

SS&C Technologies Holdings Inc  
Form 10-Q  
August 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2012

OR

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

Commission File Number 001-34675

**SS&C TECHNOLOGIES HOLDINGS, INC.**

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**71-0987913**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**80 Lamberton Road**

**Windsor, CT 06095**

(Address of principal executive offices, including zip code)

**860-298-4500**

(Registrant's telephone number, including area code)

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 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 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. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

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 ☒

There were 78,946,023 shares of the registrant's common stock outstanding as of August 8, 2012.

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This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects", "should", and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. The Company does not undertake an obligation to update its forward-looking statements to reflect future events or circumstances.

**Table of Contents****Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)****(unaudited)**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 134,472	\$ 40,318
Accounts receivable, net of allowance for doubtful accounts of \$2,425 and \$2,006, respectively	85,120	47,201
Prepaid expenses and other current assets	11,568	5,214
Prepaid income taxes	21,541	788
Deferred income taxes	11,641	889
Restricted cash	1,149	1,149
Total current assets	265,491	95,559
Property and equipment:		
Land	2,655	
Leasehold improvements	27,135	6,468
Equipment, furniture, and fixtures	51,708	34,802
	81,498	41,270
Less accumulated depreciation	(30,465)	(26,966)
Net property and equipment	51,033	14,304
Deferred income taxes	11,161	1,111
Goodwill	1,512,624	931,639
Intangible and other assets, net of accumulated amortization of \$211,387 and \$188,907, respectively	598,540	164,995
Total assets	\$ 2,438,849	\$ 1,207,608
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt (Note 4)	\$ 55,850	\$
Accounts payable	8,048	4,170
Accrued employee compensation and benefits	33,595	19,770
Other accrued expenses	25,188	14,058
Interest payable	3,127	95
Deferred income taxes	1,091	
Deferred maintenance and other revenue	61,110	46,395
Total current liabilities	188,009	84,488
Long-term debt (Note 4)	1,091,206	100,000
Other long-term liabilities	15,233	14,081
Deferred income taxes	137,232	28,936

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Total liabilities	1,431,680	227,505
Commitments and contingencies (Note 7)		
Stockholders' equity (Note 2):		
Common stock:		
Class A non-voting common stock, \$0.01 par value per share, 5,000 shares authorized; 1,429 shares issued and outstanding, of which 38 and 64 are unvested, respectively	14	14
Common stock, \$0.01 par value per share, 100,000 shares authorized; 77,449 shares and 76,723 shares issued, respectively, and 76,962 shares and 76,235 shares outstanding, respectively	774	767
Additional paid-in capital	841,460	829,994
Accumulated other comprehensive income	28,883	25,413
Retained earnings	141,857	129,734
	1,012,988	985,922
Less: cost of common stock in treasury, 488 shares	(5,819)	(5,819)
Total stockholders' equity	1,007,169	980,103
Total liabilities and stockholders' equity	\$ 2,438,849	\$ 1,207,608

*See accompanying notes to Condensed Consolidated Financial Statements.*

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**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Software licenses	\$ 5,768	\$ 4,982	\$ 9,578	\$ 11,555
Maintenance	22,976	19,418	42,474	38,865
Professional services	7,217	5,860	13,009	11,127
Software-enabled services	84,889	61,543	149,464	119,263
Total revenues	120,850	91,803	214,525	180,810
Cost of revenues:				
Software licenses	1,543	1,700	2,845	3,375
Maintenance	9,789	8,801	18,455	17,467
Professional services	4,705	3,981	8,677	7,551
Software-enabled services	47,063	31,155	79,975	61,739
Total cost of revenues	63,100	45,637	109,952	90,132
Gross profit	57,750	46,166	104,573	90,678
Operating expenses:				
Selling and marketing	8,286	7,018	15,658	13,908
Research and development	10,646	9,053	19,285	17,025
General and administrative	8,271	7,200	12,859	13,743
Transaction costs	9,421		13,574	
Total operating expenses	36,624	23,271	61,376	44,676
Operating income	21,126	22,895	43,197	46,002
Interest expense, net	(4,485)	(3,474)	(5,034)	(8,601)
Other (expense) income, net	(18,543)	119	(14,417)	(168)
Loss on extinguishment of debt	(4,355)		(4,355)	(2,881)
(Loss) income before income taxes	(6,257)	19,540	19,391	34,352
(Benefit) provision for income taxes	(497)	6,512	7,268	11,490
Net (loss) income	\$ (5,760)	\$ 13,028	\$ 12,123	\$ 22,862
Basic (loss) earnings per share	\$ (0.07)	\$ 0.17	\$ 0.16	\$ 0.30
Basic weighted average number of common shares outstanding	78,098	76,724	77,908	75,556
Diluted (loss) earnings per share	\$ (0.07)	\$ 0.16	\$ 0.15	\$ 0.29

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Diluted weighted average number of common and common equivalent shares outstanding	78,098	80,880	82,491	79,756
Net (loss) income	\$ (5,760)	\$ 13,028	\$ 12,123	\$ 22,862
Other comprehensive (loss) income, net of tax:				
Foreign currency exchange translation adjustment	(3,328)	2,139	3,470	10,120
Total other comprehensive (loss) income, net of tax	(3,328)	2,139	3,470	10,120
Comprehensive (loss) income	\$ (9,088)	\$ 15,167	\$ 15,593	\$ 32,982

*See accompanying notes to Condensed Consolidated Financial Statements.*

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Cash flow from operating activities:		
Net income	\$ 12,123	\$ 22,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,885	20,990
Amortization of loan origination costs	6,445	1,808
Loss on sale or disposition of property and equipment	1	
Income tax benefit related to exercise of stock options	(1,592)	(4,884)
Deferred income taxes	(2,157)	(5,904)
Stock-based compensation expense	2,412	5,435
Provision for doubtful accounts	272	649
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(8,286)	1,306
Prepaid expenses and other assets	6,237	(296)
Accounts payable	(464)	243
Accrued expenses	1,643	(9,236)
Income taxes receivable and payable	(8,208)	1,427
Deferred maintenance and other revenues	1,362	6,654
Net cash provided by operating activities	35,673	41,054
Cash flow from investing activities:		
Additions to property and equipment	(4,817)	(3,102)
Cash paid for business acquisitions, net of cash acquired	(957,539)	(14,798)
Additions to capitalized software	(322)	(1,075)
Other	87	
Net cash used in investing activities	(962,591)	(18,975)
Cash flow from financing activities:		
Cash received from debt borrowings, net of costs	1,304,980	
Repayments of debt	(290,000)	(87,833)
Proceeds from common stock issuance, net		51,971
Proceeds from exercise of stock options	7,468	6,190
Payment of contingent consideration	(1,800)	
Income tax benefit related to exercise of stock options	1,592	4,884
Net cash provided by (used in) financing activities	1,022,240	(24,788)
Effect of exchange rate changes on cash	(1,168)	508
Net increase (decrease) in cash and cash equivalents	94,154	(2,201)
Cash and cash equivalents, beginning of period	40,318	84,843



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Cash and cash equivalents, end of period	\$ 134,472	\$ 82,642
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### Supplemental disclosure of non-cash investing activities:

See Note 10 for a discussion of acquisitions

*See accompanying notes to Condensed Consolidated Financial Statements.*

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### **SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

*SS&C Technologies Holdings, Inc., or Holdings, is our top-level holding company. SS&C Technologies, Inc., or SS&C, is our primary operating company and a wholly-owned subsidiary of SS&C Technologies Holdings, Inc. The Company means SS&C Technologies Holdings, Inc. and its consolidated subsidiaries, including SS&C.*

#### **1. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). These accounting principles were applied on a basis consistent with those of the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission (the SEC ) on March 12, 2012 (the 2011 Form 10-K ). In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the condensed consolidated financial statements) necessary for a fair statement of its financial position as of June 30, 2012, the results of its operations for the three and six months ended June 30, 2012 and 2011 and its cash flows for the six months ended June 30, 2012 and 2011. These statements do not include all of the information and footnotes required by GAAP for annual financial statements. The financial statements contained herein should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2011, which were contained in the 2011 Form 10-K. The December 31, 2011 consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP for annual financial statements. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the expected results for any subsequent quarters or the full year.

#### ***Recent Accounting Pronouncements***

In September 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-08, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment ( ASU 2011-08 ). ASU 2011-08 intends to address concerns about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles—Goodwill and Other. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under ASU 2011-08, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 are applied prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 did not have a material impact on the Company's financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income ( ASU 2011-05 ). ASU 2011-05 intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of ASU 2011-05 were applied retrospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement ( ASU 2011-04 ). ASU 2011-04 amends fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes are effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows but requires additional financial statement disclosures related to fair value measurements.

#### ***Reclassifications***

Certain amounts in prior year consolidated financial statements have been reclassified to conform to current year presentation. These reclassifications have had no impact on net income or net equity.



**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****(unaudited)****2. Equity and Stock-based Compensation**

During the three and six months ended June 30, 2012, the Company recorded total stock-based compensation expense of \$1.2 million and \$2.4 million, respectively, for stock options with time-based vesting and restricted stock.

During the three months ended June 30, 2011, the Company recorded total stock-based compensation expense of \$3.6 million, of which \$2.8 million related to the performance-based options based upon management's assessment of the probability that the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) for 2011 would meet or exceed the high end of the targeted range. During the six months ended June 30, 2011, the Company recorded total stock-based compensation expense of \$5.4 million, of which \$3.6 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2011 would meet or exceed the high end of the targeted range. Time-based options represented the remaining \$0.8 million and \$1.8 million of compensation expense recorded during the three and six months ended June 30, 2011, respectively.

The amount of stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Comprehensive Income was as follows (in thousands):

Statements of Comprehensive Income Classification	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of maintenance	\$ 56	\$ 79	\$ 114	\$ 130
Cost of professional services	48	84	122	142
Cost of software-enabled services	279	668	559	1,007
Total cost of revenues	383	831	795	1,279
Selling and marketing	232	543	471	808
Research and development	119	336	239	487
General and administrative	449	1,927	907	2,861
Total operating expenses	800	2,806	1,617	4,156
Total stock-based compensation expense	\$ 1,183	\$ 3,637	\$ 2,412	\$ 5,435

A summary of stock option activity as of and for the six months ended June 30, 2012 is as follows:

	Shares of Common Stock Underlying Options
Outstanding at January 1, 2012	12,083,861
Granted	108,000
Cancelled/forfeited	(131,668)
Exercised	(751,914)
Outstanding at June 30, 2012	11,308,279

### 3. Basic and Diluted Earnings Per Share

Earnings per share ( EPS ) is calculated in accordance with relevant accounting guidance as follows. Basic earnings per share includes no dilution and is computed by dividing income available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options and restricted shares calculated using the treasury stock method. Common equivalent shares are excluded from the computation of diluted earnings per share if the effect of including such common equivalent shares is antidilutive because their exercise prices together with other assumed proceeds exceed the average fair value of the Company's common stock during the period.

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****(unaudited)**

The following table sets forth the weighted average common shares used in the computation of basic and diluted earnings per share (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Weighted average common shares outstanding	78,098	76,724	77,908	75,556
Weighted average common stock equivalents options and restricted shares		4,076	4,583	4,200
<b>Weighted average common and common equivalent shares outstanding</b>	<b>78,098</b>	<b>80,800</b>	<b>82,491</b>	<b>79,756</b>

Options to purchase 4,918,933 and 289,075 shares were outstanding for the three months ended June 30, 2012 and 2011, and options to purchase 229,964 and 237,060 shares were outstanding for the six months ended June 30, 2012 and 2011, respectively, but were not included in the computation of diluted earnings per share because the effect of including such options would be antidilutive. No dilutive securities have been included in the diluted EPS calculation for the three months ended June 30, 2012, due to the Company's reported net loss for the quarter.

**4. Debt**

At June 30, 2012 and December 31, 2011, debt consisted of the following (in thousands):

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Credit facility, weighted-average interest rate of 4.38%	\$ 1,156,600	\$
Unamortized original issue discount	(9,544)	
Prior senior credit facility, weighted-average interest rate of 2.03%		100,000
	1,147,056	100,000
Short-term borrowings and current portion of long-term debt	(55,850)	
Long-term debt	\$ 1,091,206	\$ 100,000

The carrying value of the Company's credit facilities approximate fair value given the variable rate nature of the debt, and as such, are a Level 2 liability (as discussed in Note 6).

Capitalized financing costs of \$0.4 million were amortized to interest expense during each of the three months ended June 30, 2012 and 2011. Capitalized financing costs of \$0.5 million and \$0.9 million were amortized to interest expense during the six months ended June 30, 2012 and 2011, respectively. During the three and six months ended June 30, 2012, the Company amortized to interest expense \$0.1 million of the original issue discount and incurred expenses of \$4.4 million in losses on extinguishment of debt associated with the repayment of the prior senior credit facility.

