

SS&C TECHNOLOGIES INC

Form 10-Q

November 13, 2009

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2009**

**OR**

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

**Commission File Number 000-28430**

**SS&C TECHNOLOGIES, INC.**

**(Exact name of Registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of incorporation or organization)**

**06-1169696**  
**(I.R.S. Employer 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  Smaller reporting company   
(Do not check if a smaller reporting company)

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

There were 1,000 shares of the registrant's common stock outstanding as of November 12, 2009.

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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 Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, 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, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)  
(unaudited)

|  | September<br>30,<br>2009 | December<br>31,<br>2008 |
|--|--------------------------|-------------------------|
| <b>ASSETS</b>  |                          |                         |
| Current assets   |                          |                         |
| Cash and cash equivalents  | \$ 52,461                | \$ 29,299               |
| Accounts receivable, net of allowance for doubtful accounts of \$1,657 and \$1,444, respectively     | 37,628                   | 38,318                  |
| Prepaid expenses and other current assets  | 4,892                    | 4,327                   |
| Deferred income taxes  | 914                      | 3,777                   |
| Total current assets   | 95,895                   | 75,721                  |
| Property and equipment   |                          |                         |
| Leasehold improvements   | 5,067                    | 4,852                   |
| Equipment, furniture, and fixtures   | 23,576                   | 20,978                  |
|  | 28,643                   | 25,830                  |
| Less accumulated depreciation  | (15,851)                 | (11,800)                |
| Net property and equipment   | 12,792                   | 14,030                  |
| Goodwill   |                          |                         |
| Intangible and other assets, net of accumulated amortization of \$108,339 and \$82,520, respectively | 853,147                  | 822,409                 |
|  | 204,020                  | 215,193                 |
| Total assets   | \$ 1,165,854             | \$ 1,127,353            |
| <b>LIABILITIES AND STOCKHOLDER S EQUITY</b>  |                          |                         |
| Current liabilities  |                          |                         |
| Current portion of long-term debt  | \$ 2,264                 | \$ 2,101                |
| Accounts payable   | 1,769                    | 1,821                   |
| Income taxes payable   | 2,578                    | 4,898                   |
| Accrued employee compensation and benefits   | 10,275                   | 13,640                  |
| Other accrued expenses   | 13,463                   | 11,561                  |
| Interest payable   | 8,091                    | 2,007                   |
| Deferred maintenance and other revenue   | 36,435                   | 30,844                  |

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|   |              |              |
|---|--------------|--------------|
| Total current liabilities                     | 74,875       | 66,872       |
| Long-term debt, net of current portion        | 400,300      | 406,625      |
| Other long-term liabilities                   | 8,842        | 9,991        |
| Deferred income taxes                         | 47,019       | 56,612       |
| Total liabilities                             | 531,036      | 540,100      |
| Commitments and contingencies (Note 7)        |              |              |
| Stockholder's equity                          |              |              |
| Common stock                                  |              |              |
| Additional paid-in capital                    | 581,999      | 577,861      |
| Accumulated other comprehensive income (loss) | 12,541       | (17,890)     |
| Retained earnings                             | 40,278       | 27,282       |
| Total stockholder's equity                    | 634,818      | 587,253      |
| Total liabilities and stockholder's equity    | \$ 1,165,854 | \$ 1,127,353 |

See accompanying notes to Condensed Consolidated Financial Statements.

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SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands)  
 (unaudited)

|                             | Three<br>Months<br>Ended<br>September<br>30,<br>2009 | Three<br>Months<br>Ended<br>September<br>30,<br>2008 | Nine<br>Months<br>Ended<br>September<br>30,<br>2009 | Nine<br>Months<br>Ended<br>September<br>30,<br>2008 |
|-----------------------------|--|--|---|---|
| Revenues:                   |  |  |   |   |
| Software licenses           | \$ 5,829   | \$ 5,669   | \$ 15,632   | \$ 18,353   |
| Maintenance                 | 16,959   | 16,348   | 48,565  | 48,986  |
| Professional services       | 4,283  | 5,316  | 14,872  | 18,695  |
| Software-enabled services   | 41,826   | 43,668   | 120,801   | 125,685   |
| Total revenues              | 68,897   | 71,001   | 199,870   | 211,719   |
| Cost of revenues:           |  |  |   |   |
| Software licenses           | 2,133  | 2,262  | 6,304   | 6,868   |
| Maintenance                 | 7,025  | 6,844  | 20,352  | 20,104  |
| Professional services       | 3,170  | 3,774  | 10,659  | 11,906  |
| Software-enabled services   | 22,473   | 23,092   | 65,079  | 68,433  |
| Total cost of revenues      | 34,801   | 35,972   | 102,394   | 107,311   |
| Gross profit                | 34,096   | 35,029   | 97,476  | 104,408   |
| Operating expenses:         |  |  |   |   |
| Selling and marketing       | 4,962  | 4,761  | 15,229  | 14,701  |
| Research and development    | 6,969  | 6,597  | 19,593  | 20,341  |
| General and administrative  | 4,502  | 8,092  | 14,683  | 20,689  |
| Total operating expenses    | 16,433   | 19,450   | 49,505  | 55,731  |
| Operating income            | 17,663   | 15,579   | 47,971  | 48,677  |
| Interest expense, net       | (9,147)  | (10,295)   | (27,791)  | (31,132)  |
| Other (expense) income, net | (334)  | 1,057  | (1,256)   | 278   |
| Income before income taxes  | 8,182  | 6,341  | 18,924  | 17,823  |
| Provision for income taxes  | 2,575  | 1,531  | 5,928   | 5,491   |

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|            |    |       |    |       |    |        |    |        |
|------------|----|-------|----|-------|----|--------|----|--------|
| Net income | \$ | 5,607 | \$ | 4,810 | \$ | 12,996 | \$ | 12,332 |
|------------|----|-------|----|-------|----|--------|----|--------|

See accompanying notes to Condensed Consolidated Financial Statements.

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

|   | Nine Months<br>Ended<br>September<br>30,<br>2009 | Nine Months<br>Ended<br>September<br>30,<br>2008 |
|---|--|--|
| Cash flow from operating activities:  |  |  |
| Net income  | \$ 12,996  | \$ 12,332  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |
| Depreciation and amortization   | 26,707   | 26,292   |
| Stock-based compensation  | 4,363  | 5,405  |
| Amortization of loan origination costs  | 1,724  | 1,756  |
| Equity losses on long-term investment   |  | 1,039  |
| Loss on sale or disposal of property and equipment                                | 13   | 1  |
| Deferred income taxes   | (8,727)  | (7,433)  |
| Provision for doubtful accounts   | 300  | 703  |
| Changes in operating assets and liabilities, excluding effects from acquisitions: |  |  |
| Accounts receivable   | 2,594  | (8,437)  |
| Prepaid expenses and other assets   | 132  | (1,004)  |
| Accounts payable  | (184)  | 1,014  |
| Accrued expenses  | 3,491  | 4,528  |
| Income taxes payable  | (2,224)  | 2,892  |
| Deferred maintenance and other revenues   | 3,815  | 4,034  |
| Net cash provided by operating activities   | 45,000   | 43,122   |
| Cash flow from investing activities:  |  |  |
| Additions to property and equipment   | (1,192)  | (6,203)  |
| Proceeds from sale of property and equipment                                      | 3  | 2  |
| Cash paid for business acquisitions, net of cash acquired                         | (10,327)   |  |
| Additions to capitalized software   | (46)   |  |
| Net cash used in investing activities   | (11,562)   | (6,201)  |
| Cash flow from financing activities:  |  |  |
| Repayment of debt   | (11,735)   | (25,050)   |
| Transactions involving SS&C Technologies Holdings, Inc. common stock              | (225)  | 12   |
| Net cash used in financing activities   | (11,960)   | (25,038)   |



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|  |           |           |
|--|-----------|-----------|
| Effect of exchange rate changes on cash        | 1,684     | (728)     |
| Net increase in cash and cash equivalents      | 23,162    | 11,155    |
| Cash and cash equivalents, beginning of period | 29,299    | 19,175    |
| Cash and cash equivalents, end of period       | \$ 52,461 | \$ 30,330 |

See accompanying notes to Condensed Consolidated Financial Statements.

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**SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES**  
Notes to Condensed Consolidated Financial Statements  
(unaudited)

**1. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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, 2008, filed with the Securities and Exchange Commission on March 31, 2009. 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 to state fairly its financial position as of September 30, 2009, the results of its operations for the three months and nine months ended September 30, 2009 and 2008 and its cash flows for the nine months ended September 30, 2009 and 2008. These statements do not include all of the information and footnotes required by generally accepted accounting principles 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, 2008 which were included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. The December 31, 2008 consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by generally accepted accounting principles for annual financial statements. The results of operations for the three months and nine months ended September 30, 2009 are not necessarily indicative of the expected results for the full year.

**2. The Transaction**

SS&C Technologies, Inc. (the Company or SS&C) was acquired on November 23, 2005 through a merger transaction with SS&C Technologies Holdings, Inc. (Holdings), a Delaware corporation formed by investment funds associated with The Carlyle Group (Carlyle) and formerly known as Sunshine Acquisition Corporation. The acquisition was accomplished through the merger of Sunshine Merger Corporation into the Company, with the Company being the surviving company and a wholly-owned subsidiary of Holdings (the Transaction).

