of functions, such as opening secure office doors or checking out library books.

"We believe (VeriFone's) best years are yet to come," said Doug Bergeron, a group president at Gores.

Gores will make some additions to VeriFone's management team but will keep the top executives in place. No layoffs are planned at VeriFone, which employs 1,700 people, Gores said.

Gores has acquired about 35 companies in its 10-year history, most recently the Idaho-based personal computer business of Micron Electronics Inc. Last year, Gores took on the Learning Co., Mattel Inc.'s money-losing software unit, and said it became profitable in 75 days.

HP shares fell 42 cents to \$26.58 on the New York Stock Exchange (news - web sites) before the deal was announced. In after-hours trading, shares were down another 8 cents.