On March 14, 2012, Holdings entered into a Credit Agreement among SS&C and SS&C Technologies Holdings Europe S.A.R.L., a Luxembourg *société à responsabilité limitée* and an indirect wholly-owned subsidiary of SS&C (SS&C Sarl), as the borrowers, Holdings and certain subsidiaries of SS&C as guarantors, Deutsche Bank AG New York Branch, as administrative agent, swing line lender and letter of credit

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issuer, the other lenders party thereto and Deutsche Bank Securities, Inc., Barclays Bank PLC, Credit Suisse Securities (USA) LLC and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners. The Company entered into amendments to the Credit Agreement on each of May 23, 2012 and June 1, 2012.

The Credit Agreement has four tranches of term loans: (i) a \$0 term A-1 facility with a five and one-half year term for borrowings by SS&C, (ii) a \$325 million term A-2 facility with a five and one-half year term for borrowings by SS&C Sarl, (iii) a \$725 million term B-1 facility with a seven year term for borrowings by SS&C and (iv) a \$75 million term B-2 facility with a seven year term for borrowings by SS&C Sarl. In addition, the Credit Agreement had a \$142 million bridge loan facility with a one year term available for borrowings by SS&C Sarl and has a revolving credit facility with a five and one-half year term available for borrowings by SS&C with \$100 million in commitments, of which \$31.6 million and \$0 was outstanding at June 30, 2012, respectively. The revolving credit facility contains a \$25 million letter of credit sub-facility and a \$20 million swingline loan sub-facility. The bridge loan was repaid in July 2012 and is no longer available for borrowing.

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The term loans, the bridge loans and the revolving credit facility bear interest, at the election of the borrowers, at either the base rate (as defined in Credit Agreement) or LIBOR, plus the applicable interest rate margin for the credit facility. The term A loans and the revolving credit facility initially bear interest at either LIBOR plus 2.75% or at the base rate plus 1.75%, and then will be subject to a step-down based on SS&C's consolidated net senior secured leverage ratio and would be equal to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the base rate margin. The term B loans bear interest at either LIBOR plus 4.00% or at base rate plus 3.00%, with LIBOR subject to a 1.00% floor. The bridge loans bear interest at either LIBOR plus 2.75% or at the base rate plus 1.75%.

The initial proceeds of the borrowings under the Credit Agreement were used to satisfy a portion of the consideration required to fund the Company's acquisition of GlobeOp Financial Services, S.A. (GlobeOp) and to refinance amounts outstanding under SS&C's existing credit facility.

Holdings, SS&C and the material domestic subsidiaries of SS&C have pledged substantially all of their tangible and intangible assets as security to support the obligations of SS&C and SS&C Sarl under the Credit Agreement. In addition, SS&C Sarl has agreed, in certain circumstances, to cause subsidiaries in foreign jurisdictions to guarantee SS&C Sarl's obligations and pledge substantially all of their assets to support the obligations of SS&C Sarl under the Credit Agreement. The Credit Agreement contains customary restrictive covenants and a financial covenant requiring the Company to maintain a specified consolidated net senior secured leverage ratio. As of June 30, 2012, the Company was in compliance with the financial and non-financial covenants.

At June 30, 2012, annual maturities of long-term debt during the next five years and thereafter are as follows (in thousands):

Year ending December 31,	
2012	\$ 43,725
2013	24,250
2014	32,375
2015	40,500
2016 and thereafter	1,015,750
	<b>\$ 1,156,600</b>

**5. Derivatives and Hedging Activities**

Derivative financial instruments are recognized on the consolidated balance sheets as either assets or liabilities and are measured at fair value. Changes in the fair values of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative qualifies for hedge accounting and is effective as part of a hedged transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item. The Company does not use derivative instruments for speculative purposes.

On March 14, 2012, SS&C and SS&C Sarl entered into a cooperation agreement with GlobeOp, pursuant to which SS&C Sarl issued an announcement disclosing that the Company and GlobeOp had agreed on the terms of a recommended cash offer (the Offer) to be made by SS&C Sarl to acquire the entire issued and to be issued share capital of GlobeOp for cash of 485 pence per share. As a result of the Offer's foreign currency denomination, the Company was exposed to market risks relating to fluctuations in foreign currency exchange rates. In conjunction with the Offer, the Company entered into a forward currency transaction and a currency option transaction to protect against the foreign currency exchange rate risk that existed. The transactions were contingent upon the Offer meeting the acceptance conditions and are not designated as hedge transactions. During the three months ended June 30, 2012, the forward contract was utilized at an average exchange rate of \$1.584 to £1.0 on a notional amount of £423.0 million, and the option contract was sold. These transactions resulted in losses of \$18.7 million and \$14.3



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million recorded in other (expense) income, net on the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012, respectively.

### **6. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****(unaudited)**

The fair values of cash, accounts receivable, net, and accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

The authoritative guidance relating to fair value measurements and disclosure establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

***Recurring Fair Value Measurements***

The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine their fair value at the measurement date (in thousands):

	<b>Total Carrying Value at June 30, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets	\$	\$	\$	\$
Liabilities:				
Contingent consideration	\$ 300	\$	\$	\$ 300
Total liabilities	\$ 300	\$	\$	\$ 300

	<b>Total Carrying Value at December 31, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets	\$	\$	\$	\$
Liabilities:				
Contingent consideration	\$ 2,300	\$	\$	\$ 2,300
Total liabilities	\$ 2,300	\$	\$	\$ 2,300

The Company determines the fair value of the contingent consideration liabilities associated with its acquisitions based on the potential payments of the liability associated with the unobservable input of the estimated post-acquisition financial results (the achievement of certain revenue and EBITDA targets) of the related acquisition through a certain date. As such, contingent consideration liabilities are a Level 3 liability. During the year ended December 31, 2011, the Company increased its contingent consideration liability associated with the estimated post-acquisition financial results of BenefitsXML, Inc. ( BXML ) through February 28, 2013 to \$2.3 million. During the three months ended June 30, 2012, the Company paid out \$2.0 million of contingent consideration and reduced the remaining fair value to \$0.3 million. As of June 30, 2012, the total possible undiscounted payments could range from \$0 to \$1.0 million. See Note 10 for further discussion of acquisitions.

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**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

**(unaudited)**

**7. Commitments and Contingencies**

As described below, the Company's recently acquired subsidiary, GlobeOp, is a defendant in pending litigation relating to several clients for which GlobeOp performed services.

***Anwar Action***

On April 29, 2009, GlobeOp was added as a defendant in an ongoing putative class action (the *Anwar Action*) filed by Pasha S. Anwar, *et al.*, and pending in the United States District Court for the Southern District of New York against multiple defendants, relating to Greenwich Sentry L.P. and Greenwich Sentry Partners L.P. (the *FG Funds*) and the *FG Funds*' losses as a result of their investments managed by Bernard Madoff. The complaint alleges breach of fiduciary duties by GlobeOp and negligence in the performance of its duties and seeks damages of an indeterminate amount. Motions to dismiss have been filed by all parties to the action, including on behalf of GlobeOp. The judge dismissed one allegation regarding gross negligence against GlobeOp but denied the remainder of the motion to dismiss. GlobeOp has filed a motion to deny class certification and the ruling on that motion has not yet been rendered. Merits discovery among the plaintiffs, GlobeOp and the co-defendants is ongoing. GlobeOp believes it has complied with the terms of its service agreements with the *FG Funds* and that it does not have any fiduciary obligations relating to the *FG Funds* or its investors, and therefore intends to defend this matter vigorously.

***Pierce and Ferber Actions***

GlobeOp was named as a defendant in derivative actions filed in New York State Supreme Court on February 17, 2009 by Frank E. Pierce and Frank E. Pierce IRA and on February 13, 2009 by David I. Ferber SEP IRA, both of whom were investors in the *FG Funds* (together, the *Pierce and Ferber Actions*). The *Pierce and Ferber Actions* relate to the same losses alleged in the *Anwar Action* and seek damages of an indeterminate amount. On November 9, 2009, the Court in the *Pierce and Ferber Actions* granted GlobeOp's motion to compel arbitration based on the dispute resolution clause contained in the services agreements with the *FG Funds*. The plaintiffs had filed a notice of intent to appeal the ruling but allowed the deadline to perfect the appeal to pass without further action. Neither mediation nor arbitration proceedings have been commenced. As a part of the approval of the bankruptcy plan of the *Funds*, a litigation trustee was appointed by the bankruptcy court. The litigation trustee has since amended the complaints to replace Pierce and Ferber with the litigation trustee as the plaintiff in the derivative actions. GlobeOp maintains that the prior arbitration orders entered in the *Pierce and Ferber Actions* continue to apply to the litigation trustee. The litigation trustee has neither sought a ruling on the arbitration issue nor commenced a mediation or arbitration. GlobeOp believes it has complied with the terms of its service agreements with the *FG Funds* and that it does not have any fiduciary obligations relating to the *FG Funds* or its investors. If a mediation or arbitration is commenced, GlobeOp intends to defend these matters vigorously.

***Millennium Actions***

In addition, several actions (the *Millennium Actions*) have been filed in various jurisdictions or threatened naming GlobeOp as a defendant in respect of claims arising out of valuation agent services performed by GlobeOp related to the Millennium Global Emerging Credit Fund L.P. and Millennium Global Emerging Fund Ltd. (the *Millennium Funds*), including an arbitration proceeding in the United Kingdom on behalf of the *Millennium Funds*' investment manager that commenced with a request for arbitration on July 11, 2011 with a yet-to-be-determined claimed amount, a threatened arbitration proceeding in the United Kingdom involving the liquidator on behalf of the *Millennium Funds* in an amount yet-to-be-determined, and a putative class action in U.S. District Court for the Southern District of New York on behalf of investors in the *Millennium Funds* filed on May 14, 2012 asserting claims of \$844 million, which is alleged to be the full amount of assets under management by the *Millennium Funds* at the funds' peak valuation. These actions allege that GlobeOp was negligent and in breach of contract in the performance of services for the funds and that, inter alia, GlobeOp did not discover and report a fraudulent scheme perpetrated by the funds' portfolio manager. GlobeOp cannot predict the outcome of this matter.

The Company believes that GlobeOp has strong defenses to the *Anwar Action*, the *Pierce and Ferber Actions* and the *Millennium Actions* and is vigorously contesting these matters.

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In addition to the foregoing legal proceedings involving GlobeOp, from time to time, the Company is subject to other legal proceedings and claims that arise in the normal course of its business. In the opinion of the Company's management, the Company is not involved in any other such litigation or proceedings with third parties that management believes would have a material adverse effect on the Company or its business.

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****(unaudited)****8. Goodwill**

The change in carrying value of goodwill for the six months ended June 30, 2012 was as follows (in thousands):

Balance at December 31, 2011	\$ 931,639
2012 Acquisitions	579,764
Adjustments to prior acquisitions	187
Income tax benefit on rollover options exercised	(4)
Effect of foreign currency translation	1,038
Balance at June 30, 2012	\$ 1,512,624

**9. Product and Geographic Sales Information**

The Company operates in one reportable segment. The Company attributes net sales to an individual country based upon location of the customer. The Company manages its business primarily on a geographic basis. The Company's geographic regions consist of the United States, Canada, Americas excluding the United States and Canada, Europe and Asia Pacific and Japan. The European region includes European countries as well as the Middle East and Africa.

Revenues by geography were (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
United States	\$ 82,088	\$ 63,037	\$ 148,115	\$ 124,555
Canada	14,626	13,537	28,475	26,776
Americas excluding United States and Canada	2,037	3,125	4,225	4,974
Europe	18,976	9,756	28,045	19,566
Asia Pacific and Japan	3,123	2,348	5,665	4,939
	\$ 120,850	\$ 91,803	\$ 214,525	\$ 180,810

Revenues by product group were (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Portfolio management/accounting	\$ 102,723	\$ 71,533	\$ 177,902	\$ 140,000
Trading/treasury operations	9,253	10,621	18,683	21,151
Financial modeling	2,292	2,039	4,367	3,936
Loan management/accounting	1,666	1,990	3,666	4,363

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Property management	3,053	3,972	6,335	7,491
Money market processing	1,364	1,026	2,551	2,591
Training	499	622	1,021	1,278
	\$ 120,850	\$ 91,803	\$ 214,525	\$ 180,810

### 10. Acquisitions

In the second quarter of 2012, SS&C purchased the issued and to be issued share capital of GlobeOp for approximately \$834.3 million using existing cash and debt financing as discussed in Note 4, the costs of effecting the transaction and the assumption of liabilities. GlobeOp provides independent fund services, specializing in middle and back office services and integrated risk-reporting to hedge funds, asset management firms and other sectors of the financial industry.

The net assets and results of operations of GlobeOp have been included in the Company's consolidated financial statements from June 1, 2012. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name and customer relationships, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED****(unaudited)**

completed technology and trade name, and the discounted cash flows method was utilized for the customer relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The completed technology is amortized over approximately eight years, customer relationships are amortized over approximately ten years and trade name is amortized over approximately seventeen years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is not tax deductible.

On May 9, 2012, SS&C purchased the assets of the PORTIA Business for approximately \$170.0 million, plus the costs of effecting the transaction and the assumption of certain liabilities. The PORTIA Business provides a broad set of middle-to-back office capabilities that allow investment managers to track and manage the day-to-day activity in their investment portfolios.