**3. Equity and Stock-based Compensation**

In April 2008, the Board of Directors of Holdings approved a 7.5-for-1 stock split of the common stock of Holdings to be effected in the form of a stock dividend, effective as of April 23, 2008. In November 2008, the Board of Directors of Holdings approved a 1-for-7.5 reverse stock split of the common stock of Holdings, effectively reversing the April 2008 forward split. All share data in this Form 10-Q have been retroactively revised to reflect the reverse stock split.

In February 2009, the Board of Directors of Holdings approved the immediate vesting of the 2006, 2007 and 2008 performance-based options that did not otherwise vest during 2006, 2007 or 2008 and established the Company's annual EBITDA target range for 2009. As of that date, the Company estimated the weighted-average fair value of the performance-based options that were vested by the Board and those that vest upon the attainment of the 2009 EBITDA target range to be \$31.00. In estimating the common stock value, the Company valued the Company using the income approach and the guideline company method. The Company used the following weighted-average assumptions to estimate the option value: expected term to exercise of 2.5 years; expected volatility of 38.0%; risk-free interest rate of 1.2%; and no dividend yield. Expected volatility is based on the historical volatility of the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

During the three months ended September 30, 2009, the Company recorded total stock-based compensation expense of \$1.6 million, of which \$0.8 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2009 will fall within the targeted range and \$0.8 million related to time-based options. During the nine months ended September 30, 2009, the Company recorded total stock-based compensation expense of \$4.4 million, of which \$1.7 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2009 will fall within the targeted range and \$0.1 million related to the performance-based options that were immediately vested by the Board of Directors of

Holdings in February. Time-based options represented the remaining \$2.6 million of compensation expense recorded during the nine months ended September 30, 2009. The annual EBITDA targets for 2010 and 2011 will be determined by the Board of Directors of Holdings at the beginning of each respective year.

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During the three months and nine months ended September 30, 2008, the Company recorded compensation expense of \$1.3 million and \$2.8 million, respectively, related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2008 would fall within the targeted range. Additionally, the Company recorded compensation expense of \$0.8 million and \$2.6 million related to time-based options during the three months and nine months ended September 30, 2008, respectively.

The amount of stock-based compensation expense recognized in the Company's condensed consolidated statements of operations for the three months and nine months ended September 30, 2009 and 2008 was as follows (in thousands):

|   | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|---|-------------------------------------|-----------------|------------------------------------|-----------------|
|   | 2009                                | 2008            | 2009                               | 2008            |
| Statements of operations classification:      |                                     |                 |                                    |                 |
| Cost of maintenance                           | \$ 33                               | \$ 42           | \$ 89                              | \$ 104          |
| Cost of professional services                 | 59                                  | 71              | 163                                | 178             |
| Cost of software-enabled services             | 315                                 | 448             | 875                                | 1,201           |
| <b>Total cost of revenues</b>                 | <b>407</b>                          | <b>561</b>      | <b>1,127</b>                       | <b>1,483</b>    |
| Selling and marketing                         | 259                                 | 342             | 754                                | 872             |
| Research and development                      | 169                                 | 228             | 467                                | 572             |
| General and administrative                    | 734                                 | 966             | 2,015                              | 2,478           |
| <b>Total operating expenses</b>               | <b>1,162</b>                        | <b>1,536</b>    | <b>3,236</b>                       | <b>3,922</b>    |
| <b>Total stock-based compensation expense</b> | <b>\$ 1,569</b>                     | <b>\$ 2,097</b> | <b>\$ 4,363</b>                    | <b>\$ 5,405</b> |

A summary of stock option activity as of and for the nine months ended September 30, 2009 is as follows:

|  |                                       |
|--|---------------------------------------|
|  | Shares of<br>Holdings<br>Under Option |
| Outstanding at January 1, 2009           | 1,513,193                             |
| Granted                                  | 30,005                                |
| Cancelled/forfeited                      | (23,784)                              |
| Exercised                                | (29,893)                              |
| <b>Outstanding at September 30, 2009</b> | <b>1,489,521</b>                      |

#### 4. Comprehensive Income (Loss)

The accounting standard for comprehensive income requires that items defined as comprehensive income, such as foreign currency translation adjustments and unrealized gains (losses) on interest rate swaps, be separately classified in the financial statements and that the accumulated balance of other comprehensive income be reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet.

The following table sets forth the components of other comprehensive income (loss) (in thousands):

|  | Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2009                                | 2008 | 2009                               | 2008 |

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|  |           |            |           |            |
|--|-----------|------------|-----------|------------|
| Net income   | \$ 5,607  | \$ 4,810   | \$ 12,996 | \$ 12,332  |
| Foreign currency translation gains (losses)                  | 17,869    | (11,498)   | 29,410    | (16,642)   |
| Unrealized gains (losses) on interest rate swaps, net of tax | 238       | 195        | 1,021     | (47)       |
| Total comprehensive income (loss)                            | \$ 23,714 | \$ (6,493) | \$ 43,427 | \$ (4,357) |

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At September 30, 2009 and December 31, 2008, debt consisted of the following (in thousands):

|  | September<br>30,<br>2009 | December<br>31,<br>2008 |
|--|--------------------------|-------------------------|
| Senior credit facility, term loan portion, weighted-average interest rate of 2.43% and 3.54%, respectively | \$ 197,279               | \$ 203,726              |
| 11 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013  | 205,000                  | 205,000                 |
| Capital leases   | 285                      |                         |
|  | 402,564                  | 408,726                 |
| Current portion of long-term debt  | (2,264)                  | (2,101)                 |
| Long-term debt   | \$ 400,300               | \$ 406,625              |

Capitalized financing costs of \$0.6 million were amortized to interest expense during each of the three months ended September 30, 2009 and 2008. Capitalized financing costs of \$1.7 million and \$1.8 million were amortized to interest expense during the nine months ended September 30, 2009 and 2008, respectively.

The estimated fair value of the Company's senior subordinated notes due 2013 was \$216.8 million and \$180.2 million at September 30, 2009 and December 31, 2008, respectively. The estimated fair value of the Company's senior subordinated notes was based on quoted market prices and is presented to satisfy the disclosure requirements of the accounting standard for disclosures about fair values of financial instruments.

**6. Derivatives and Hedging Activities**

In March 2008, the Financial Accounting Standards Board ( FASB ) issued authoritative guidance on disclosures for derivative instruments and hedging activities. This accounting standard requires entities to provide enhanced disclosure about how and why the entity uses derivative instruments, how the instruments and related hedged items are accounted for under the accounting standards for accounting for derivative instruments and hedging activities and how the instruments and related hedged items affect the financial position, results of operations, and cash flows of the entity. The Company adopted this accounting standard during the quarter ended March 31, 2009.

The Company uses interest rate swap agreements to manage the floating rate portion of its debt portfolio and follows the provisions of the accounting standard for derivative instruments and hedging activities, which requires that all derivative instruments be recorded on the balance sheet at fair value.

Quarterly variable interest payments were recognized as an increase in interest expense as follows (in thousands):

|                     | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |         |
|---------------------|-------------------------------------|-------|------------------------------------|---------|
|                     | 2009                                | 2008  | 2009                               | 2008    |
| Interest rate swaps | \$1,070                             | \$814 | \$2,815                            | \$1,545 |

Changes in the fair value of the interest rate swaps are not included in earnings but are reported as a component of accumulated other comprehensive income ( AOCI ). For the three months and nine months ended September 30, 2008 and 2009, the change in the fair value of the interest rate swaps was as follows (in thousands):

|  | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |        |
|--|-------------------------------------|-------|------------------------------------|--------|
|  | 2009                                | 2008  | 2009                               | 2008   |
| Amount of gain (loss) recognized in AOCI, net of tax | \$238                               | \$195 | \$1,021                            | \$(47) |

The market value of the swaps recorded in AOCI may be recognized in the statement of operations if certain terms of the senior credit facility change, if the loan is extinguished or if the swap agreements are terminated prior to maturity.

As of September 30, 2009, the Company held one receive-variable/pay-fixed interest rate swap with a notional value of \$100 million.

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On January 1, 2008, the Company adopted the provisions of the accounting standard for fair value measurements with respect to the valuation of its interest rate swap agreements. The Company did not adopt the provisions of that standard as they relate to nonfinancial assets. The major categories of assets that are measured at fair value for which the Company has not applied the provisions include the measurement of fair value in the first step of a goodwill impairment assessment. The fair value measurement standard clarifies how companies are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, a framework for measuring fair value, and expanding disclosures about fair value measurements.

The accounting standard for fair value measurements and disclosure establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company determines the fair value of its interest rate swaps based on the amount at which each could be settled, which is referred to as the exit price. This price is based upon observable market assumptions and appropriate valuation adjustments for credit risk. The Company has categorized its interest rate swaps as Level 2. The fair value of the Company's remaining interest rate swap was a liability of \$5.1 million and \$6.6 million at September 30, 2009 and December 31, 2008, respectively. Of these amounts, \$4.1 million and \$3.3 million, respectively, is included in other accrued expenses and \$1.0 million and \$3.3 million, respectively, is included in other long-term liabilities.

**7. Commitments and Contingencies**

On May 1, 2009, the Company and its parent, SS&C Technologies Holdings, Inc. (collectively "SS&C") were served with a class action and verified derivative complaint filed against them and other defendants in the U.S. District Court for the Southern District of New York in *In re Tremont Securities Law, State Law and Insurance Litigation*. On June 4, 2009, SS&C filed a motion to dismiss the plaintiffs' claims. On September 11, 2009, the court approved an agreement between SS&C and the plaintiffs to a dismissal of the plaintiffs' claims against SS&C without prejudice. The dismissal was subject to the execution of a tolling agreement between SS&C and the plaintiffs tolling the statute of limitations on the plaintiffs' claims until December 31, 2009. The plaintiffs' derivative claims against SS&C alleged breach of fiduciary duty and professional negligence in its duties as administrator to two of the Rye group of funds, which the plaintiffs alleged provided Bernard L. Madoff with infusions of assets and were operated through defendant Tremont Group Holdings, Inc. as part of the MassMutual Financial Group. The plaintiffs' complaint sought class certification, compensatory damages against all defendants, jointly and severally, prejudgment interest, punitive damages and costs.

From time to time, the Company is subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the Company is not involved in any such litigation or proceedings by third parties that management believes could have a material adverse effect on the Company or its business.

**8. Acquisitions**

On March 20, 2009, the Company purchased substantially all the assets of Evare, LLC ("Evare"), for approximately \$3.5 million in cash, plus the assumption of certain liabilities. Evare is a managed utility service provider for financial data acquisition, enrichment, transformation and delivery.

The net assets and results of operations of Evare have been included in the Company's consolidated financial statements from March 21, 2009. 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 trade name, client relationships and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The trade name is amortized over approximately seven years, and the contractual relationships are amortized over approximately four years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

On May 29, 2009, the Company purchased the assets and related business associated with Unisys Corporation's MAXIMIS software ("MAXIMIS") for approximately \$6.9 million in cash, plus the assumption of certain liabilities.



MAXIMIS is a

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real-time, intranet-enabled investment accounting application with comprehensive support for domestic and international securities trading.

The net assets and results of operations of MAXIMIS have been included in the Company's consolidated financial statements from May 29, 2009. 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 client relationships and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The completed technology is amortized over approximately 5.5 years, the trade name is amortized over approximately 7.5 years, and the contractual relationships are amortized over approximately 6.5 years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible. The following summarizes the allocation of the purchase price for the acquisitions of MAXIMIS and Evare (in thousands):

|  | MAXIMIS  | Evare    |
|--|----------|----------|
| Accounts receivable, net of \$11 reserve for Evare | \$       | \$ 928   |
| Tangible assets acquired, net of cash received     | 143      | 1,090    |
| Completed technology                               | 1,485    |          |
| Trade name   | 110      | 150      |
| Acquired client relationships and contracts        | 5,420    | 1,720    |
| Goodwill   | 766      | 500      |
| Deferred revenue                                   | (910)    | (28)     |
| Other liabilities assumed                          | (108)    | (810)    |
| Consideration paid, net of cash received           | \$ 6,906 | \$ 3,550 |

The Company reported revenues of \$2.1 million and \$4.7 million from MAXIMIS and Evare, respectively, from their respective acquisition dates through September 30, 2009. The following unaudited pro forma condensed consolidated results of operations is provided for illustrative purposes only and assumes that the acquisitions of MAXIMIS and Evare occurred at the beginning of the periods presented. 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 acquisition had actually occurred on that date, nor of the results that may be obtained in the future.

|            | Three Months Ended |          | Nine Months Ended |           |
|------------|--------------------|----------|-------------------|-----------|
|            | September 30,      |          | September 30,     |           |
|            | 2009               | 2008     | 2009              | 2008      |
| Revenues   | \$68,897           | \$74,774 | \$202,922         | \$222,638 |
| Net income | 5,607              | 5,595    | 13,823            | 14,362    |

During the nine months ended September 30, 2009, the Company received a \$0.1 million reimbursement from the escrow account established in connection with the acquisition of Micro Design Services, LLC ( MDS ) in October 2008.

#### 9. Goodwill

The change in the carrying value of goodwill for the nine months ended September 30, 2009 was as follows (in thousands):

|                              |            |
|------------------------------|------------|
| Balance at December 31, 2008 | \$ 822,409 |
|------------------------------|------------|

|  |            |
|--|------------|
| 2009 acquisitions                      | 1,266      |
| Adjustments to previous acquisitions   | (147)      |
| Effect of foreign currency translation | 29,619     |
| Balance at September 30, 2009          | \$ 853,147 |

**Table of Contents****10. Product and Geographic Sales Information**

The Company operates in one reportable segment, as defined by the accounting standard for disclosures about segments of an enterprise. The Company manages its business primarily on a geographic basis. The Company attributes net sales to an individual country based upon location of the customer. 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<br>September 30, |           | Nine Months Ended September<br>30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2009                                | 2008      | 2009                               | 2008       |
| United States                                   | \$ 43,078                           | \$ 43,468 | \$ 127,213                         | \$ 125,665 |
| Canada  | 10,774                              | 11,071    | 30,437                             | 34,103     |
| Americas, excluding United States and<br>Canada | 2,674                               | 812       | 5,924                              | 3,791      |
| Europe  | 10,898                              | 13,411    | 30,723                             | 41,775     |
| Asia Pacific and Japan                          | 1,473                               | 2,239     | 5,573                              | 6,385      |
|   | \$ 68,897                           | \$ 71,001 | \$ 199,870                         | \$ 211,719 |

Revenues by product group were (in thousands):

|                                 | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|---------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                 | 2009                                | 2008      | 2009                               | 2008       |
| Portfolio management/accounting | \$ 57,225                           | \$ 57,535 | \$ 163,715                         | \$ 171,955 |
| Trading/treasury operations     | 5,379                               | 6,591     | 17,455                             | 20,056     |
| Financial modeling              | 2,296                               | 2,205     | 6,592                              | 6,691      |
| Loan management/accounting      | 981                                 | 1,314     | 3,271                              | 3,715      |
| Property management             | 1,327                               | 1,392     | 3,819                              | 4,167      |
| Money market processing         | 993                                 | 1,169     | 2,894                              | 2,929      |
| Training                        | 696                                 | 795       | 2,124                              | 2,206      |
|                                 | \$ 68,897                           | \$ 71,001 | \$ 199,870                         | \$ 211,719 |

**11. Supplemental Guarantor Condensed Consolidating Financial Statements**

On November 23, 2005, in connection with the Transaction, the Company issued \$205 million aggregate principal amount of 11<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. The senior subordinated notes are jointly and severally and fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned domestic subsidiaries of the Company (collectively "Guarantors"). All of the Guarantors are 100% owned by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the senior subordinated notes ("Non-Guarantors"). The Guarantors also unconditionally guarantee the senior secured credit facilities. There are no significant restrictions on the ability of the Company or any of the subsidiaries that are Guarantors to obtain funds from its subsidiaries by dividend or loan.

Condensed consolidating financial information as of September 30, 2009 and December 31, 2008 and the three months and nine months ended September 30, 2009 and 2008 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows:

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## Condensed Consolidating Balance Sheet at September 30, 2009

|   | SS&C                | Total<br>Guarantors | Total Non-<br>Guarantors | Consolidating<br>Adjustments | Total               |
|---|---------------------|---------------------|--------------------------|------------------------------|---------------------|
| Cash and cash equivalents                             | \$ 33,564           | \$ 2,956            | \$ 15,941                | \$                           | \$ 52,461           |
| Accounts receivable, net                              | 19,714              | 5,989               | 11,925                   |                              | 37,628              |
| Income taxes receivable                               | 1,469               |                     |                          | (1,469)                      |                     |
| Prepaid expenses and other<br>current assets          | 1,746               | 615                 | 2,531                    |                              | 4,892               |
| Deferred income taxes                                 | 485                 | 90                  | 339                      |                              | 914                 |
| Property and equipment, net                           | 7,947               | 735                 | 4,110                    |                              | 12,792              |
| Investment in subsidiaries                            | 164,066             |                     |                          | (164,066)                    |                     |
| Intercompany balances                                 | 119,171             | (8,542)             | (110,629)                |                              |                     |
| Deferred taxes, long-term                             |                     | 188                 |                          | (188)                        |                     |
| Goodwill, intangible and other<br>assets, net         | 739,460             | 33,775              | 283,932                  |                              | 1,057,167           |
| <b>Total assets</b>                                   | <b>\$ 1,087,622</b> | <b>\$ 35,806</b>    | <b>\$ 208,149</b>        | <b>\$ (165,723)</b>          | <b>\$ 1,165,854</b> |
| <br>  |                     |                     |                          |                              |                     |
| Current portion of long-term<br>debt                  | \$ 1,834            | \$                  | \$ 430                   | \$                           | \$ 2,264            |
| Accounts payable                                      | 796                 | 87                  | 886                      |                              | 1,769               |
| Accrued expenses and other<br>liabilities             | 25,814              | 1,326               | 4,689                    |                              | 31,829              |
| Income taxes payable                                  |                     | 2,569               | 1,478                    | (1,469)                      | 2,578               |
| Deferred maintenance and other<br>revenue             | 25,928              | 3,368               | 7,139                    |                              | 36,435              |
| Long-term debt, net of current<br>portion             | 359,459             |                     | 40,841                   |                              | 400,300             |
| Other long-term liabilities                           | 2,787               |                     | 6,055                    |                              | 8,842               |
| Deferred income taxes,<br>long-term                   | 36,187              |                     | 11,020                   | (188)                        | 47,019              |
| <b>Total liabilities</b>                              | <b>452,805</b>      | <b>7,350</b>        | <b>72,538</b>            | <b>(1,657)</b>               | <b>531,036</b>      |
| <br>  |                     |                     |                          |                              |                     |
| Stockholder s equity                                  | 634,817             | 28,456              | 135,611                  | (164,066)                    | 634,818             |
| <br>  |                     |                     |                          |                              |                     |
| <b>Total liabilities and stockholder s<br/>equity</b> | <b>\$ 1,087,622</b> | <b>\$ 35,806</b>    | <b>\$ 208,149</b>        | <b>\$ (165,723)</b>          | <b>\$ 1,165,854</b> |