The net assets and results of operations of the PORTIA Business have been included in the Company's consolidated financial statements from May 10, 2012. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of non-compete agreement, completed technology, trade name and customer relationships, was determined using the income approach. Specifically, the discounted cash flows method was utilized for the non-compete agreement and customer relationships, and the relief-from-royalty method was utilized for the completed technology and trade name. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The non-compete agreement are amortized over approximately three years, completed technology is amortized over approximately seven years, customer relationships are amortized over approximately ten years and trade name is amortized over approximately nine years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

The following summarizes the preliminary allocation of the purchase price for the acquisitions of the PORTIA Business and GlobeOp (in thousands):

	<b>The PORTIA Business</b>	<b>GlobeOp</b>
Accounts receivable	\$ 7,858	\$ 21,611
Fixed assets	744	34,507
Other assets	6	25,442
Acquired customer relationships and contracts	56,600	298,000
Completed technology	9,500	44,000
Trade name	1,700	15,000
Non-compete agreement	600	
Goodwill	105,672	474,092
Deferred revenue	(11,924)	(1,411)
Deferred income taxes		(90,758)
Other liabilities assumed	(1,082)	(32,881)
Consideration paid, net of cash received	\$ 169,674	\$ 787,602

The preliminary purchase price allocations for each of the acquisitions completed during the second quarter of fiscal 2012 were based upon a preliminary valuation and our estimates and assumptions for these acquisitions are subject to change as we obtain additional information for our estimates during the respective measurement periods. The primary areas of those purchase price allocations that are not yet finalized relate to certain tangible assets and liabilities acquired, identifiable intangible assets, certain legal matters, income and non-income based taxes and residual goodwill.



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The fair value of acquired accounts receivable balances for the PORTIA Business and GlobeOp approximates the contractual amounts due from acquired customers.

The Company reported revenues totaling \$26.1 million from the PORTIA Business and GlobeOp from their respective acquisition dates through June 30, 2012. The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisitions of GlobeOp, the PORTIA Business, BDO Simpson Xavier Fund Administration Services Limited ( Ireland Fund Admin ), a division of BDO, and BXML, occurred on January 1, 2011. This unaudited pro forma information (in thousands) should not be relied upon as being indicative of the historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future. The

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net assets and results of operations for these acquisitions are included in the Company's condensed consolidated financial statements as of and for the three and six months ended June 30, 2012.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenues	\$ 164,389	\$ 159,783	\$ 327,017	\$ 316,970
Net income	\$ 10,597	\$ 10,220	\$ 24,942	\$ 17,603
Basic earnings per share	\$ 0.14	\$ 0.13	\$ 0.32	\$ 0.24
Basic weighted average number of common shares outstanding	78,098	76,724	77,908	75,556
Diluted earnings per share	\$ 0.13	\$ 0.12	\$ 0.30	\$ 0.22
Diluted weighted average number of common and common equivalent shares outstanding	82,822	80,880	82,491	79,756

**X. Income Taxes**

The effective tax rate was 7.9% and 33.3% for the three months ended June 30, 2012 and 2011, respectively and 37.5% and 33.4% for the six months ended June 30, 2012 and 2011, respectively. The change for the three- and six-month periods of 2012 was primarily due to the impact of the GlobeOp acquisition on our global tax provision. Most notably, the effective tax rate was adversely impacted by certain non-deductible transaction-related costs and a valuation allowance with respect to a foreign holding company.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**CRITICAL ACCOUNTING POLICIES**

Certain of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry, information provided by our clients and information available from other outside sources, as appropriate. Actual results may differ significantly from the estimates contained in our consolidated financial statements. There have been no material changes to our critical accounting estimates and assumptions or the judgments affecting the application of those estimates and assumptions since the filing of our 2011 Form 10-K, except that the contingent foreign currency derivative contracts we entered into require significant judgment about a significant estimate related to their fair value. Our critical accounting policies are described in the 2011 Form 10-K and include:

Revenue Recognition

Long-Lived Assets, Intangible Assets and Goodwill

Acquisition Accounting

Income Taxes

**Acquisitions of PORTIA Business and GlobeOp**

On May 9, 2012, we acquired the assets of Thomson Reuters' PORTIA Business, or the PORTIA Business, for approximately \$170 million. The PORTIA Business provides a broad set of middle-to-back office capabilities that allow investment managers to track and manage day-to-day activity in their investment portfolios.

On May 31, 2012, we acquired GlobeOp Financial Services S.A., a Luxembourg société anonyme, or GlobeOp, for £4.85 per share (approximately £572 million in the aggregate). On July 9, 2012, we completed a squeeze-out procedure under Luxembourg law, after the completion of which we became the owner of 100% of the issued share capital of GlobeOp. GlobeOp provides independent fund services, specializing in middle and back office services and integrated risk-reporting to hedge funds, asset management firms and other sections of the financial industry.

The discussion in this Part I, Item 2 of this Quarterly Report on Form 10-Q includes the PORTIA Business and the operations of GlobeOp for the respective time periods each were owned by SS&C.

**Results of Operations for the Three and Six Months Ended June 30, 2012 and 2011**

The following table sets forth revenues (in thousands) and changes in revenues for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Revenues:						
Software licenses	\$ 5,768	\$ 4,982	16%	\$ 9,578	\$ 11,555	(17)%
Maintenance	22,976	19,418	18%	42,474	38,865	9%
Professional services	7,217	5,860	23%	13,009	11,127	17%
Software-enabled services	84,889	61,543	38%	149,464	119,263	25%

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Total revenues	\$ 120,850	\$ 91,803	32%	\$ 214,525	\$ 180,810	19%
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The following table sets forth the percentage of our revenues represented by each of the following sources of revenues for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Software licenses	5%	5%	4%	6%
Maintenance	19%	21%	20%	22%
Professional services	6%	7%	6%	6%
Software-enabled services	70%	67%	70%	66%
Total revenues	100%	100%	100%	100%

**Revenues**

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues. As a general matter, our software license and professional services revenues fluctuate based on the number of new licensing clients, while fluctuations in our software-enabled services revenues are attributable to the number of new software-enabled services clients as well as the number of outsourced transactions provided to our existing clients and total assets under management in our clients' portfolios. Maintenance revenues vary based on the rate by which we add or lose maintenance clients over time and, to a lesser extent, on the annual increases in maintenance fees, which are generally tied to the consumer price index.

Revenues for the three months ended June 30, 2012 were \$120.9 million compared to \$91.8 million for the same period in 2011. The revenue increase of \$29.1 million, or 32%, was primarily due to revenues from products and services that we acquired through our acquisitions of Ireland Fund Admin in September 2011, Teledata Communications, Inc., or TCI, in December 2011, the PORTIA Business in May 2012 and GlobeOp in May 2012, which added \$27.2 million in revenues in the aggregate, and an increase of \$2.8 million in revenues for businesses and products that we have owned for at least 12 months, or organic revenues. The increases were partially offset by the unfavorable impact from foreign currency translation of \$0.9 million, resulting from the relative strength of the U.S. dollar relative to currencies such as the Canadian dollar, the British pound, the Australian dollar and the euro. Revenues for the six months ended June 30, 2012 were \$214.5 million compared to \$180.8 million for the same period in 2011. The revenue increase of \$33.7 million, or 19%, was primarily due to revenues from products and services that we acquired through our acquisitions of BXML in March 2011, Ireland Fund Admin in September 2011, TCI, in December 2011, the PORTIA Business in May 2012 and GlobeOp in May 2012, which added \$29.0 million in revenues in the aggregate, and an increase of \$5.8 million in organic revenues. The increases were partially offset by the unfavorable impact from foreign currency translation of \$1.1 million, resulting from the relative strength of the U.S. dollar relative to currencies such as the Canadian dollar, the British pound, the Australian dollar and the euro.

*Software licenses.* Software license revenues were \$5.8 million and \$5.0 million for the three months ended June 30, 2012 and 2011, respectively. The increase in software license revenues of \$0.8 million, or 16%, was due to revenues from acquisitions, which contributed \$1.3 million in the aggregate, partially offset by a decrease of \$0.5 million in organic software license revenues. Software license revenues were \$9.6 million and \$11.6 million for the six months ended June 30, 2012 and 2011, respectively. The decrease in software license revenues of \$2.0 million, or 17%, was due to a decrease of \$3.2 million in organic software license revenues, partially offset by revenues from acquisitions, which contributed \$1.3 million in the aggregate. Software license revenues will vary depending on the timing, size and nature of our license transactions. For example, the average size of our software license transactions and the number of large transactions may fluctuate on a period-to-period basis. For the three and six months ended June 30, 2012, revenues from term licenses increased while the average size and number of perpetual license transactions decreased from those for the six months ended June 30, 2011 and increased from those for the three months ended June 30, 2011. Additionally, software license revenues will vary among the various products that we offer, due to differences such as the timing of new releases and variances in economic conditions affecting opportunities in the vertical markets served by such products.

*Maintenance.* Maintenance revenues were \$23.0 million and \$19.4 million for the three months ended June 30, 2012 and 2011, respectively. The increase in maintenance revenues of \$3.6 million, or 18%, was due to revenues from acquisitions, which contributed \$3.8 million in the aggregate, partially offset by the unfavorable impact from foreign currency translation of \$0.1 million and a decrease of \$0.1 million in organic maintenance revenues. Maintenance revenues were \$42.5 million and \$38.9 million for the six months ended June 30, 2012 and 2011, respectively. The increase in maintenance revenues of \$3.6 million, or 9%, was due to revenues from acquisitions, which contributed \$3.9 million in the aggregate, partially offset by the unfavorable impact from foreign currency translation of \$0.2 million and a decrease of \$0.1 million in organic maintenance revenues. We



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typically provide maintenance services under one-year renewable contracts that provide for an annual increase in fees, which are generally tied to the percentage change in the consumer price index. Future maintenance revenue growth is dependent on our ability to retain existing clients, add new license clients and increase average maintenance fees.

*Professional services.* Professional services revenues were \$7.2 million and \$5.9 million for the three months ended June 30, 2012 and 2011, respectively. The increase of \$1.3 million, or 23%, was primarily due to revenues from acquisitions, which contributed \$0.8 million in the aggregate, and an increase of \$0.6 million in organic professional services revenues, partially offset by the unfavorable impact from foreign currency translation of \$0.1 million. Professional services revenues were \$13.0 million and \$11.1 million for the six months ended June 30, 2012 and 2011, respectively. The increase of \$1.9 million, or 17%, was primarily due to revenues from acquisitions, which contributed \$1.0 million in the aggregate, and an increase of \$1.0 million in organic professional services revenues, partially offset by the unfavorable impact from foreign currency translation of \$0.1 million. Our overall software license revenue levels and market demand for professional services will continue to have an effect on our professional services revenues.

*Software-enabled services.* Software-enabled services revenues were \$84.9 million and \$61.5 million for the three months ended June 30, 2012 and 2011, respectively. The increase in software-enabled services revenues of \$23.4 million, or 38%, was primarily due to revenues from acquisitions, which contributed \$21.2 million in the aggregate, and an increase of \$2.8 million in organic software-enabled services revenues, partially offset by the unfavorable impact from foreign currency translation of \$0.6 million. Software-enabled services revenues were \$149.5 million and \$119.3 million for the six months ended June 30, 2012 and 2011, respectively. The increase in software-enabled services revenues of \$30.2 million, or 25%, was primarily due to revenues from acquisitions, which contributed \$22.8 million in the aggregate, and an increase of \$8.2 million in organic software-enabled services revenues, partially offset by the unfavorable impact from foreign currency translation of \$0.8 million. Future software-enabled services revenue growth is dependent on our ability to retain existing clients, add new clients and increase average fees.

## **Cost of Revenues**

Total cost of revenues was \$63.1 million and \$45.6 million for the three months ended June 30, 2012 and 2011, respectively. The gross margin was 48% for the three months ended June 30, 2012 and 50% for the three months ended June 30, 2011. Our costs of revenues increased by \$17.5 million, or 38%, primarily as a result of our acquisitions, which added costs of revenues of \$12.2 million in the aggregate, an increase in amortization expense of \$4.3 million and an increase of \$2.0 million in costs to support organic revenue growth, partially offset by a decrease in costs of \$0.5 million related to foreign currency translation and a decrease in costs of \$0.5 million related to stock-based compensation. Total cost of revenues was \$110.0 million and \$90.1 million for the six months ended June 30, 2012 and 2011, respectively. The gross margin was 49% for the six months ended June 30, 2012 and 50% for the six months ended June 30, 2011. Our costs of revenues increased by \$19.9 million, or 22%, primarily as a result of our acquisitions, which added costs of revenues of \$12.9 million in the aggregate, an increase in amortization expense of \$4.2 million and an increase of \$3.8 million in costs to support organic revenue growth, partially offset by a decrease in costs of \$0.6 million related to foreign currency translation and a decrease in costs of \$0.4 million related to stock-based compensation.

*Cost of software licenses.* Cost of software license revenues consists primarily of amortization expense of completed technology, royalties, third-party software, and the costs of product media, packaging and documentation. The cost of software license revenues was \$1.5 million and \$1.7 million for the three months ended June 30, 2012 and 2011, respectively. The decrease in cost of software licenses was due to a reduction of \$0.2 million in amortization expense. Cost of software license revenues as a percentage of such revenues was 27% and 34% for the three-month periods ended June 30, 2012 and 2011, respectively. The cost of software license revenues was \$2.8 million and \$3.4 million for the six months ended June 30, 2012 and 2011, respectively. The decrease in cost of software licenses was due to a reduction of \$0.6 million in amortization expense. Cost of software license revenues as a percentage of such revenues was 30% and 29% for the six-month periods ended June 30, 2012 and 2011, respectively.

*Cost of maintenance.* Cost of maintenance revenues consists primarily of technical client support, costs associated with the distribution of products and regulatory updates and amortization of intangible assets. The cost of maintenance revenues was \$9.8 million and \$8.8 million for the three months ended June 30, 2012 and 2011, respectively. The increase in costs of maintenance revenues of \$1.0 million, or 11%, was primarily related to an increase in costs of \$0.9 million related to amortization expense and our acquisitions, which added costs of maintenance revenues of \$0.3 million, partially offset by a reduction in costs of \$0.1 million related to foreign currency translation and of \$0.1 million to support organic maintenance revenues. Cost of maintenance revenues as a percentage of these revenues was 43% for the three months ended June 30, 2012 compared to 45% for the three months ended June 30, 2011. The cost of maintenance revenues was \$18.5 million and \$17.5 million for the six months ended June 30, 2012 and 2011, respectively. The increase in costs of maintenance revenues of \$1.0 million, or 6%, was primarily related to an increase in costs of \$0.9 million related to amortization expense and our acquisitions, which added costs of maintenance revenues of \$0.3 million, partially offset by a reduction in costs of \$0.1 million related to foreign currency translation and of \$0.1 million to support organic maintenance revenues. Cost of maintenance revenues as a percentage of these revenues was 43% for the six months ended June 30, 2012 compared to 45% for the six months ended June 30, 2011.





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*Cost of professional services.* Cost of professional services revenues consists primarily of the cost related to personnel utilized to provide implementation, conversion and training services to our software licensees, as well as system integration, custom programming and actuarial consulting services. The cost of professional services revenues was \$4.7 million and \$4.0 million for the three months ended June 30, 2012 and 2011, respectively. The increase in costs of professional services revenues of \$0.7 million, or 18%, was primarily related to our acquisitions, which added costs of professional services revenues of \$0.5 million, an increase in costs of \$0.2 million to support organic professional services revenues and an increase in costs of \$0.1 million related to amortization expense, partially offset by a reduction in costs of \$0.1 million related to foreign currency translation. Cost of professional services revenues as a percentage of these revenues was 65% for the three months ended June 30, 2012 compared to 68% for the three months ended June 30, 2011. The cost of professional services revenues was \$8.7 million and \$7.6 million for the six months ended June 30, 2012 and 2011, respectively. The increase in costs of professional services revenues of \$1.1 million, or 15%, was primarily related to our acquisitions, which added costs of professional services revenues of \$0.6 million, an increase in costs of \$0.5 million to support organic professional services revenues and an increase in costs of \$0.1 million related to amortization expense, partially offset by a reduction of \$0.1 million in costs related to foreign currency translation. Cost of professional services revenues as a percentage of these revenues was 67% for the six months ended June 30, 2012 compared to 68% for the six months ended June 30, 2011.

*Cost of software-enabled services.* Cost of software-enabled services revenues consists primarily of the cost related to personnel utilized in servicing our software-enabled services clients and amortization of intangible assets. The cost of software-enabled services revenues was \$47.1 million and \$31.2 million for the three months ended June 30, 2012 and 2011, respectively. The increase in costs of software-enabled services revenues of \$15.9 million, or 51%, was primarily related to our acquisitions, which added \$11.4 million in costs, an increase in costs of \$3.5 million related to amortization expense and an increase of \$1.8 million in costs to support the growth of organic software-enabled services revenues, partially offset by a reduction in costs of \$0.4 million related to stock-based compensation and \$0.4 million related to foreign currency translation. Cost of software-enabled services revenues as a percentage of these revenues was 55% for the three months ended June 30, 2012 compared to 51% for the three months ended June 30, 2011. The cost of software-enabled services revenues was \$80.0 million and \$61.7 million for the six months ended June 30, 2012 and 2011, respectively. The increase in costs of software-enabled services revenues of \$18.3 million, or 30%, was primarily related to our acquisitions, which added \$12.0 million in costs, an increase in costs of \$3.8 million related to amortization expense and an increase of \$3.3 million in costs to support the growth of organic software-enabled services revenues, partially offset by a reduction in costs of \$0.4 million related to stock-based compensation and \$0.4 million related to foreign currency translation. Cost of software-enabled services revenues as a percentage of these revenues was 54% for the six months ended June 30, 2012 compared to 52% for the six months ended June 30, 2011.

**Operating Expenses**

Total operating expenses were \$36.6 million and \$23.3 million for the three months ended June 30, 2012 and 2011, respectively. The increase in total operating expenses of \$13.3 million, or 57%, was driven by transaction costs of \$9.4 million associated with the acquisitions of GlobeOp and the PORTIA Business. The remainder of the increase in costs was primarily due to our acquisitions of GlobeOp, the PORTIA Business, Ireland Fund Admin and TCI, which added \$5.2 million in costs, an increase of \$0.9 million in costs to support organic revenue growth and an increase in costs of \$0.1 million related to amortization expense, partially offset by a decrease in costs of \$2.0 million related to stock-based compensation, and a decrease in costs of \$0.3 million related to foreign currency translation. Total operating expenses as a percentage of total revenues were 30% for the three months ended June 30, 2012 compared to 25% for the three months ended June 30, 2011. Total operating expenses were \$61.4 million and \$44.7 million for the six months ended June 30, 2012 and 2011, respectively. The increase in total operating expenses of \$16.7 million, or 37%, was driven by transaction costs of \$13.6 million associated with the acquisitions of GlobeOp and the PORTIA Business. The remainder of the increase in costs was primarily due to our acquisitions of GlobeOp, the PORTIA Business, BXML, Ireland Fund Admin and TCI, which added \$5.4 million in costs, an increase of \$0.5 million in costs to support organic revenue growth and an increase in costs of \$0.1 million related to amortization expense, partially offset by a decrease in costs of \$2.5 million related to stock-based compensation, and a decrease in costs of \$0.4 million related to foreign currency translation. Total operating expenses as a percentage of total revenues were 29% for the three months ended June 30, 2012 compared to 25% for the three months ended June 30, 2011.

*Selling and marketing.* Selling and marketing expenses consist primarily of the personnel costs associated with the selling and marketing of our products, including salaries, commissions and travel and entertainment. Such expenses also include amortization of intangible assets, the cost of branch sales offices, trade shows and marketing and promotional materials. Selling and marketing expenses were \$8.3 million and \$7.0 million for the three months ended June 30, 2012 and 2011, respectively, representing 7% of total revenues for the three months ended June 30, 2012 compared to 8% for the three months ended June 30, 2011. The increase in selling and marketing expenses of \$1.3 million, or 18%, was primarily related to our acquisitions, which added \$1.3 million in costs

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in the aggregate, an increase in costs of \$0.3 million to support organic revenues and an increase in costs of \$0.1 million related to amortization expense, partially offset by a decrease in costs \$0.3 million related to stock-based compensation and \$0.1 million related to foreign currency translation. Selling and marketing expenses were \$15.7 million and \$13.9 million for the six months ended June 30, 2012 and 2011, respectively, representing 7% of total revenues for the six months ended June 30, 2012 compared to 8% for the six months ended June 30, 2011. The increase in selling and marketing expenses of \$1.8 million, or 13%, was primarily related to our acquisitions, which added \$1.3 million in costs in the aggregate, an increase in costs of \$0.8 million to support organic revenues and an increase in costs of \$0.1 million related to amortization expense, partially offset by a decrease in costs \$0.3 million related to stock-based compensation and \$0.1 million related to foreign currency translation.

*Research and development.* Research and development expenses consist primarily of personnel costs attributable to the enhancement of existing products and the development of new software products. Research and development expenses were \$10.6 million and \$9.1 million for the three months ended June 30, 2012 and 2011, respectively, representing 9% of total revenues for the three months ended June 30, 2012 compared to 10% for the three months ended June 30, 2011. The increase in research and development expenses of \$1.5 million, or 18%, was primarily related to our acquisitions, which added \$1.7 million in costs in the aggregate, and an increase in costs of \$0.2 million to support organic revenues, partially offset by a decrease in costs \$0.2 million related to stock-based compensation and \$0.2 million related to foreign currency translation. Research and development expenses were \$19.3 million and \$17.0 million for the six months ended June 30, 2012 and 2011, respectively, representing 9% of total revenues in each of those periods. The increase in research and development expenses of \$2.3 million, or 13%, was primarily related to our acquisitions, which added \$1.8 million in costs in the aggregate, and an increase in costs of \$0.9 million to support organic revenues, partially offset by a decrease in costs \$0.2 million related to stock-based compensation and \$0.2 million related to foreign currency translation.

*General and administrative.* General and administrative expenses consist primarily of personnel costs related to management, accounting and finance, information management, human resources and administration and associated overhead costs, as well as fees for professional services. General and administrative expenses were \$8.3 million and \$7.2 million for the three months ended June 30, 2012 and 2011, respectively, representing 7% of total revenues for the three months ended June 30, 2012 compared to 8% for the three months ended June 30, 2011. The increase in general and administrative expenses of \$1.1 million, or 15%, was primarily related to our acquisitions, which added \$2.2 million in costs in the aggregate, and an increase of \$0.4 million in costs to support organic revenues, partially offset by a decrease in costs of \$1.5 million related to stock-based compensation. General and administrative expenses were \$12.9 million and \$13.7 million for the six months ended June 30, 2012 and 2011, respectively, representing 6% of total revenues for the six months ended June 30, 2012 compared to 8% for the six months ended June 30, 2011. The decrease in general and administrative expenses of \$0.8 million, or 6%, was primarily related to a decrease in costs of \$2.0 million related to stock-based compensation and a decrease of \$1.1 million in costs to support organic revenues, partially offset by our acquisitions, which added \$2.3 million.

*Transaction costs.* Transaction costs of \$9.4 million and \$13.6 million for the three and six months ended June 30, 2012, respectively, consist of professional fees associated with the acquisitions of the PORTIA business and GlobeOp as discussed in the Notes to our Condensed Consolidated Financial Statements and in *Liquidity and Capital Resources*.

*Interest expense, net.* Interest expense, net for the three and six months ended June 30, 2012 was \$4.5 million and \$5.0 million, respectively, primarily related to interest expense on debt outstanding under our credit facilities. Interest expense, net for the three and six months ended June 30, 2011 was \$3.5 million and \$8.6 million, respectively, primarily related to interest expense on debt outstanding under our prior senior credit facility and 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. The increase in interest expense for the three-month period reflects incremental borrowings in connection with our acquisitions of GlobeOp and the PORTIA Business during the second quarter of 2012, which resulted in an overall higher debt balance. The decrease in interest expense for the six-month period reflects the lower average debt balance in the first quarter of 2012 resulting from the repayments and refinancing of our debt during 2011 (discussed further in *Liquidity and Capital Resources*).

*Other (expense) income, net.* Other expense, net for the three and six months ended June 30, 2012 consisted of foreign currency losses and a loss recorded on foreign currency contracts associated with the acquisition of GlobeOp, which is discussed further in Note 5 to our Condensed Consolidated Financial Statements and in *Liquidity and Capital Resources*. Other income (expense), net for the three months and six months ended June 30, 2011 consisted of foreign currency gains and losses and fees associated with the redemption of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013, which is discussed further in *Liquidity and Capital Resources*, partially offset by a refund of facilities charges.

*Loss on extinguishment of debt.* Loss on extinguishment of debt for the three and six months ended June 30, 2012 consisted of \$4.4 million in write-offs of deferred financing costs associated with the repayment of our prior credit facility. Loss on extinguishment of debt for the six months ended June 30, 2011 consisted of \$2.0 million in note redemption premiums and \$0.9 million from the write-offs of deferred financing costs associated with the redemption of \$66.6 million of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013, which is discussed further in *Liquidity and Capital Resources*.



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*(Benefit) provision for income taxes.* We had effective tax rates of 7.9% and 33.3% for the three months ended June 30, 2012 and 2011, respectively. We had effective tax rates of 37.5% and 33.4% for the six months ended June 30, 2012 and 2011, respectively. The change for the three- and six-month periods was primarily due to the impact of the GlobeOp acquisition on our global tax provision. Most notably, the second quarter effective rate was adversely impacted by certain non-deductible transaction-related costs and a valuation allowance with respect to a foreign holding company. Our effective tax rate includes the effect of operations outside the United States, which historically have been taxed at rates lower than the U.S. statutory rate. While we have income from multiple foreign sources, the majority of our non-U.S. operations are in Canada and the United Kingdom, where we anticipate the statutory rates to be 25.64% and 24.0% for the year ended December 31, 2012. Additionally, the foreign effective tax rate is benefited by certain other permanent items. The consolidated expected effective tax rate for the year ended December 31, 2012 is forecasted to be between 41% and 43%. A future proportionate change in the composition of income before income taxes from foreign and domestic tax jurisdictions could impact our periodic effective tax rate.