## Condensed Consolidating Balance Sheet at December 31, 2008

|                           | SS&C      | Total<br>Guarantors | Total Non-<br>Guarantors | Consolidating<br>Adjustments | Total     |
|---------------------------|-----------|---------------------|--------------------------|------------------------------|-----------|
| Cash and cash equivalents | \$ 10,329 | \$ 5,180            | \$ 13,790                | \$                           | \$ 29,299 |
| Accounts receivable, net  | 19,945    | 6,397               | 11,976                   |                              | 38,318    |

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|   |                     |                  |                   |                     |                     |
|---|---------------------|------------------|-------------------|---------------------|---------------------|
| Prepaid expenses and other current assets         | 1,342               | 530              | 2,455             |                     | 4,327               |
| Deferred income taxes                             | 673                 | 92               | 340               | 2,672               | 3,777               |
| Property and equipment, net                       | 8,574               | 1,007            | 4,449             |                     | 14,030              |
| Investment in subsidiaries                        | 126,555             |                  |                   | (126,555)           |                     |
| Intercompany balances                             | 134,025             | (20,441)         | (113,584)         |                     |                     |
| Deferred income taxes, long-term                  |                     | 606              | 489               | (1,095)             |                     |
| Goodwill, intangible and other assets, net        | 747,894             | 35,702           | 254,006           |                     | 1,037,602           |
| <b>Total assets</b>                               | <b>\$ 1,049,337</b> | <b>\$ 29,073</b> | <b>\$ 173,921</b> | <b>\$ (124,978)</b> | <b>\$ 1,127,353</b> |
| Current portion of long-term debt                 | \$ 1,724            | \$               | \$ 377            | \$                  | \$ 2,101            |
| Accounts payable                                  | 448                 | 132              | 1,241             |                     | 1,821               |
| Accrued expenses                                  | 20,127              | 1,472            | 5,609             |                     | 27,208              |
| Deferred income taxes                             |                     | 125              |                   | (125)               |                     |
| Income taxes payable                              | 1,102               | 2                | 3,794             |                     | 4,898               |
| Deferred maintenance and other revenue            | 20,643              | 2,788            | 7,413             |                     | 30,844              |
| Long-term debt, net of current portion            | 370,551             |                  | 36,074            |                     | 406,625             |
| Other long-term liabilities                       | 4,294               |                  | 5,697             |                     | 9,991               |
| Deferred income taxes, long-term                  | 43,195              |                  | 11,715            | 1,702               | 56,612              |
| <b>Total liabilities</b>                          | <b>462,084</b>      | <b>4,519</b>     | <b>71,920</b>     | <b>1,577</b>        | <b>540,100</b>      |
| <b>Stockholder s equity</b>                       | <b>587,253</b>      | <b>24,554</b>    | <b>102,001</b>    | <b>(126,555)</b>    | <b>587,253</b>      |
| <b>Total liabilities and stockholder s equity</b> | <b>\$ 1,049,337</b> | <b>\$ 29,073</b> | <b>\$ 173,921</b> | <b>\$ (124,978)</b> | <b>\$ 1,127,353</b> |

**Table of Contents**Condensed Consolidating Statement of Operations  
for the Three Months Ended September 30, 2009

|                                      |           | Total      | Total      | Non- | Consolidating |           |
|--------------------------------------|-----------|------------|------------|------|---------------|-----------|
|                                      | SS&C      | Guarantors | Guarantors | Non- | Adjustments   | Total     |
| Revenue                              | \$ 32,074 | \$ 17,062  | \$ 20,119  |      | \$ (358)      | \$ 68,897 |
| Cost of revenue                      | 16,691    | 10,572     | 7,896      |      | (358)         | 34,801    |
| Gross profit                         | 15,383    | 6,490      | 12,223     |      |               | 34,096    |
| Operating expenses:                  |           |            |            |      |               |           |
| Selling & marketing                  | 3,039     | 599        | 1,324      |      |               | 4,962     |
| Research & development               | 4,079     | 897        | 1,993      |      |               | 6,969     |
| General & administrative             | 3,322     | 311        | 869        |      |               | 4,502     |
| Total operating expenses             | 10,440    | 1,807      | 4,186      |      |               | 16,433    |
| Operating income                     | 4,943     | 4,683      | 8,037      |      |               | 17,663    |
| Interest expense, net                | (6,153)   |            | (2,994)    |      |               | (9,147)   |
| Other (expense) income, net          | 384       | (147)      | (571)      |      |               | (334)     |
| (Loss) income before income taxes    | (826)     | 4,536      | 4,472      |      |               | 8,182     |
| Provision for income taxes           | 560       | 973        | 1,042      |      |               | 2,575     |
| Equity in net income of subsidiaries | 6,993     |            |            |      | (6,993)       |           |
| Net income                           | \$ 5,607  | \$ 3,563   | \$ 3,430   |      | \$ (6,993)    | \$ 5,607  |

Condensed Consolidating Statement of Operations  
for the Three Months Ended September 30, 2008

|                          |           | Total      | Total      | Non- | Consolidating |           |
|--------------------------|-----------|------------|------------|------|---------------|-----------|
|                          | SS&C      | Guarantors | Guarantors | Non- | Adjustments   | Total     |
| Revenues                 | \$ 29,434 | \$ 19,859  | \$ 22,067  |      | \$ (359)      | \$ 71,001 |
| Cost of revenues         | 16,399    | 11,034     | 8,898      |      | (359)         | 35,972    |
| Gross profit             | 13,035    | 8,825      | 13,169     |      |               | 35,029    |
| Operating expenses:      |           |            |            |      |               |           |
| Selling & marketing      | 2,917     | 411        | 1,433      |      |               | 4,761     |
| Research & development   | 3,552     | 1,004      | 2,041      |      |               | 6,597     |
| General & administrative | 6,686     | 375        | 1,031      |      |               | 8,092     |
| Total operating expenses | 13,155    | 1,790      | 4,505      |      |               | 19,450    |
| Operating (loss) income  | (120)     | 7,035      | 8,664      |      |               | 15,579    |
| Interest expense, net    | (6,462)   |            | (3,833)    |      |               | (10,295)  |
| Other expense, net       | 371       | 151        | 535        |      |               | 1,057     |

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|                                      |          |          |          |            |          |
|--------------------------------------|----------|----------|----------|------------|----------|
| (Loss) income before income taxes    | (6,211)  | 7,186    | 5,366    |            | 6,341    |
| (Benefit) provision for income taxes | (1,928)  | 1,582    | 1,877    |            | 1,531    |
| Equity in net income of subsidiaries | 9,093    |          |          | (9,093)    |          |
| Net income                           | \$ 4,810 | \$ 5,604 | \$ 3,489 | \$ (9,093) | \$ 4,810 |

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**Table of Contents**Condensed Consolidating Statement of Operations  
for the Nine Months Ended September 30, 2009

|                                      | SS&C      | Total<br>Guarantors | Total<br>Non-<br>Guarantors | Consolidating<br>Adjustments | Total      |
|--------------------------------------|-----------|---------------------|-----------------------------|------------------------------|------------|
| Revenue                              | \$ 87,097 | \$ 54,046           | \$ 59,958                   | \$ (1,231)                   | \$ 199,870 |
| Cost of revenue                      | 47,326    | 33,430              | 22,869                      | (1,231)                      | 102,394    |
| Gross profit                         | 39,771    | 20,616              | 37,089                      |                              | 97,476     |
| Operating expenses:                  |           |                     |                             |                              |            |
| Selling & marketing                  | 9,056     | 2,179               | 3,994                       |                              | 15,229     |
| Research & development               | 11,376    | 2,584               | 5,633                       |                              | 19,593     |
| General & administrative             | 11,034    | 792                 | 2,857                       |                              | 14,683     |
| Total operating expenses             | 31,466    | 5,555               | 12,484                      |                              | 49,505     |
| Operating income                     | 8,305     | 15,061              | 24,605                      |                              | 47,971     |
| Interest expense, net                | (18,967)  |                     | (8,824)                     |                              | (27,791)   |
| Other (expense) income, net          | 1,013     | (480)               | (1,789)                     |                              | (1,256)    |
| Income (loss) before income taxes    | (9,649)   | 14,581              | 13,992                      |                              | 18,924     |
| (Benefit) provision for income taxes | (1,595)   | 2,863               | 4,660                       |                              | 5,928      |
| Equity in net income of subsidiaries | 21,050    |                     |                             | (21,050)                     |            |
| Net income                           | \$ 12,996 | \$ 11,718           | \$ 9,332                    | \$ (21,050)                  | \$ 12,996  |