## **Liquidity and Capital Resources**

Our principal cash requirements are to finance the costs of our operations pending the billing and collection of client receivables, to fund payments with respect to our indebtedness, to invest in research and development and to acquire complementary businesses or assets. We expect our cash on hand, cash flows from operations and availability under the revolving credit portion of our senior credit facilities to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for at least the next twelve months.

Our cash and cash equivalents at June 30, 2012 were \$134.5 million, an increase of \$94.2 million from \$40.3 million at December 31, 2011. The increase in cash is due primarily to cash received from borrowings and provided by operations, partially offset by cash paid for acquisitions, net repayments of debt and capital expenditures.

Net cash provided by operating activities was \$35.7 million for the six months ended June 30, 2012. Cash provided by operating activities was primarily due to net income of \$12.1 million adjusted for non-cash items of \$31.3 million, partially offset by changes in our working capital accounts totaling \$7.7 million. The changes in our working capital accounts were driven by an increase in accounts receivable and income taxes receivable and decreases in accounts payable, partially offset by a decrease in prepaid expenses and other assets and an increase in accrued expenses and deferred revenues.

Investing activities used net cash of \$962.6 million for the six months ended June 30, 2012, primarily related to cash paid for the acquisitions of GlobeOp and the PORTIA Business and capital expenditures.

Financing activities provided net cash of \$1,022.2 million for the six months ended June 30, 2012, representing net cash received from borrowings of \$1,305.0 million, proceeds of \$7.5 million from stock option exercises and income tax windfall benefits of \$1.6 million related to the exercise of stock options, partially offset by \$290.0 million in repayments of debt.

We have made a permanent reinvestment determination in certain non-U.S. operations that have historically generated positive operating cash flows. At June 30, 2012, we held approximately \$97.8 million in cash and cash equivalents at non-U.S. subsidiaries where we had made such a determination and in turn no provision for U.S. income taxes had been made.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## **Senior Credit Facility**

On March 14, 2012, in connection with our acquisition of GlobeOp, we entered into a Credit Agreement among SS&C and SS&C Technologies Holdings Europe S.A.R.L., a Luxembourg *société à responsabilité limitée* and an indirect wholly-owned subsidiary of SS&C, or SS&C Sarl, as the borrowers, Holdings and certain subsidiaries of SS&C as guarantors, Deutsche Bank AG New York Branch, as administrative agent, swing line lender and letter of credit issuer, the other lenders party thereto and Deutsche Bank Securities, Inc., Barclays Bank PLC, Credit Suisse Securities (USA) LLC and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners. We entered into amendments to the Credit Agreement on each of May 23, 2012 and June 1, 2012.



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The Credit Agreement has four tranches of term loans: (i) a \$0 term A-1 facility with a five and one-half year term for borrowings by SS&C, (ii) a \$325 million term A-2 facility with a five and one-half year term for borrowings by SS&C Sarl, (iii) a \$725 million term B-1 facility with a seven year term for borrowings by SS&C and (iv) a \$75 million term B-2 facility with a seven year term for borrowings by SS&C Sarl. In addition, the Credit Agreement had a \$142 million bridge loan facility with a one year term available for borrowings by SS&C Sarl and has a revolving credit facility with a five and one-half year term available for borrowings by SS&C with \$100 million in commitments, of which \$31.6 million and \$0 was outstanding at June 30, 2012, respectively. The revolving credit facility contains a \$25 million letter of credit sub-facility and a \$20 million swingline loan sub-facility. The bridge loan was repaid in July 2012 and is no longer available for borrowing.

The term loans, the bridge loans and the revolving credit facility bear interest, at the election of the borrowers, at either the base rate (as defined in Credit Agreement) or LIBOR, plus the applicable interest rate margin for the credit facility. The term A loans and the revolving credit facility initially bear interest at either LIBOR plus 2.75% or at the base rate plus 1.75%, and then will be subject to a step-down based on SS&C's consolidated net senior secured leverage ratio and would be equal to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the base rate margin. The term B loans bear interest at either LIBOR plus 4.00% or at base rate plus 3.00%, with LIBOR subject to a 1.00% floor. The bridge loans bear interest at either LIBOR plus 2.75% or at the base rate plus 1.75%.

The initial proceeds of the borrowings under the Credit Agreement were used to satisfy a portion of the consideration required to fund our acquisition of GlobeOp, refinance amounts outstanding under SS&C's prior credit facility and finance our acquisition of the PORTIA Business. As of June 30, 2012, there was \$325 million in principal amount outstanding under the term A-2 facility, \$725 million in principal amount outstanding under the term B-1 facility, \$75 million in principal amount outstanding under the term B-2 facility and \$31.6 million outstanding under the bridge loan.

Holdings, SS&C and the material domestic subsidiaries of SS&C have pledged substantially all of their tangible and intangible assets to support the obligations of SS&C and SS&C Sarl under the Credit Agreement. In addition, SS&C Sarl has agreed, in certain circumstances, to cause subsidiaries in foreign jurisdictions to guarantee SS&C Sarl's obligations and pledge substantially all of their assets to support the obligations of SS&C Sarl under the Credit Agreement.

The Credit Agreement contains customary covenants limiting our ability and the ability of our subsidiaries to, among other things, pay dividends, incur debt or liens, redeem or repurchase equity, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. In addition, the Credit Agreement contains a financial covenant requiring SS&C to maintain a consolidated net senior secured leverage ratio. As of June 30, 2012, we were in compliance with the financial and non-financial covenants.

The Credit Agreement contains various events of default (including failure to comply with the covenants contained in the Credit Agreement and related agreements) and upon an event of default, the lenders may, subject to various customary cure rights, require the immediate repayment of all amounts outstanding under the term loans, the bridge loans and the revolving credit facility and foreclose on the collateral.

### **11<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013**

The 11<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 were unsecured senior subordinated obligations of SS&C that were subordinated in right of payment to all existing and future senior debt.

The senior subordinated notes were redeemable in whole or in part, at SS&C's option, at any time at varying redemption prices. In May 2010, SS&C redeemed \$71.75 million in principal amount of its outstanding 11<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, May 24, 2010, the date of redemption. In March 2011, SS&C redeemed \$66.6 million in aggregate principal amount of its outstanding 11<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 at a redemption price of 102.9375% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, March 17, 2011, the date of redemption. In December 2011, SS&C redeemed the remaining \$66.6 million in aggregate principal amount outstanding of its 11<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, December 19, 2011, the date of redemption.

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### **Covenant Compliance**

Under the Credit Agreement, we are required to satisfy and maintain a specified financial ratio and other financial condition tests. As of June 30, 2012, we were in compliance with the financial and non-financial covenants. Our continued ability to meet this financial ratio and these tests can be affected by events beyond our control, and we cannot assure you that we will meet this ratio and these tests. A breach of any of these covenants could result in a default under the Credit Agreement. Upon the occurrence of any event of default under the Credit Agreement, the lenders could elect to declare all amounts outstanding under the Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit.

Consolidated EBITDA is a non-GAAP financial measure used in key financial covenants contained in the Credit Agreement, which are material facilities supporting our capital structure and providing liquidity to our business. Consolidated EBITDA is defined as earnings before interest, taxes, depreciation and amortization (EBITDA), further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the Credit Agreement. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Consolidated EBITDA is appropriate to provide additional information to investors to demonstrate compliance with the specified financial ratio and other financial condition tests contained in the Credit Agreement.

Management uses Consolidated EBITDA to gauge the costs of our capital structure on a day-to-day basis when full financial statements are unavailable. Management further believes that providing this information allows our investors greater transparency and a better understanding of our ability to meet our debt service obligations and make capital expenditures.

Any breach of covenants in the Credit Agreement that are tied to ratios based on Consolidated EBITDA could result in a default under that agreement, in which case the lenders could elect to declare all amounts borrowed due and payable and to terminate any commitments they have to provide further borrowings. Any default and subsequent acceleration of payments under the Credit Agreement would have a material adverse effect on our results of operations, financial position and cash flows. Additionally, under the Credit Agreement, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Consolidated EBITDA.

Consolidated EBITDA does not represent net income or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. Further, the Credit Agreement requires that Consolidated EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

Consolidated EBITDA is not a recognized measurement under GAAP, and investors should not consider Consolidated EBITDA as a substitute for measures of our financial performance and liquidity as determined in accordance with GAAP, such as net income, operating income or net cash provided by operating activities. Because other companies may calculate Consolidated EBITDA differently than we do, Consolidated EBITDA may not be comparable to similarly titled measures reported by other companies. Consolidated EBITDA has other limitations as an analytical tool, when compared to the use of net income, which is the most directly comparable GAAP financial measure, including:

Consolidated EBITDA does not reflect the provision of income tax expense in our various jurisdictions;

Consolidated EBITDA does not reflect the significant interest expense we incur as a result of our debt leverage;

Consolidated EBITDA does not reflect any attribution of costs to our operations related to our investments and capital expenditures through depreciation and amortization charges;

Consolidated EBITDA does not reflect the cost of compensation we provide to our employees in the form of stock option awards; and

Consolidated EBITDA excludes expenses that we believe are unusual or non-recurring, but which others may believe are normal expenses for the operation of a business.





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The following is a reconciliation of net income to Consolidated EBITDA (in thousands) as defined in the Credit Agreement.

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,
	2012	2011	2012	2011	2012
Net (loss) income	\$ (5,760)	\$ 13,028	\$ 12,123	\$ 22,862	\$ 40,282
Interest expense, net (1)	8,840	3,474	9,389	11,482	17,322
Income taxes	(497)	6,512	7,268	11,490	18,696
Depreciation and amortization	15,680	10,612	25,885	20,990	47,119
EBITDA	18,263	33,626	54,665	66,824	123,419
Purchase accounting adjustments (2)	300	(102)	248	(204)	79
Unusual or non-recurring charges (3)	28,235	123	28,793	659	30,489
Acquired EBITDA and cost savings (4)	12,238		12,238	443	79,802
Stock-based compensation	1,183	3,638	2,412	5,435	10,470
Capital-based taxes		2	(765)	154	(565)
Other (5)	(48)	116	(91)	86	(360)
Consolidated EBITDA	\$ 60,171	\$ 37,403	\$ 97,500	\$ 73,397	\$ 243,334

- (1) Interest expense includes loss from extinguishment of debt shown as a separate line item on our Condensed Consolidated Statements of Comprehensive Income for the six months ended June 30, 2012 and 2011.
- (2) Purchase accounting adjustments include (a) an adjustment to increase rent expense by the amount that would have been recognized if lease obligations were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions.
- (3) Unusual or non-recurring charges include transaction costs losses on currency contracts losses on extinguishments of debt, foreign currency gains and losses, severance expenses, proceeds from legal and other settlements and other one-time expenses, such as expenses associated with the bond redemptions and acquisitions.
- (4) Acquired EBITDA and cost savings reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period.
- (5) Other includes the non-cash portion of straight-line rent expense.

Our covenant requirement for net senior secured leverage ratio and the actual ratio for the six months ended June 30, 2012 are as follows:

	Covenant Requirements	Actual Ratios
Maximum consolidated net senior secured leverage to Consolidated EBITDA ratio <sup>(1)</sup>	5.50x	4.20x

- (1) Calculated as the ratio of consolidated senior secured funded debt, net of cash and cash equivalents, to Consolidated EBITDA, as defined by the Credit Agreement, for the period of four consecutive fiscal quarters ended on the measurement date. Consolidated senior secured funded debt is comprised of indebtedness for borrowed money, notes, bonds or similar instruments, letters of credit, deferred purchase price obligations and capital lease obligations. This covenant is applied at the end of each quarter.

**Recent Accounting Pronouncements**

In September 2011, the FASB issued ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 intends to address concerns about the cost and complexity of performing the first step of the two-step goodwill

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impairment test required under Topic 350, Intangibles – Goodwill and Other. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under ASU

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2011-08, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 are applied prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income* (ASU 2011-05). ASU 2011-05 intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of ASU 2011-05 were applied retrospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 did not have a material impact on our financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement* (ASU 2011-04). ASU 2011-04 amends fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes were effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows but requires additional financial statement disclosures related to fair value measurements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At June 30, 2012, we had total variable interest rate debt of \$1,156.6 million. As of June 30, 2012, a 1% change in interest rates would result in a change in interest expense of approximately \$5.5 million per year.

During the six months ended June 30, 2012, approximately 31% of our revenues were from clients located outside the United States. A portion of the revenues from clients located outside the United States is denominated in foreign currencies, the majority being the Canadian dollar. While revenues and expenses of our foreign operations are primarily denominated in their respective local currencies, some subsidiaries do enter into certain transactions in currencies that are different from their local currency. These transactions consist primarily of cross-currency intercompany balances and trade receivables and payables. As a result of these transactions, we have exposure to changes in foreign currency exchange rates that result in foreign currency transaction gains and losses, which we report in other income (expense). These outstanding amounts were not material for the six months ended June 30, 2012. The amount of these balances can fluctuate in the future as we bill customers and buy products or services in currencies other than our functional currency, which could increase our exposure to foreign currency exchange rates. We continue to monitor our exposure to foreign exchange rates as a result of our acquisitions and changes in our operations. We do not enter into any market risk sensitive instruments for trading purposes.