Condensed Consolidating Statement of Operations  
for the Nine Months Ended September 30, 2008

|                                   | SS&C      | Total<br>Guarantors | Total<br>Non-<br>Guarantors | Consolidating<br>Adjustments | Total      |
|-----------------------------------|-----------|---------------------|-----------------------------|------------------------------|------------|
| Revenues                          | \$ 87,814 | \$ 56,684           | \$ 68,338                   | \$ (1,117)                   | \$ 211,719 |
| Cost of revenues                  | 48,665    | 32,584              | 27,179                      | (1,117)                      | 107,311    |
| Gross profit                      | 39,149    | 24,100              | 41,159                      |                              | 104,408    |
| Operating expenses:               |           |                     |                             |                              |            |
| Selling & marketing               | 9,087     | 1,152               | 4,462                       |                              | 14,701     |
| Research & development            | 10,707    | 3,196               | 6,438                       |                              | 20,341     |
| General & administrative          | 15,235    | 804                 | 4,650                       |                              | 20,689     |
| Total operating expenses          | 35,029    | 5,152               | 15,550                      |                              | 55,731     |
| Operating income                  | 4,120     | 18,948              | 25,609                      |                              | 48,677     |
| Interest expense, net             | (19,403)  |                     | (11,729)                    |                              | (31,132)   |
| Other (expense) income, net       | (821)     | 162                 | 937                         |                              | 278        |
| (Loss) income before income taxes | (16,104)  | 19,110              | 14,817                      |                              | 17,823     |

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|                                      |           |           |          |             |           |
|--------------------------------------|-----------|-----------|----------|-------------|-----------|
| (Benefit) provision for income taxes | (3,659)   | 4,250     | 4,900    |             | 5,491     |
| Equity in net income of subsidiaries | 24,777    |           |          | (24,777)    |           |
| Net income                           | \$ 12,332 | \$ 14,860 | \$ 9,917 | \$ (24,777) | \$ 12,332 |

**Table of Contents**Condensed Consolidating Statement of Cash Flows  
for the Nine Months Ended September 30, 2009

|  | SS&C      | Total<br>Guarantors | Total<br>Non-<br>Guarantors | Consolidating<br>Adjustments | Total     |
|--|-----------|---------------------|-----------------------------|------------------------------|-----------|
| <b>Cash Flow from Operating Activities:</b>                          |           |                     |                             |                              |           |
| Net income   | \$ 12,996 | \$ 11,718           | \$ 9,332                    | \$ (21,050)                  | \$ 12,996 |
| Non-cash adjustments   | (4,275)   | 2,600               | 5,005                       | 21,050                       | 24,380    |
| Changes in operating assets and liabilities                          | 8,883     | 3,344               | (4,603)                     |                              | 7,624     |
| Net cash provided by operating activities                            | 17,604    | 17,662              | 9,734                       |                              | 45,000    |
| <b>Cash Flow from Investment Activities:</b>                         |           |                     |                             |                              |           |
| Intercompany transactions  | 28,685    | (19,963)            | (8,722)                     |                              |           |
| Additions to property and equipment and software                     | (936)     | (52)                | (250)                       |                              | (1,238)   |
| Cash paid for business acquisitions, net of cash acquired            | (10,456)  | 129                 |                             |                              | (10,327)  |
| Proceeds from sale of property and equipment                         |           |                     | 3                           |                              | 3         |
| Net cash provided by (used in) investing activities                  | 17,293    | (19,886)            | (8,969)                     |                              | (11,562)  |
| <b>Cash Flow from Financing Activities:</b>                          |           |                     |                             |                              |           |
| Net repayments of debt   | (11,437)  |                     | (298)                       |                              | (11,735)  |
| Transactions involving SS&C Technologies Holdings, Inc. common stock | (225)     |                     |                             |                              | (225)     |
| Net cash used in financing activities                                | (11,662)  |                     | (298)                       |                              | (11,960)  |
| Effect of exchange rate changes on cash                              |           |                     | 1,684                       |                              | 1,684     |
| Net increase (decrease) in cash and cash equivalents                 | 23,235    | (2,224)             | 2,151                       |                              | 23,162    |
| Cash and cash equivalents, beginning of period                       | 10,329    | 5,180               | 13,790                      |                              | 29,299    |
| Cash and cash equivalents, end of period                             | \$ 33,564 | \$ 2,956            | \$ 15,941                   | \$                           | \$ 52,461 |

Condensed Consolidating Statement of Cash Flows  
for the Nine Months Ended September 30, 2008

|  | SS&C             | Total<br>Guarantors | Total<br>Non-<br>Guarantors | Consolidating<br>Adjustments | Total            |
|--|------------------|---------------------|-----------------------------|------------------------------|------------------|
| <b>Cash Flow from Operating Activities:</b>                          |                  |                     |                             |                              |                  |
| Net income   | \$ 12,332        | \$ 14,860           | \$ 9,917                    | \$ (24,777)                  | \$ 12,332        |
| Non-cash adjustments   | (4,713)          | 1,912               | 5,787                       | 24,777                       | 27,763           |
| Changes in operating assets and liabilities                          | 1,022            | 1,284               | 721                         |                              | 3,027            |
| <b>Net cash provided by operating activities</b>                     | <b>8,641</b>     | <b>18,056</b>       | <b>16,425</b>               |                              | <b>43,122</b>    |
| <b>Cash Flow from Investing Activities:</b>                          |                  |                     |                             |                              |                  |
| Intercompany transactions  | 16,429           | (18,224)            | 1,795                       |                              |                  |
| Additions to property and equipment                                  | (2,543)          | (648)               | (3,012)                     |                              | (6,203)          |
| Proceeds from sale of property and equipment                         | 2                |                     |                             |                              | 2                |
| <b>Net cash provided by (used in) investing activities</b>           | <b>13,888</b>    | <b>(18,872)</b>     | <b>(1,217)</b>              |                              | <b>(6,201)</b>   |
| <b>Cash Flow from Financing Activities:</b>                          |                  |                     |                             |                              |                  |
| Net repayments of debt   | (10,324)         |                     | (14,726)                    |                              | (25,050)         |
| Transactions involving SS&C Technologies Holdings, Inc. common stock | 12               |                     |                             |                              | 12               |
| <b>Net cash used in financing activities</b>                         | <b>(10,312)</b>  |                     | <b>(14,726)</b>             |                              | <b>(25,038)</b>  |
| Effect of exchange rate changes on cash                              |                  |                     | (728)                       |                              | (728)            |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>12,217</b>    | <b>(816)</b>        | <b>(246)</b>                |                              | <b>11,155</b>    |
| Cash and cash equivalents, beginning of period                       | 9,031            | 1,984               | 8,160                       |                              | 19,175           |
| <b>Cash and cash equivalents, end of period</b>                      | <b>\$ 21,248</b> | <b>\$ 1,168</b>     | <b>\$ 7,914</b>             | <b>\$</b>                    | <b>\$ 30,330</b> |

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12. Recent Accounting Pronouncements

In June 2009, the FASB issued The FASB Accounting Standards Codification (Codification) and the Hierarchy of GAAP, which establishes the Codification as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. The Codification modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. The Company adopted the Codification effective with this filing and, as it is not intended to change or alter existing GAAP, it did not impact the Company's results of operations, cash flows or financial position. In May 2009, the FASB issued new accounting guidance related to the accounting and disclosures of subsequent events. This guidance establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted this guidance upon its issuance and such adoption did not have a material impact on the Company's condensed consolidated financial statements. The Company evaluated subsequent events through the date the accompanying financial statements were issued, which was November 12, 2009.

In April 2009, the FASB issued new accounting guidance related to interim disclosures about the fair values of financial instruments, which requires disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this, fair values for these assets and liabilities were only disclosed annually. This new accounting guidance requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. The Company adopted this guidance upon its issuance and such adoption did not have a material impact on the Company's condensed consolidated financial statements.