The foregoing risk management discussion and the effect thereof are forward-looking statements. Actual results in the future may differ materially from these projected results due to actual developments in global financial markets. The analytical methods used by us to assess and minimize risk discussed above should not be considered projections of future events or losses.

### **Item 4. Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2012. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible

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controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2012, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

As described below, the Company's recently acquired subsidiary, GlobeOp, is a defendant in pending litigation relating to several clients for which GlobeOp performed services.

#### ***Anwar Action***

On April 29, 2009, GlobeOp was named as a defendant in an ongoing putative class action (the *Anwar Action*) filed by Pasha S. Anwar, *et al.*, and pending in the United States District Court for the Southern District of New York against multiple defendants, relating to Greenwich Sentry L.P. and Greenwich Sentry Partners L.P. (the *FG Funds*) and the *FG Funds*' losses as a result of their investments managed by Bernard Madoff. The complaint alleges breach of fiduciary duties by GlobeOp and negligence in the performance of its duties and seeks damages of an indeterminate amount. Motions to dismiss have been filed by all parties to the action, including on behalf of GlobeOp. The judge dismissed one allegation regarding gross negligence against GlobeOp but denied the remainder of the motion to dismiss. GlobeOp has filed a motion to deny class certification and the ruling on that motion has not yet been rendered. Merits discovery among the plaintiffs, GlobeOp and the co-defendants is ongoing. GlobeOp believes it has complied with the terms of its service agreements with the *FG Funds* and that it does not have any fiduciary obligations relating to the *FG Funds* or its investors, and therefore intends to defend this matter vigorously.

#### ***Pierce and Ferber Actions***

GlobeOp was named as a defendant in derivative actions filed in New York State Supreme Court on February 17, 2009 by Frank E. Pierce and Frank E. Pierce IRA and on February 13, 2009 by David I. Ferber SEP IRA, both of whom were investors in the *FG Funds* (together, the *Pierce and Ferber Actions*). The *Pierce and Ferber Actions* relate to the same losses alleged in the *Anwar Action* and seek damages of an indeterminate amount. On November 9, 2009, the Court in the *Pierce and Ferber Actions* granted GlobeOp's motion to compel arbitration based on the dispute resolution clause contained in the services agreements with the *FG Funds*. The plaintiffs had filed a notice of intent to appeal the ruling but allowed the deadline to perfect the appeal to pass without further action. Neither mediation nor arbitration proceedings have been commenced. As a part of the approval of the bankruptcy plan of the *Funds*, a litigation trustee was appointed by the bankruptcy court. The litigation trustee has since amended the complaints to replace Pierce and Ferber with the litigation trustee as the plaintiff in the derivative actions. GlobeOp maintains that the prior arbitration orders entered in the *Pierce and Ferber Actions* continue to apply to the litigation trustee. The litigation trustee has neither sought a ruling on the arbitration issue nor commenced a mediation or arbitration. GlobeOp believes it has complied with the terms of its service agreements with the *FG Funds* and that it does not have any fiduciary obligations relating to the *FG Funds* or its investors. If a mediation or arbitration is commenced, GlobeOp intends to defend these matters vigorously.

#### ***Millennium Actions***

In addition, several actions (the *Millennium Actions*) have been filed in various jurisdictions or threatened naming GlobeOp as a defendant in respect of claims arising out of valuation agent services performed by GlobeOp related to the Millennium Global Emerging Credit Fund L.P. and Millennium Global Emerging Fund Ltd. (the *Millennium Funds*), including an arbitration proceeding in the United Kingdom on behalf of the *Millennium Funds*' investment manager that commenced with a request for arbitration on July 11, 2011 with a yet-to-be-determined claimed amount, a threatened arbitration proceeding in the United Kingdom involving the liquidator on behalf of the *Millennium Funds* in an amount yet-to-be-determined, and a putative class action in U.S. District Court for the Southern District of New York on behalf of investors in the *Millennium Funds* filed on May 14, 2012 asserting claims of \$844 million, which is alleged to be the full amount of assets under management by the *Millennium Funds* at the funds' peak valuation. These actions allege that GlobeOp was negligent and in breach of contract in the performance of services for the funds and that, inter alia, GlobeOp did not discover and report a fraudulent scheme perpetrated by the funds' portfolio manager. GlobeOp cannot predict the outcome of this matter.

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The Company believes that GlobeOp has strong defenses to the Anwar Action, the Pierce and Ferber Actions and the Millennium Actions and is vigorously contesting these matters.

In addition to the foregoing legal proceedings involving GlobeOp, from time to time, the Company is subject to other legal proceedings and claims that arise in the normal course of its business. In the opinion of the Company's management, the Company is not involved in any other such litigation or proceedings with third parties that management believes would have a material adverse effect on the Company or its business.

### **Item 1A. Risk Factors**

You should carefully consider the following risk factors, in addition to other information included in this Quarterly Report on Form 10-Q and the other reports we file with the Securities and Exchange Commission. If any of the following risks occur, our business, financial condition and operating results could be materially adversely affected.

#### **Risks Relating to Our Business**

*Our business is greatly affected by changes in the state of the general economy and the financial markets, and a prolonged downturn in the general economy or the financial services industry could disproportionately affect the demand for our products and services.*

As widely reported, global credit and financial markets have experienced extreme disruptions over the past several years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. These factors have caused and could continue to cause our clients or prospective clients to delay or reduce purchases of our products, and our revenues could be adversely affected. Fluctuations in the value of assets under our clients' management could also adversely affect our revenues. Unfavorable economic conditions or continuing economic uncertainty could make it difficult for our clients to obtain credit on reasonable terms or at all, preventing them from making desired purchases of our products and services, and may impair the ability of our clients to pay for products they have purchased. We cannot predict the timing or duration of any economic downturn, generally, or in the markets in which our businesses operate. Continued turbulence in the U.S. and international markets, renewed concern about the strength and sustainability of a recovery, particularly given the risk of sovereign debt defaults by European Union member countries, and prolonged declines in business consumer spending could materially adversely affect our liquidity and financial condition, and the liquidity and financial condition of our clients.

Our clients include a range of organizations in the financial services industry whose success is linked to the health of the economy generally and of the financial markets specifically. As a result, we believe that fluctuations, disruptions, instability or prolonged downturns in the general economy and the financial services industry could adversely affect demand for our products and services. For example, such fluctuations, disruptions, instability or downturns may cause our clients to do the following:

cancel or reduce planned expenditures for our products and services;

process fewer transactions through our software-enabled services;

seek to lower their costs by renegotiating their contracts with us;

move their IT solutions in-house;

switch to lower-priced solutions provided by our competitors; or

exit the industry.

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If such conditions occur and persist, our business and financial results, including our liquidity and our ability to fulfill our obligations under of our senior credit facility and to our other lenders, could be materially adversely affected.

***Further or accelerated consolidations and failures in the financial services industry could adversely affect our results of operations due to a resulting decline in demand for our products and services.***

If banks and financial services firms fail or continue to consolidate, there could be a decline in demand for our products and services. Failures, mergers and consolidations of banks and financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenues even if these events do not reduce the aggregate activities of the consolidated entities. Further, if our clients fail and/or merge with or are acquired by other entities that are not our clients, or that use fewer of our products and services, they may discontinue or reduce their use of our products and services. It is also possible that the larger financial institutions resulting from mergers or consolidations would have greater leverage in negotiating terms with us. In addition, these larger financial institutions could decide to perform in-house some or all of the services that we currently provide or could provide or to consolidate their processing on a non-SS&C system. The resulting decline in demand for our products and services could have a material adverse effect on our revenues.

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***If we are unable to retain and attract clients, our revenues and net income would remain stagnant or decline.***

If we are unable to keep existing clients satisfied, sell additional products and services to existing clients or attract new clients, then our revenues and net income would remain stagnant or decline. A variety of factors could affect our ability to successfully retain and attract clients, including:

the level of demand for our products and services;

the level of client spending for information technology;

the level of competition from internal client solutions and from other vendors;

the quality of our client service;

our ability to update our products and services and develop new products and services needed by clients;

our ability to understand the organization and processes of our clients; and

our ability to integrate and manage acquired businesses.

***We face significant competition with respect to our products and services, which may result in price reductions, reduced gross margins or loss of market share.***

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product and service introductions and marketing efforts by industry participants. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We also face competition from information systems developed and serviced internally by the IT departments of financial services firms.

Some of our current and potential competitors have significantly greater financial, technical, distribution and marketing resources, generate higher revenues and have greater name recognition. Our current or potential competitors may develop products comparable or superior to those developed by us, or adapt more quickly to new technologies, evolving industry trends or changing client or regulatory requirements. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share. Increased competition may result in price reductions, reduced gross margins and loss of market share. Accordingly, our business may not grow as expected and may decline.

***Catastrophic events may adversely affect our ability to provide, our clients' ability to use, and the demand for, our products and services, which may disrupt our business and cause a decline in revenues.***

A war, terrorist attack, natural disaster or other catastrophe may adversely affect our business. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our clients, the financial markets or the overall economy and reducing our ability to provide, our clients' ability to use, and the demand for, our products and services. The potential for a direct impact is due primarily to our significant investment in infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. A computer virus, security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for clients, disruptions to our operations, or damage to important facilities. In addition, such an event may cause clients to cancel their agreements with us for our products or services. Any of these events could cause a decline in our revenues.

***Our software-enabled services may be subject to disruptions that could adversely affect our reputation and our business.***



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Our software-enabled services maintain and process confidential data on behalf of our clients, some of which is critical to their business operations. For example, our trading systems maintain account and trading information for our clients and their customers. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our software-enabled services are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our clients could experience data loss, financial loss, harm to their reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our reputation may be tarnished, and client dissatisfaction and lost business may result.

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***We may not achieve the anticipated benefits from our acquisitions and may face difficulties in integrating our acquisitions, which could adversely affect our revenues, subject us to unknown liabilities, increase costs and place a significant strain on our management.***

We have acquired and intend in the future to acquire companies, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. However, acquisitions could subject us to contingent or unknown liabilities, and we may have to incur debt or severance liabilities or write off investments, infrastructure costs or other assets.

Our success is also dependent on our ability to complete the integration of the operations of acquired businesses in an efficient and effective manner. Successful integration in the rapidly changing financial services software and services industry may be more difficult to accomplish than in other industries. We may not realize the benefits we anticipate from acquisitions, such as lower costs or increased revenues. We may also realize such benefits more slowly than anticipated, due to our inability to:

combine operations, facilities and differing firm cultures;

retain the clients or employees of acquired entities;

generate market demand for new products and services;

coordinate geographically dispersed operations and successfully adapt to the complexities of international operations;

integrate the technical teams of acquired companies with our engineering organization;

incorporate acquired technologies and products into our current and future product lines; or

integrate the products and services of acquired companies with our business, where we do not have distribution, marketing or support experience for these products and services.

Integration may not be smooth or successful. The inability of management to successfully integrate the operations of acquired companies could disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our operating results or financial condition. Such acquisitions may also place a significant strain on our administrative, operational, financial and other resources. To manage growth effectively, we must continue to improve our management and operational controls, enhance our reporting systems and procedures, integrate new personnel and manage expanded operations. If we are unable to manage our growth and the related expansion in our operations from recent and future acquisitions, our business may be harmed through a decreased ability to monitor and control effectively our operations and a decrease in the quality of work and innovation of our employees. Certain of our acquisitions have generated disputes with stockholders or management of acquired companies that have required the expenditure of our resources to address or have led to litigation; any such disputes may reduce the value we hope to realize from our acquisitions, either by increasing our costs of the acquisition, reducing our opportunities to realize revenues from the acquisition or imposing litigation costs or adverse judgments on us. For risks related to our acquisition of GlobeOp Financial Services S.A. in 2012, see Risk Factors Risks Related to GlobeOp and Risk Factors Risks Relating to the Integration of GlobeOp below.

***We expect that our operating results, including our profit margins and profitability, may fluctuate over time.***

Historically, our revenues, profit margins and other operating results have fluctuated from period to period and over time primarily due to the timing, size and nature of our license and service transactions. Additional factors that may lead to such fluctuation include:

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the timing of the introduction and the market acceptance of new products, product enhancements or services by us or our competitors;

the lengthy and often unpredictable sales cycles of large client engagements;

the amount and timing of our operating costs and other expenses;

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the financial health of our clients;

changes in the volume of assets under our clients' management;

cancellations of maintenance and/or software-enabled services arrangements by our clients;

changes in local, national and international regulatory requirements;

changes in our personnel;

implementation of our licensing contracts and software-enabled services arrangements;

changes in economic and financial market conditions; and

changes in the mix in the types of products and services we provide.

For additional risks related to our foreign operations, see "Risk Factors - Risks Relating to Foreign Operations" below.

***If we cannot attract, train and retain qualified managerial, technical and sales personnel, we may not be able to provide adequate technical expertise and customer service to our clients or maintain focus on our business strategy.***

We believe that our success is due in part to our experienced management team. We depend in large part upon the continued contribution of our senior management and, in particular, William C. Stone, our Chief Executive Officer and Chairman of our Board of Directors. Losing the services of one or more members of our senior management could significantly delay or prevent the achievement of our business objectives. Mr. Stone has been instrumental in developing our business strategy and forging our business relationships since he founded the company in 1986. We maintain no key man life insurance policies for Mr. Stone or any other senior officer or manager.

Our success is also dependent upon our ability to attract, train and retain highly skilled technical and sales personnel. Loss of the services of these employees could materially affect our operations. Competition for qualified technical personnel in the software industry is intense, and we have, at times, found it difficult to attract and retain skilled personnel for our operations.

Locating candidates with the appropriate qualifications, particularly in the desired geographic location and with the necessary subject matter expertise, is difficult. Our failure to attract and retain a sufficient number of highly skilled employees could prevent us from developing and servicing our products at the same levels as our competitors and we may, therefore, lose potential clients and suffer a decline in revenues.

***If we are unable to protect our proprietary technology, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties.***

Our success and ability to compete depends in part upon our ability to protect our proprietary technology. We rely on a combination of trade secret, copyright and trademark law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for some of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality and/or license agreements with our employees, distributors, clients and potential clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use our proprietary information, and third parties may assert ownership rights in our proprietary technology.

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Existing patent and copyright laws afford only limited protection. Third parties may develop substantially equivalent or superseding proprietary technology, or competitors may offer equivalent products in competition with our products, thereby substantially reducing the value of our proprietary rights. There are many patents in the financial services field. As a result, we are subject to the risk that others will claim that the important technology we have developed, acquired or incorporated into our products will infringe the rights, including the patent rights, such persons may hold. These claims, if successful, could result in a material loss of our intellectual property rights. Expensive and time-consuming litigation may be necessary to protect our proprietary rights.

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We incorporate open source software into a limited number of our software solutions. We monitor our use of open source software to avoid subjecting our products to conditions we do not intend. Although we believe that we have complied with our obligations under the applicable licenses for open source software that we use, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. Therefore, the potential impact of these terms is uncertain and may result in unanticipated obligations or restrictions regarding those of our products, technologies or solutions affected.

We have acquired and may acquire important technology rights through our acquisitions and have often incorporated and may incorporate features of this technology across many products and services. As a result, we are subject to the above risks and the additional risk that the seller of the technology rights may not have appropriately protected the intellectual property rights we acquired. Indemnification and other rights under applicable acquisition documents are limited in term and scope and therefore provide us with only limited protection.

In addition, we currently use certain third-party software in providing some of our products and services, such as industry standard databases and report writers. If we lost our licenses to use such software or if such licenses were found to infringe upon the rights of others, we would need to seek alternative means of obtaining the licensed software to continue to provide our products or services. Our inability to replace such software, or to replace such software in a timely manner, could have a negative impact on our operations and financial results.

***We could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant costs, which, in turn, could reduce or eliminate profits.***

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. We are from time to time a party to litigation to enforce our intellectual property rights or as a result of an allegation that we infringe others' intellectual property rights, including patents, trademarks and copyrights. From time to time, we have received notices claiming our technology may infringe third-party intellectual property rights or otherwise threatening to assert intellectual property rights. Any parties asserting that our products or services infringe their proprietary rights could force us to defend ourselves and possibly our clients against the alleged infringement. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. These lawsuits, regardless of their success, could be time-consuming and expensive to resolve, adversely affect our revenues, profitability and prospects and divert management time and attention away from our operations. We may be required to re-engineer our products or services or obtain a license of third-party technologies on unfavorable terms.

***Our failure to continue to derive substantial revenues from the licensing of, or the provision of software-enabled services related to, our CAMRA, TradeThru, Pacer, AdvisorWare and Total Return software, and the provision of maintenance and professional services in support of such licensed software, could adversely affect our ability to sustain or grow our revenues and harm our business, financial condition and results of operations.***

The licensing of, and the provision of software-enabled services, maintenance and professional services relating to, our CAMRA, TradeThru, Pacer, AdvisorWare and Total Return software accounted for approximately 45% of our revenues for the six months ended June 30, 2012. We expect that the revenues from these software products and services will continue to account for a significant portion of our total revenues for the foreseeable future. As a result, factors adversely affecting the pricing of or demand for such products and services, such as competition or technological change, could have a material adverse effect on our ability to sustain or grow our revenues and harm our business, financial condition and results of operations.

***We may be unable to adapt to rapidly changing technology and evolving industry standards and regulatory requirements, and our inability to introduce new products and services could result in a loss of market share.***

Rapidly changing technology, evolving industry standards and regulatory requirements and new product and service introductions characterize the market for our products and services. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to keep pace with such changes and developments and to meet changing client needs. The process of developing our software products is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems and technologies. Our ability to keep up with technology and business and regulatory changes is subject to a number of risks, including that:

we may find it difficult or costly to update our services and software and to develop new products and services quickly enough to meet our clients' needs;

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we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed operating systems;

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we may find it difficult or costly to update our software and services to keep pace with business, evolving industry standards, regulatory and other developments in the industries in which our clients operate; and

we may be exposed to liability for security breaches that allow unauthorized persons to gain access to confidential information stored on our computers or transmitted over our network.

Our failure to enhance our existing products and services and to develop and introduce new products and services to promptly address the needs of the financial markets could adversely affect our business and results of operations.

***Undetected software design defects, errors or failures may result in loss of our clients' data, litigation against us and harm to our reputation and business.***

Our software products are highly complex and sophisticated and could contain design defects or software errors that are difficult to detect and correct. Errors or bugs may result in loss of client data or require design modifications. We cannot be certain that, despite testing by us and our clients, errors will not be found in new products, which errors could result in data unavailability, loss or corruption of client assets, litigation and other claims for damages against us. The cost of defending such a lawsuit, regardless of its merit, could be substantial and could divert management's attention from our ongoing operations. In addition, if our business liability insurance coverage proves inadequate with respect to a claim or future coverage is unavailable on acceptable terms or at all, we may be liable for payment of substantial damages. Any or all of these potential consequences could have an adverse impact on our operating results and financial condition.

### **Risks Relating to GlobeOp**

***As a result of our acquisition of GlobeOp, our business is more focused on the hedge fund industry, and we are subject to a greater extent to the variations and fluctuations of that industry.***

With the acquisition of GlobeOp, a higher percentage of our clients are hedge funds or funds of hedge funds. These clients and our business relating to them are affected by trends, developments and risks associated with the international hedge fund industry overall. The market environment for hedge funds has suffered significant turmoil in recent years, including substantial changes in global economies, stock market declines, credit crises, failures of financial institutions, government bail-out plans and new regulatory initiatives. These changes could significantly and adversely affect some or all of our clients, which could negatively affect our results and financial condition. In addition, market forces have negatively impacted liquidity for many of the financial instruments in which hedge fund clients trade which, in turn, could negatively impact our ability to access independent pricing sources for valuing those instruments.

***Our business is subject to evolving and continuing regulation.***

Our business is, and following the GlobeOp acquisition continues to be, subject to evolving and increasing regulation, and our relationships with our clients may subject us to increasing scrutiny from a number of regulators, including the Commodity Futures Trading Commission (CFTC), Federal Trade Commission (FTC), Cayman Islands Monetary Authority (CIMA), Commission de Surveillance du Secteur Financier (CSSF), Financial Industry Regulatory Authority (FINRA), Financial Services Authority (FSA), National Futures Association (NFA), the SEC and other agencies that regulate the financial services, hedge fund and hedge fund services industry in the United States, the United Kingdom and other jurisdictions in which we operate. These regulations may have the effect of limiting or curtailing our activities, including activities that might be profitable. As a result of the changes in the global economy and the turmoil in global financial markets in recent years, the risk of additional government regulation has increased.

The European Union's Alternative Investment Fund Managers Directive (AIFMD) and the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act, among other initiatives, pose significant changes to the regulatory environment. The ramifications of these regulatory changes remain uncertain. If we fail to comply with any applicable laws, rules or regulations, we may be subject to censure, fines or other sanctions, including revocation of our licenses and/or registrations with various regulatory agencies, criminal penalties and civil lawsuits. Such a failure to comply with these laws, rules or regulations, or allegations of such noncompliance, could have a material adverse effect on our business, financial condition and results of operations and could cause the market price of our common stock to decline.

### **Risks Relating to the Integration of GlobeOp**

***Our acquisition of GlobeOp involves a number of integration risks. The occurrence of any of the events described in these risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market price of our common stock to decline.***





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Successful integration of GlobeOp is critical to our business and strategic plans. Integration may not be smooth or successful. If we are unable to successfully integrate GlobeOp into our business in an efficient and effective manner, or at all, we could fail to realize some or all of the anticipated benefits of the GlobeOp acquisition, such as increased revenue, cost savings, synergies and growth opportunities, within the anticipated time frame or at all. The integration process could disrupt our business, and a failure to successfully integrate the two businesses could have a material adverse effect on our business, financial condition and results of operations. In addition, the integration of two formerly unaffiliated companies could result in unanticipated problems, expenses, liabilities, competitive responses and diversion of management's attention and may cause the market price of our common stock to decline. The potential difficulties of integrating GlobeOp include, among others:

the inability to successfully integrate the operations, technologies, products, personnel and business systems of GlobeOp;

unanticipated issues in integrating information, communications and other systems;

maintaining employee morale and retaining key employees;

retaining customers of GlobeOp;

preserving important strategic and other relationships;

integrating legal and financial controls in multiple jurisdictions;

the diversion of management's attention from ongoing business concerns;

integrating geographically separate organizations;

tax issues, such as tax law changes and variations in foreign tax laws as compared to the United States; and

complying with laws, rules and regulations in multiple jurisdictions, including new and multiple employment regulations.

Additional risks of this nature could have a material adverse effect on our business, financial condition and results of operations.

***The GlobeOp acquisition has resulted in organizational change and rapid growth to our business. If we fail to effectively manage such growth and change in a manner that preserves our reputation and the key aspects of our corporate culture, our business, financial condition and results of operations could be harmed.***

The GlobeOp acquisition added approximately 2,400 employees to our headcount, and as of June 30, 2012, our combined headcount was 4,034 employees. We will incur significant expenditures and the allocation of management time to assimilate new employees in a manner that preserves the key aspects of our corporate culture and enables us to maintain our reputation in the marketplace. If we do not effectively manage our growth and train, retain and manage our employee base, our corporate culture could be undermined, the quality of our products and customer service could suffer, and our reputation could be harmed, each of which could adversely impact our business, financial condition and results of operations.

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In addition, our costs will increase as a result of our increased headcount. Our business will be harmed if the expansion of our organization and headcount resulting from the GlobeOp acquisition are not accompanied by a corresponding increase in revenues.

***The GlobeOp Acquisition may result in risks to our existing business.***

The GlobeOp acquisition may also result in risks to our existing business, including:

deterioration of our internal control over financial reporting as a result of inconsistencies between our standards, procedures and policies and those of GlobeOp;

reliance on GlobeOp's processes, data, supply chain management and reporting during the transition period following the completion of the acquisition;

incurrence of additional debt and/or a decline in available cash;

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liability for litigation claims, including litigation to which GlobeOp was a party at the time of the acquisition; and

creation of goodwill or other intangible assets that could result in significant future amortization expense or impairment charges. Additional risks of this nature could have a material adverse effect on our business, financial condition and results of operations.

### **Risks Relating to Foreign Operations**

***Our international operations will expand substantially as a result of the GlobeOp acquisition and may result in increased costs, delayed sales efforts and uncertainty with respect to our intellectual property rights and results of operations.***

For the years ended December 31, 2009, 2010 and 2011, international revenues accounted for 36%, 32% and 30%, respectively, of our total revenues and for the quarter ended June 30, 2012, international revenues accounted for 31% of our total revenues. We sell certain of our products, such as Altair and Pacer, primarily outside the United States. We expect the percentage of our sales generated outside of the United States will increase in the fiscal year ending December 31, 2012 due to the acquisition of GlobeOp. Our international business is subject to a variety of risks, including:

changes in a specific country's or region's political or economic climate;

the need to comply with U.S. export controls;

foreign currency fluctuations;

discriminatory fiscal policies;

compliance with a variety of local regulations and laws;

changes in tax laws and the interpretation of such laws; and

in enforcement of third-party contractual obligations and intellectual property rights.

Such factors could result in increased costs or decreased revenues and have a material adverse effect on our ability to meet our growth and revenue projections and negatively affect our results of operations.