**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 Annual Report on Form 10-K for the year ended December 31, 2008. Our critical accounting policies are described in our Annual Report on Form 10-K and include:

Revenue Recognition

Allowance for Doubtful Accounts

Long-Lived Assets, Intangible Assets and Goodwill

Acquisition Accounting

Income Taxes

Stock-based compensation

**Results of Operations for the Three Months and Nine Months Ended September 30, 2009 and 2008**

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

|                           | Three Months Ended    |                       | Percent<br>Change | Nine Months Ended     |                       | Percent<br>Change |
|---------------------------|-----------------------|-----------------------|-------------------|-----------------------|-----------------------|-------------------|
|                           | September 30,<br>2009 | September 30,<br>2008 |                   | September 30,<br>2009 | September 30,<br>2008 |                   |
| Revenues:                 |                       |                       |                   |                       |                       |                   |
| Software licenses         | \$ 5,829              | \$ 5,669              | 3%                | \$ 15,632             | \$ 18,353             | -15%              |
| Maintenance               | 16,959                | 16,348                | 4%                | 48,565                | 48,986                | -1%               |
| Professional services     | 4,283                 | 5,316                 | -19%              | 14,872                | 18,695                | -20%              |
| Software-enabled services | 41,826                | 43,668                | -4%               | 120,801               | 125,685               | -4%               |
| Total revenues            | \$ 68,897             | \$ 71,001             | -3%               | \$ 199,870            | \$ 211,719            | -6%               |

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    |                       | Nine Months Ended     |                       |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                           | September 30,<br>2009 | September 30,<br>2008 | September 30,<br>2009 | September 30,<br>2008 |
| Revenues:                 |                       |                       |                       |                       |
| Software licenses         | 8%                    | 8%                    | 8%                    | 9%                    |
| Maintenance               | 25%                   | 23%                   | 24%                   | 23%                   |
| Professional services     | 6%                    | 7%                    | 8%                    | 9%                    |
| Software-enabled services | 61%                   | 62%                   | 60%                   | 59%                   |

**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 tend to fluctuate based on the number of new licensing clients, while fluctuations in our software-enabled services revenues

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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 September 30, 2009 were \$68.9 million, decreasing 3% from \$71.0 million in the same period in 2008. The decrease in revenues in the three months ended September 30, 2009 includes the unfavorable impact from foreign currency translation of \$1.2 million resulting from the strength of the U.S. dollar relative to currencies such as the Canadian dollar, the British pound, the Australian dollar and the euro. This impact was offset by revenues from products and services that we acquired through our acquisitions of MDS in October 2008, Evare in March 2009 and MAXIMIS in May 2009, which added \$4.7 million in revenues in the aggregate. Excluding these items, revenues for businesses and products that we have owned for at least 12 months, or organic revenues, decreased \$5.6 million, or 8%. Revenues for the nine months ended September 30, 2009 were \$199.9 million, decreasing 6% from \$211.7 million in the same period in 2008. The decrease in revenues includes the unfavorable impact from foreign currency translation of \$8.4 million. This impact was offset by acquisitions, which added \$10.8 million in the aggregate. Excluding these items, organic revenues decreased \$14.2 million, or 7%.

*Software Licenses.* Software license revenues were \$5.8 million and \$5.7 million for the three months ended September 30, 2009 and 2008, respectively. Revenues of \$0.4 million from acquisitions were partially offset by a decrease of \$0.2 million in organic software license revenues and a decrease of \$0.1 million related to foreign currency translation. Software license revenues for the nine months ended September 30, 2009 and 2008 were \$15.6 million and \$18.4 million, respectively. Revenues of \$1.3 million from acquisitions partially offset a decrease of \$3.6 million in organic software license revenues and a decrease of \$0.5 million related to foreign currency translation. 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 both the three and nine months ended September 30, 2009, there were fewer perpetual license transactions than there were for the comparable periods in 2008, but at a greater average size. 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 \$17.0 million and \$16.3 million for the three months ended September 30, 2009 and 2008, respectively. The increase in revenues includes the unfavorable impact from foreign currency translation of \$0.2 million, offset by acquisitions, which added \$1.7 million in the aggregate. Excluding these items, organic revenues decreased \$0.8 million, or 5%. Maintenance revenues for the nine months ended September 30, 2009 and 2008 were \$48.6 million and \$49.0 million, respectively. Revenues of \$3.1 million from acquisitions were offset by a decrease of \$1.5 million related to foreign currency translation. Excluding these items, organic revenues decreased \$2.0 million, or 4%, primarily as a result of a decrease in fees for one significant customer. Additionally, annual maintenance fee increases, which are generally tied to the percentage change in the consumer price index (CPI), were not as favorable as they have been historically due to a lower change in CPI. We typically provide maintenance services under one-year renewable contracts that provide for an annual increase in fees. 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 \$4.3 million and \$5.3 million for the three months ended September 30, 2009 and 2008, respectively. Revenues of \$0.3 million from acquisitions were partially offset by a decrease of \$0.1 million related to the unfavorable impact from foreign currency translation. Organic revenues decreased \$1.2 million, exclusive of these items. Professional services revenues for the nine months ended September 30, 2009 and 2008 were \$14.9 million and \$18.7 million, respectively. The decrease in revenues includes the unfavorable impact from foreign currency translation of \$0.9 million, offset by acquisitions, which added \$1.6 million. Excluding these items, organic revenues decreased \$4.5 million. The decrease in revenues for both periods was primarily due to one significant professional services project that commenced during the first quarter of 2008 and was completed during 2008. 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 \$41.8 million and \$43.7 million for the three months ended September 30, 2009 and 2008, respectively. The unfavorable impact from foreign currency translation of \$0.8 million was offset by our acquisitions, which added \$2.3 million. Excluding these items, organic revenues decreased \$3.4 million. Software-enabled services revenues for the nine months ended September 30, 2009 and 2008 were \$120.8 million and \$125.7 million, respectively. The decrease in revenues includes the unfavorable impact from foreign currency translation of \$5.5

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million, partially offset by our acquisitions, which added \$4.8 million. Excluding these items, organic revenues decreased \$4.2 million. Contributing to the decline in organic revenues for both periods was a decrease in fees for one significant customer and decreases in the variable portion of our fees, which are tied to our clients' assets under management. Future software-enabled services revenue growth is dependent on our ability to retain existing clients, add new clients and increase average fees, as well as growth in our clients' assets under management.

**Cost of Revenues**

The total cost of revenues was \$34.8 million and \$36.0 million for the three months ended September 30, 2009 and 2008, respectively. The gross margin was 49% for each of the three-month periods ended September 30, 2009 and 2008. Primarily as a result of our workforce reduction in the fourth quarter of 2008 and a decrease in amortization expense related to intangible assets that existed at the date of the Transaction, we reduced our costs of revenues by \$2.9 million. The impact of foreign currency translation reduced cost of revenues by \$0.7 million. Stock-based compensation decreased by \$0.2 million, as a lower valuation was ascribed to the 2009 performance-based options as compared to the 2008 performance-based options. These cost reductions were partially offset by our acquisitions of MDS, Evare and MAXIMIS, which added costs of \$2.6 million. The total cost of revenues for the nine months ended September 30, 2009 and 2008 was \$102.4 million and \$107.3 million, respectively. The gross margin was 49% for each of the nine-month periods ended September 30, 2009 and 2008. The impact of foreign currency translation reduced cost of revenues by \$4.6 million, and we reduced our costs of revenues by \$6.1 million, mainly in cost of software-enabled services revenues and cost of professional services revenues. Additionally, stock-based compensation expense decreased by \$0.4 million. These cost reductions were partially offset by our acquisitions, which added costs of \$6.2 million.

*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 licenses was \$2.1 million and \$2.3 million for the three months ended September 30, 2009 and 2008, respectively. A decrease in costs of \$0.3 million, primarily related to amortization of intangible assets that existed at the date of the Transaction, was partially offset by an increase of \$0.1 million related to acquisitions. The cost of software licenses for the nine months ended September 30, 2009 and 2008 was \$6.3 million and \$6.9 million, respectively. A decrease in costs of \$0.9 million, primarily amortization, and a decrease in costs of \$0.2 million related to foreign currency translation, was partially offset by an increase of \$0.5 million related to acquisitions.

*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 \$7.0 million and \$6.8 million for the three months ended September 30, 2009 and 2008, respectively. The increase in costs was due to our acquisitions, which added \$0.6 million in costs, partially offset by a decrease in costs of \$0.1 million related to foreign currency translation. Excluding these items, costs decreased \$0.3 million. Cost of maintenance revenues as a percentage of these revenues was 41% for the three months ended September 30, 2009 compared to 42% for the three months ended September 30, 2008. The cost of maintenance revenues was \$20.3 million and \$20.1 million for the nine months ended September 30, 2009 and 2008, respectively. An increase in costs of \$1.2 million due to our acquisitions was partially offset by a decrease in costs of \$0.8 million related to foreign currency translation. Excluding these items, costs decreased \$0.2 million. Cost of maintenance revenues as a percentage of these revenues was 42% for the nine months ended September 30, 2009 compared to 41% for the nine months ended September 30, 2008.

*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 \$3.2 million and \$3.8 million for the three months ended September 30, 2009 and 2008, respectively. Cost reductions of \$1.1 million and a decrease of \$0.1 million related to foreign currency translation were partially offset by our acquisitions, which added \$0.6 million in costs. The cost of professional services revenues for the nine months ended September 30, 2009 and 2008 was \$10.7 million and \$11.9 million, respectively. Cost reductions of \$2.4 million and a decrease of \$0.6 million related to foreign currency translation were partially offset by our acquisitions, which added \$1.9 million in costs. Additionally, stock-based compensation expense decreased \$0.1 million. Cost of professional

services revenues in both prior-year periods reflected increased personnel-related costs to support a significant implementation project that was completed during 2008.

*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 \$22.5 million and \$23.1 million for the three months ended September 30, 2009

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and 2008, respectively. Primarily as a result of our workforce reduction in the fourth quarter of 2008, we reduced our costs by \$1.2 million. Additionally, the impact of foreign currency translation reduced costs by \$0.5 million and stock-based compensation decreased by \$0.2 million. These decreases were partially offset by our acquisitions, which added \$1.3 million in costs. The cost of software-enabled services revenues for the nine months ended September 30, 2009 and 2008 was \$65.1 million and \$68.4 million, respectively. A decrease in costs of \$2.6 million and a decrease of \$3.0 million related to foreign currency translation were partially offset by our acquisitions, which added \$2.6 million in costs. Additionally, stock-based compensation expense decreased \$0.3 million.

**Operating Expenses**

Total operating expenses were \$16.4 million and \$19.5 million for the three months ended September 30, 2009 and 2008, respectively. Total operating expenses as a percentage of total revenues decreased to 24% for the 2009 period from 27% for the 2008 period. Total operating expenses for the prior-year period included \$2.1 million in costs related to our public offering, which was withdrawn due to market conditions. Contributing to the remainder of the variance was a decrease in costs of \$0.3 million related to foreign currency translation and a decrease of \$1.5 million in personnel and other costs. Additionally, stock-based compensation expense decreased \$0.4 million, as a lower valuation was ascribed to the 2009 performance-based options as compared to the 2008 performance-based options. These decreases were partially offset by our acquisitions of MDS, Evare and MAXIMIS, which added \$1.2 million in costs. Total operating expenses for the nine months ended September 30, 2009 and 2008 were \$49.5 million and \$55.7 million, respectively. A reduction of \$4.1 million in costs, a decrease of \$2.0 million related to foreign currency translation and a decrease of \$0.7 million in stock-based compensation expense were partially offset by our acquisitions, which added \$2.7 million. Additionally, the prior-year period included \$2.1 million in costs related to the withdrawn public offering. Total operating expenses as a percentage of total revenues decreased to 25% for the 2009 period from 26% for the 2008 period.

*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 \$5.0 million and \$4.8 million for the three months ended September 30, 2009 and 2008, respectively, representing 7% of total revenues in each of those periods. The increase in costs was primarily related to our acquisitions, which added \$0.3 million in costs, partially offset by a decrease of \$0.1 million related to foreign currency translation. Selling and marketing expenses for the nine months ended September 30, 2009 and 2008 were \$15.2 million and \$14.7 million, respectively, representing 8% and 7% of total revenues in those periods, respectively. The increase in costs was primarily related to our acquisitions, which added \$0.9 million in costs, partially offset by a decrease of \$0.7 million related to foreign currency translation. Additionally, an increase of \$0.4 million in personnel and other costs was offset by a decrease of \$0.1 million in stock-based compensation expense.

*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 \$7.0 million and \$6.6 million for the three months ended September 30, 2009 and 2008, respectively, representing 10% and 9% of total revenues in those periods, respectively. The increase in costs was primarily related to our acquisitions, which added \$0.8 million in costs, offset in part by a decrease of \$0.2 million in costs, a decrease in stock-based compensation expense of \$0.1 million and a decrease of \$0.1 million related to foreign currency translation. Research and development expenses for the nine months ended September 30, 2009 and 2008 were \$19.6 million and \$20.3 million, respectively, representing 10% of total revenues in each of these periods. A decrease of \$1.3 million in costs, primarily personnel-related, a decrease of \$0.8 million related to foreign currency translation and a decrease in stock-based compensation expense of \$0.1 million were partially offset by our acquisitions, which added \$1.5 million in costs.

*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 \$4.5 million and \$8.1 million for the three months ended September 30, 2009 and 2008, respectively, representing 7% and 11% of total

revenues in those periods, respectively. General and administrative expenses for the prior-year period included \$2.1 million in costs related to the withdrawn public offering. Contributing to the remainder of the variance was a reduction of \$1.3 million in costs, primarily related to personnel, bad debt and capital-based taxes, a decrease of \$0.2 million in stock-based compensation expense and a decrease of \$0.1 million related to foreign currency translation, partially offset by our acquisitions, which added \$0.1 million in costs. General and administrative expenses for the nine months ended September 30, 2009 and 2008 were \$14.7 million and \$20.7 million, respectively, representing 7% and 10% of total revenues in those periods, respectively. General and administrative expenses for the prior-year period included \$2.1 million in costs related

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to the withdrawn public offering. Contributing to the remainder of the variance was a reduction of \$3.2 million in costs, primarily related to personnel, bad debt, capital-based taxes and the impact of cost controls, a decrease of \$0.5 million in stock-based compensation expense and a decrease of \$0.5 million related to foreign currency translation, partially offset by our acquisitions, which added \$0.3 million in costs.

*Interest Expense.* Net interest expense for the three months ended September 30, 2009 and 2008 was \$9.1 million and \$10.3 million, respectively. Net interest expense was \$27.8 million and \$31.1 million for the nine months ended September 30, 2009 and 2008, respectively. Interest expense is primarily related to interest expense on debt outstanding under our senior credit facility and 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. The decrease in interest expense is due to a decrease in outstanding debt and lower average interest rates for both 2009 periods.

*Other Expense, Net.* Other expense, net for the three months and nine months ended September 30, 2009 consisted primarily of foreign currency losses. Other expense, net for the three months ended September 30, 2008 consisted primarily of foreign currency gains. Other income, net for the nine months ended September 30, 2008 consisted primarily of foreign currency gains of \$1.3 million, partially offset by the \$1.0 million loss we recorded relating to our investment in a private company.

*Provision for Income Taxes.* We had effective tax rates of 31.3% and 30.8% for the nine months ended September 30, 2009 and 2008, respectively. The effective tax rate for the balance of the year is expected to be between 30% and 35%.

**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 September 30, 2009 were \$52.5 million, an increase of \$23.2 million from \$29.3 million at December 31, 2008. Cash provided by operations was partially offset by net repayments of debt, cash used for acquisitions and capital expenditures.

Net cash provided by operating activities was \$45.0 million for the nine months ended September 30, 2009. Cash provided by operating activities was primarily due to net income of \$13.0 million adjusted for non-cash items of \$24.4 million and changes in our working capital accounts totaling \$7.6 million. The changes in our working capital accounts were driven by a decrease in accounts receivable and increases in accrued expenses and deferred revenues, partially offset by a decrease in income taxes payable. The decrease in accounts receivable was primarily due to the timing of collections. Days sales outstanding decreased to 49 days as of September 30, 2009 from 51 days as of December 31, 2008. The increase in accrued expenses was primarily due to an increase in interest payable related to the timing of interest payments on our notes, offset in part by the payment of annual employee bonuses. The increase in deferred revenues was primarily due to the collection and timing of annual maintenance fee renewals and a significant term license fee billed during the second quarter.

Investing activities used net cash of \$11.6 million for the nine months ended September 30, 2009, primarily related to the \$10.4 million cash paid for our acquisitions of MAXIMIS and Evare, offset in part by a \$0.1 million adjustment to the MDS purchase price. Capital expenditures accounted for the remaining \$1.2 million.

Financing activities used net cash of \$12.0 million for the nine months ended September 30, 2009, representing net repayments of debt under our senior credit facilities and the repurchase of Holdings common stock in connection with stock option exercises.

**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.

**Table of Contents****Senior Credit Facilities**

Our borrowings under the senior credit facilities bear interest at either a floating base rate or a Eurocurrency rate plus, in each case, an applicable margin. In addition, we pay a commitment fee in respect of unused revolving commitments at a rate that will be adjusted based on our leverage ratio. We are obligated to make quarterly principal payments on the term loan totaling \$2.1 million per year. Subject to certain exceptions, thresholds and other limitations, we are required to prepay outstanding loans under the senior credit facilities with the net proceeds of certain asset dispositions and certain debt issuances and 50% of our excess cash flow (as defined in the agreements governing our senior credit facilities), which percentage will be reduced based on our reaching certain leverage ratio thresholds. The obligations under our senior credit facilities are guaranteed by Holdings and all of our existing and future material wholly-owned U.S. subsidiaries, with certain exceptions as set forth in our credit agreement. The obligations of the Canadian borrower are guaranteed by Holdings, us and each of our U.S. and Canadian subsidiaries, with certain exceptions as set forth in the credit agreement. The obligations under the senior credit facilities are secured by a perfected first priority security interest in all of our capital stock and all of the capital stock or other equity interests held by Holdings, us and each of our existing and future U.S. subsidiary guarantors (subject to certain limitations for equity interests of foreign subsidiaries and other exceptions as set forth in our credit agreement) and all of Holdings and our tangible and intangible assets and the tangible and intangible assets of each of our existing and future U.S. subsidiary guarantors, with certain exceptions as set forth in the credit agreement. The Canadian borrower's borrowings under the senior credit facilities and all guarantees thereof are secured by a perfected first priority security interest in all of our capital stock and all of the capital stock or other equity interests held by Holdings, us and each of our existing and future U.S. and Canadian subsidiary guarantors, with certain exceptions as set forth in the credit agreement, and all of Holdings and our tangible and intangible assets and the tangible and intangible assets of each of our existing and future U.S. and Canadian subsidiary guarantors, with certain exceptions as set forth in the credit agreement.

The senior credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our (and our restricted subsidiaries') ability to incur additional indebtedness, pay dividends and distributions on capital stock, create liens on assets, enter into sale and lease-back transactions, repay subordinated indebtedness, make capital expenditures, engage in certain transactions with affiliates, dispose of assets and engage in mergers or acquisitions. In addition, under the senior credit facilities, we are required to satisfy and maintain a maximum total leverage ratio and a minimum interest coverage ratio. We were in compliance with all covenants at September 30, 2009.

**11 3/4% Senior Subordinated Notes due 2013**

The 11 3/4% senior subordinated notes due 2013 are unsecured senior subordinated obligations that are subordinated in right of payment to all existing and future senior debt, including the senior credit facilities. The senior subordinated notes will be pari passu in right of payment to all future senior subordinated debt.