***As a result of the GlobeOp acquisition we will be more exposed to currency exchange rate fluctuations because we will have an increased proportion of assets, liabilities and expenses denominated in foreign currencies.***

As a result of the GlobeOp acquisition, our financial results will be more exposed to currency exchange rate fluctuations and an increased proportion of assets, liabilities and expenses will be denominated in non-U.S. dollar currencies. We will continue to present our financial statements in U.S. dollars and will have a significant proportion of net assets and expenses in non-U.S. dollar currencies, including the Pound Sterling, the Euro and the Rupee. Our financial results and capital ratios will therefore be sensitive to movements in foreign exchange rates.

***We are subject to the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which impose restrictions and may carry substantial penalties. Violations of these laws or allegations of such violations could cause a material adverse effect on our business, financial condition and results of operations.***

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The U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions, including new anti-bribery legislation in the United Kingdom that took effect in 2011, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. We cannot assure you that our internal control policies and procedures always will protect us from reckless or other inappropriate acts committed by our affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on our business, financial condition and results of operations and could cause the market price of our common stock to decline.

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***GlobeOp has substantial operations, and a significant number of its employees, located in India, and as a result of the GlobeOp acquisition, we are subject to regulatory, economic and political uncertainties in India.***

GlobeOp began shifting its administration and MBA processing services to India in 2003 and at present approximately three-quarters of its employees are located in India. In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. The Indian government, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. India's government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage investment in specified sectors of the economy. These programs include tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that these policies will continue. Various factors, such as changes in the current government, could trigger significant changes in India's economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular.

Our financial performance may be adversely affected by general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies, as well as social stability and political, economic or diplomatic developments affecting India in the future. In particular, India has experienced significant economic growth over the last several years, but faces major challenges in sustaining that growth in the years ahead. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Our ability to recruit, train and retain qualified employees, develop and operate GlobeOp's operations centers, and attract and retain clients could be adversely affected if India does not successfully meet these challenges.

## **Risks Relating to Litigation**

***We face substantial litigation risk in the ordinary course of business.***

Both prior to and following the GlobeOp acquisition, we face substantial litigation risk from and through our clients and otherwise in the ordinary course of our business. As a service provider, we are subject to potential claims from our clients, some of which pursue relatively high-risk investment strategies, and all of which are subject to substantial market risk. The losses of some of our clients due to insolvency or fraud on the part of the funds or others, could expose us to claims from funds, their managers or their investors seeking compensation from us and/or our clients. We may also be subject to claims for losses or other damages from our clients' investors, as well as claims such as those from regulators, revenue authorities or other governmental authorities. Even if we are not ultimately found to be liable, defending such claims or lawsuits could be expensive and time consuming, divert management resources, harm our reputation and cause us to incur significant expenses. Furthermore, there can be no assurance that the results of any of these claims will not have a material adverse effect on our business, financial condition or results of operations.

***GlobeOp is a defendant in pending litigation relating to several clients for which GlobeOp performed services.***

GlobeOp was named as a defendant in a putative class action, which we refer to as the Anwar Action, that is pending in the United States District Court for the Southern District of New York against multiple defendants, relating to Greenwich Sentry L.P. and Greenwich Sentry Partners L.P., which we refer to as the FG Funds, and the FG Funds' losses as a result of their investments managed by Bernard Madoff. The complaint alleges breach of fiduciary duties by GlobeOp and negligence in the performance of its duties. GlobeOp was also named as a defendant in two derivative actions, or the Pierce and Ferber Actions, filed in New York State Supreme Court by investors in the FG Funds. The Pierce and Ferber Actions relate to the same losses alleged in the Anwar Action. In addition, several actions, which we refer to as the Millennium Actions, have been filed in various jurisdictions or threatened naming GlobeOp as a defendant in respect of claims arising out of valuation agent services performed by GlobeOp related to the Millennium Global Emerging Credit Fund L.P. and Millennium Global Emerging Fund Ltd., which we refer to as the Millennium Funds, including an arbitration proceeding in the United Kingdom on behalf of the Millennium Funds' investment manager with a yet-to-be-determined claimed amount, a threatened arbitration proceeding in the United Kingdom involving the liquidator on behalf of the Millennium Funds in an amount yet-to-be-determined, and a putative class action in U.S. District Court for the Southern District of New York on behalf of investors in the Millennium Funds asserting claims of \$844 million, which is alleged to be the full amount of assets under management by the Millennium Funds at the funds' peak valuation. These actions allege that GlobeOp was negligent and in breach of contract in the performance of services for the funds and that, inter alia, GlobeOp did not discover and report a fraudulent scheme perpetrated by the funds' portfolio manager.

We believe that GlobeOp has strong defenses to the Anwar Action, the Pierce and Ferber Actions and the Millennium Actions, and we are vigorously contesting these matters. However, litigation is subject to inherent uncertainty and these matters could ultimately be decided against GlobeOp. We could be required to pay substantial damages, which could have a material adverse effect on our business, financial condition or results of operations. In addition, some of these actions are arbitration proceedings, which may result in less predictable outcomes than court litigation and are generally not subject to appeal. GlobeOp has also incurred, and we will continue to incur during the pendency of these matters, significant costs, and until resolved these matters will continue to divert the attention of our management and other resources that would

otherwise be engaged in other business activities.

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### **Risks Relating to Our Indebtedness**

*As a result of the GlobeOp acquisition, we are more leveraged than we were prior to the acquisition, and our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our senior credit facility.*

To complete our acquisition of GlobeOp, we incurred approximately an additional \$900 million of debt. Borrowings under the senior credit facility we entered into in connection with the GlobeOp acquisition now total approximately \$1.16 billion. Our substantial indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our obligations with respect to our senior credit facility;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes;

increase our vulnerability to and limit our flexibility in planning for, or reacting to, change in our business and the industry in which we operate;

expose us to the risk of increased interest rates as borrowings under our senior credit facility are subject to variable rates of interest;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds.

In addition, the agreement governing our senior credit facility contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

*To service our indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.*

We are currently obligated to make periodic interest payments on our senior debt of approximately \$50 million annually. Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior credit facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all.

*Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial financial leverage.*

We may be able to incur substantial additional indebtedness in the future because the terms of our senior credit facility do not fully prohibit us or our subsidiaries from doing so. Subject to covenant compliance and certain conditions, our senior credit facility permits us to borrow up to \$100



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million on a revolving basis and to incur significant additional debt outside of the senior credit facility. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

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***Restrictive covenants in the agreement governing our senior credit facility may restrict our ability to pursue our business strategies.***

The agreement governing our senior credit facility limits our ability, among other things, to:

incur additional indebtedness;

sell assets, including capital stock of certain subsidiaries;

pay dividends;

consolidate, merge, liquidate or dissolve;

make acquisitions;

enter into transactions with our affiliates; and

incur liens.

In addition, our senior credit facility includes other covenants which, subject to permitted exceptions, prohibit us from making investments, loans, dispositions and other advances, changing the nature of our business, modifying our organizational documents and prepaying our other indebtedness while indebtedness under our senior credit facility is outstanding. The agreement governing our senior credit facility also requires us to maintain compliance with a specified leverage ratio. Our ability to comply with this ratio may be affected by events beyond our control.

The restrictions contained in the agreement governing our senior credit facility could limit our ability to plan for or react to market conditions, meet capital needs or acquire companies, products or technologies or otherwise restrict our activities or business plans.

A breach of any of these restrictive covenants or our inability to comply with the leverage ratio could result in a default under the agreement governing our senior credit facility. If such a default occurs, the lenders under our senior credit facility may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. The lenders also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our senior credit facility also have the right to proceed against the collateral, including our available cash, granted to them to secure the indebtedness. If the indebtedness under our senior credit facility were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness.

***SS&C Holdings is a holding company with no operations or assets of its own and its ability to pay dividends is limited or otherwise restricted.***

SS&C Holdings has no direct operations and no significant assets other than the stock of SS&C. Our ability to pay dividends is limited by our status as a holding company and by the terms of the agreement governing our senior credit facility. See **Risk factors** Risks relating to our indebtedness Restrictive covenants in the agreement governing our senior credit facility may restrict our ability to pursue our business strategies. Moreover, none of the subsidiaries of SS&C Holdings is obligated to make funds available to SS&C Holdings for the payment of dividends or otherwise. In addition, Delaware law imposes requirements that may restrict the ability of our subsidiaries, including SS&C, to pay dividends to SS&C Holdings. Also, SS&C Holdings has no ability to acquire businesses or property or conduct other business activities directly. These limitations could reduce our attractiveness to investors.

## **Risks Relating to Ownership of Our Common Stock**

*If equity research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.*

The trading market for our common stock is influenced by the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If any equity research analyst who covers us or may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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*The market price of our common stock may be volatile, which could result in substantial losses for investors in our common stock.*

Shares of our common stock were sold in our initial public offering, or IPO, at a price of \$15.00 per share on March 31, 2010, and our common stock has subsequently traded as high as \$27.04 and as low as \$13.27. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. In addition, the market price of our common stock may fluctuate significantly. Some of the factors that may cause the market price of our common stock to fluctuate include:

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

changes in estimates of our financial results or recommendations by securities analysts;

failure of any of our products to achieve or maintain market acceptance;

changes in market valuations of similar companies;

success of competitive products;

changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;

announcements by us or our competitors of significant products, contracts, acquisitions or strategic alliances;

regulatory developments in the United States, foreign countries or both;

litigation involving our company, our general industry or both;

additions or departures of key personnel;

investors' general perception of us; and

changes in general economic, industry and market conditions.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

*A few significant stockholders control the direction of our business. If the ownership of our common stock continues to be highly concentrated, it will prevent other stockholders from influencing significant corporate decisions.*

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As of July 23, 2012, investment funds affiliated with Carlyle beneficially owned approximately 27.4% of our common stock, and William C. Stone, our Chairman of the Board and Chief Executive Officer, beneficially owned approximately 19.9% of our common stock. We are also party to a stockholders' agreement with Carlyle and Mr. Stone, pursuant to which Carlyle and Mr. Stone have agreed to vote in favor of nominees to our board of directors nominated by each other. As a result, Carlyle and Mr. Stone exercise control over matters requiring stockholder approval and our policy and affairs.

The presence of Carlyle's nominees on our board of directors may result in a delay or the deterrence of possible changes in control of our company, which may reduce the market price of our common stock. The interests of our existing stockholders may conflict with the interests of our other stockholders. Additionally, Carlyle and its affiliates are in the business of making investments in companies, and from time to time acquire interests in businesses that directly or indirectly compete with certain portions of our business or are suppliers or clients of ours.

***Our management has broad discretion in the use of our existing cash resources and may not use such funds effectively.***

Our management has broad discretion in the application of our cash resources. Accordingly, our stockholders will have to rely upon the judgment of our management with respect to our existing cash resources, with only limited information concerning management's specific intentions. Our management may spend our cash resources in ways that our stockholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business.

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***Provisions in our certificate of incorporation and bylaws might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Provisions of our certificate of incorporation and bylaws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

limitations on the removal of directors;

a classified board of directors so that not all members of our board are elected at one time;

advance notice requirements for stockholder proposals and nominations;

the inability of stockholders to call special meetings;

the ability of our board of directors to make, alter or repeal our bylaws;

the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used to institute a rights plan, or a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors; and

a prohibition on stockholders from acting by written consent if William C. Stone, investment funds affiliated with Carlyle, and certain transferees of Carlyle cease to collectively hold a majority of our outstanding common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

***Our management is required to devote significant time to public company compliance requirements. This may divert management's attention from the growth and operation of the business.***

The Sarbanes-Oxley Act of 2002, and rules subsequently implemented by the Securities and Exchange Commission and The NASDAQ Global Select Market, impose a number of requirements on public companies, including provisions regarding corporate governance practices. Our management and other personnel devote a significant amount of time to compliance with these requirements. Moreover, these rules and regulations may make some activities time-consuming and costly. For example, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial additional costs to maintain the same or similar coverage. These rules and regulations may also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires that we expend significant management time on compliance-related issues. Moreover if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our common stock

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could decline and we could be subject to sanctions or investigations by The NASDAQ Global Select Market, the Securities and Exchange Commission or other regulatory authorities, which would require additional financial and management resources.

### **Item 6. Exhibits**

The exhibits listed in the Exhibit Index immediately preceding such exhibits are filed as part of this Report.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SS&C TECHNOLOGIES HOLDINGS, INC.

Date: August 9, 2012

By: /s/ Patrick J. Pedonti  
Patrick J. Pedonti  
Senior Vice President and Chief Financial Officer

(Duly Authorized Officer, Principal Financial and Accounting Officer)



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**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
10.1	First Amendment to Credit Agreement, dated as of May 9, 2012, among SS&C Technologies, Inc., SS&C Technologies Holdings, Inc., the subsidiary guarantors party thereto, the lenders party thereto and Bank of America, N.A. is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on May 9, 2012 (File No. 001-34675)
10.2	First Amendment to Credit Agreement, dated as of May 23, 2012, among SS&C Technologies Holdings, Inc., SS&C Technologies, Inc., SS&C Technologies Holdings Europe S.A.R.L., the Lenders party thereto, Deutsche Bank AG New York Branch, as administrative agent, and certain subsidiaries of SS&C Technologies, Inc. as guarantors is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on May 24, 2012 (File No. 001-34675)
31.1	Certification of the Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the Registrant's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002