The senior subordinated notes are redeemable in whole or in part, at our option, at any time at varying redemption prices that generally include premiums, which are defined in the indenture. In addition, upon a change of control, we are required to make an offer to redeem all of the senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indenture governing the senior subordinated notes contains a number of covenants that restrict, subject to certain exceptions, our ability and the ability of our restricted subsidiaries to incur additional indebtedness, pay dividends, make certain investments, create liens, dispose of certain assets and engage in mergers or acquisitions.

**Covenant Compliance**

Under the senior credit facilities, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of September 30, 2009, we were in compliance with the financial and non-financial covenants. Our continued ability to meet these financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet these ratios and tests. A breach of any of these covenants could result in a default under the senior credit facilities. Upon the occurrence of any event of default under the senior credit facilities, the lenders could elect to declare all amounts outstanding under the senior credit facilities 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 our senior credit facilities, 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



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unusual items and other adjustments permitted in calculating covenant compliance under our senior credit facilities. 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 ratios and other financial condition tests contained in our senior credit facilities.

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.

The breach of covenants in our senior credit facilities 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 such acceleration would also result in a default under our indenture. Any default and subsequent acceleration of payments under our debt agreements would have a material adverse effect on our results of operations, financial position and cash flows.

Additionally, under our debt agreements, 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, our senior credit facilities require 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 (loss), 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.

The following is a reconciliation of net income to Consolidated EBITDA as defined in our senior credit facilities.

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| (in thousands)                       | Three Months Ended |                  | Nine Months Ended |                  | Twelve Months Ended |
|--------------------------------------|--------------------|------------------|-------------------|------------------|---------------------|
|                                      | September 30,      |                  | September 30,     |                  | September 30,       |
|                                      | 2009               | 2008             | 2009              | 2008             | 2009                |
| Net income                           | \$ 5,607           | \$ 4,810         | \$ 12,996         | \$ 12,332        | \$ 19,465           |
| Interest expense, net                | 9,147              | 10,295           | 27,791            | 31,132           | 37,789              |
| Income taxes                         | 2,575              | 1,531            | 5,928             | 5,491            | 7,583               |
| Depreciation and amortization        | 9,109              | 8,568            | 26,707            | 26,292           | 35,453              |
| <b>EBITDA</b>                        | <b>\$ 26,438</b>   | <b>\$ 25,204</b> | <b>\$ 73,422</b>  | <b>\$ 75,247</b> | <b>\$ 100,290</b>   |
| Purchase accounting adjustments (1)  | (58)               | (76)             | (163)             | (224)            | (228)               |
| Unusual or non-recurring charges (2) | 400                | 1,134            | 1,683             | 2,502            | 661                 |
| Acquired EBITDA and cost savings (3) |                    |                  | 2,025             |                  | 3,455               |
| Stock-based compensation             | 1,569              | 2,097            | 4,363             | 5,405            | 6,281               |
| Capital-based taxes                  | (4)                | 165              | 672               | 880              | 1,004               |
| Other (4)                            | 337                | 324              | 977               | 1,044            | 1,279               |
| <b>Consolidated EBITDA</b>           | <b>\$ 28,682</b>   | <b>\$ 28,848</b> | <b>\$ 82,979</b>  | <b>\$ 84,854</b> | <b>\$ 112,742</b>   |

(1) Purchase accounting adjustments include 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 the Transaction.

(2) Unusual or non-recurring charges include foreign currency gains and losses, expenses related to the withdrawn public offering,

severance expenses associated with workforce reduction, equity earnings and losses on investments, proceeds from legal and other settlements and other one-time expenses.

(3) Acquired EBITDA and cost savings reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisitions occurred at the beginning of the period and cost savings to be realized from such acquisitions.

(4) Other includes management fees and related expenses paid to Carlyle and the non-cash portion of straight-line rent expense.

Our covenant restricting capital expenditures for the year ending December 31, 2009 limits expenditures to \$17.5 million. Actual capital expenditures through September 30, 2009 were \$1.2 million. Our covenant requirements for total leverage ratio and minimum interest coverage ratio and the actual ratios for the twelve months ended September 30, 2009 are as follows:

|  | <b>Covenant Requirements</b> | <b>Actual Ratios</b> |
|--|------------------------------|----------------------|
| Maximum consolidated total leverage to Consolidated EBITDA Ratio | 5.50x                        | 3.30x                |

|   |       |       |
|---|-------|-------|
| Minimum Consolidated EBITDA to consolidated net interest coverage ratio | 2.00x | 3.18x |
|---|-------|-------|

**Recent Accounting Pronouncements**

In June 2009, the FASB issued The FASB Accounting Standards Codification (Codification) and the Hierarchy of GAAP, which establishes the Codification as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. The Codification modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. We adopted the Codification effective with this filing and, as it is not intended to change or alter existing GAAP, it did not impact our results of operations, cash flows or financial position.

In May 2009, the FASB issued new accounting guidance related to the accounting and disclosures of subsequent events. This guidance establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. We adopted this guidance upon its issuance and such adoption did not have a material impact on our condensed consolidated financial statements. We evaluated subsequent events through the date the accompanying financial statements were issued, which was November 12, 2009.

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In April 2009, the FASB issued new accounting guidance related to interim disclosures about the fair values of financial instruments, which requires disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this, fair values for these assets and liabilities were only disclosed annually. This new accounting guidance requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. We adopted this guidance upon its issuance and such adoption did not have a material impact on our condensed consolidated financial statements.

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**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 September 30, 2009, excluding capital leases, we had total debt of \$402.3 million, including \$197.3 million of variable interest rate debt. We have entered into an interest rate swap agreement having a notional value of \$100 million that effectively fixes our interest rate at 6.78% and expires in December 2010. During the period when this swap agreement is effective, a 1% change in interest rates would result in a change in interest expense of approximately \$1.0 million per year. Upon the expiration of the interest rate swap agreement in December 2010, a 1% change in interest rates would result in a change in interest expense of approximately \$2.0 million per year.

At September 30, 2009, \$41.3 million of our debt was denominated in Canadian dollars. We expect that our foreign denominated debt will be serviced through our Canadian operations.

During 2008, approximately 39% 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. Revenues and expenses of our foreign operations are denominated in their respective local currencies. We continue to monitor our exposure to foreign exchange rates as a result of our foreign currency denominated debt, our acquisitions and changes in our operations.

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 4T. Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2009. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ( "Exchange Act" ), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the 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 controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2009, 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.

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 September 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

On May 1, 2009, we and our parent, SS&C Technologies Holdings, Inc. (collectively we or us ) were served with a class action and verified derivative complaint filed against us and other defendants in the U.S. District Court for the Southern District of New York in In re Tremont Securities Law, State Law and Insurance Litigation. On June 4, 2009, we filed a motion to dismiss the plaintiffs' claims. On September 11, 2009, the court approved an agreement between us and the plaintiffs to a dismissal of the plaintiffs' claims against us without prejudice. The dismissal was subject to the execution of a tolling agreement between us and the plaintiffs tolling the statute of limitations on the plaintiffs' claims until December 31, 2009. The plaintiffs' derivative claims against us alleged breach of fiduciary duty and professional negligence in our duties as administrator to two of the Rye group of funds, which the plaintiffs alleged provided Bernard L. Madoff with infusions of assets and were operated through defendant Tremont Group Holdings, Inc. as part of the MassMutual Financial Group. The plaintiffs' complaint sought class certification, compensatory damages against all defendants, jointly and severally, prejudgment interest, punitive damages and costs.

From time to time, we are subject to certain other legal proceedings and claims that arise in the normal course of our business. In the opinion of management, we are not a party to any such litigation that we believe could have a material effect on us or our business.

**Item 1A. Risk Factors**

There have been no material changes to our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

**Item 6. Exhibits**

The exhibits listed in the Exhibit Index immediately preceding such exhibits are filed as part of this Quarterly Report on Form 10-Q.

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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, INC.

Date: November 13, 2009

By: /s/ Patrick J. Pedonti  
Patrick J. Pedonti  
Senior Vice President and Chief  
Financial Officer  
(Principal Financial and Accounting  
Officer)

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**Exhibit Index**

| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.1*             | Assumption Agreement, dated as of August 31, 2009, by SS&C Technologies Connecticut, LLC in favor of JPMorgan Chase Bank is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on September 4, 2009 (File No. 000-28430) (the Form 8-K ) |
| 10.2*             | Acknowledgment and Confirmation Agreement, dated as of August 31, 2009, among SS&C Technologies Canada Corp., JPMorgan Chase Bank, N.A. and JP Morgan Chase Bank, N.A., Toronto Branch is incorporated herein by reference to Exhibit 10.2 to the Form 8-K                                   |
| 10.3*             | Second Supplemental Indenture, dated as of September 1, 2009, among the Registrant, SS&C Technologies Connecticut, LLC and Wells Fargo Bank, National Association is incorporated herein by reference to Exhibit 10.3 to the Form 8-K  |
| 10.4*             | Note Guarantee by SS&C Technologies Connecticut, LLC is incorporated herein by reference to Exhibit 10.4 to the Form 8-K   |
| 10.5*             | Joinder Agreement, dated as of September 1, 2009, executed and delivered by SS&C Technologies Connecticut, LLC is incorporated herein by reference to Exhibit 10.5 to the Form 8-K   |
| 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   |
| *                 | Incorporated herein by reference.  |