SYNIVERSE HOLDINGS INC
Form 10-Q
November 04, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from ______ to ______

COMMISSION FILE NUMBER 001-32432

333-88168

SYNIVERSE HOLDINGS, INC.

SYNIVERSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**30-0041666**
Delaware	**06-1262301**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8125 Highwoods Palm Way

Tampa, Florida 33647

(Address of principal executive office) (Zip code)

(813) 637-5000

(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 x 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 Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Shares Outstanding as of November 1, 2010

Syniverse Holdings, Inc.: 70,213,314 shares of common stock, $0.001 par value

Syniverse Technologies, Inc.: 2,000 shares of common stock, no par value,

all of which are owned by Syniverse Holdings, Inc.

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PART 1

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash	$ 153,517	$ 91,934
Accounts receivable, net of allowances of $8,336 and $7,290, respectively	150,393	126,127
Prepaid and other current assets	40,312	20,813
Total current assets	344,222	238,874
Property and equipment, net	80,779	64,315
Capitalized software, net	65,563	75,249
Deferred costs, net	6,103	7,388
Goodwill	676,049	685,710
Identifiable intangibles, net	212,791	234,938
Other assets	3,989	3,250
Total assets	$ 1,389,496	$ 1,309,724
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 8,864	$ 8,020
Transition services payable		16,609
Accrued payroll and related benefits	22,969	9,832
Accrued interest	1,760	5,150
Accrued income taxes		1,468
Deferred revenues	6,300	6,197
Other accrued liabilities	32,987	32,042
Current portion of Term Note B	3,387	3,452
Total current liabilities	76,267	82,770
Long-term liabilities:		
Deferred tax liabilities	108,700	87,254
7 3/4% senior subordinated notes due 2013	175,000	175,000
Term Note B, less current maturities	325,160	334,012
Other long-term liabilities	11,928	9,534

Total liabilities	697,055	688,570
Stockholders equity:		
Preferred stock, $0.001 par value; 300,000 shares authorized; no shares issued		
Common stock, $0.001 par value; 100,300,000 shares authorized; 70,189,838 shares issued and 69,989,840 shares outstanding and 69,574,505 shares issued and 69,382,507 shares outstanding at September 30, 2010 and December 31, 2009, respectively	70	69
Additional paid-in capital	499,412	483,227
Retained earnings	215,548	149,582
Accumulated other comprehensive loss	(23,309)	(12,205)
Common stock held in treasury, at cost; 199,998 at September 30, 2010 and 191,998 at December 31, 2009	(15)	(15)
Total Syniverse Holdings, Inc. stockholders equity	691,706	620,658
Noncontrolling interest	735	496
Total equity	692,441	621,154
Total liabilities and stockholders equity	$ 1,389,496	$ 1,309,724

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 166,870	$ 116,662	$ 474,691	$ 339,064
Costs and expenses:				
Cost of operations (excluding depreciation and amortization shown separately below)	61,939	41,326	178,088	122,188
Sales and marketing	15,232	8,789	41,540	26,312
General and administrative	24,984	15,986	71,373	49,989
Depreciation and amortization	19,092	14,585	56,376	42,206
	121,247	80,686	347,377	240,695
Operating income	45,623	35,976	127,314	98,369
Other income (expense), net:				
Interest income	22	33	74	274
Interest expense	(6,930)	(7,059)	(20,586)	(21,910)
Other, net	1,870	(40)	2,674	1,094
	(5,038)	(7,066)	(17,838)	(20,542)
Income before provision for income taxes	40,585	28,910	109,476	77,827
Provision for income taxes	17,600	11,338	44,426	27,745
Net income	22,985	17,572	65,050	50,082
Net loss attributable to noncontrolling interest	357	172	916	225
Net income attributable to Syniverse Holdings, Inc.	$ 23,342	$ 17,744	$ 65,966	$ 50,307
Net income per common share:				
Basic	$ 0.33	$ 0.26	$ 0.95	$ 0.73
Diluted	$ 0.33	$ 0.26	$ 0.94	$ 0.73
Weighted average common shares outstanding:				
Basic	68,819	68,088	68,540	67,965
Diluted	69,280	68,303	68,913	68,078

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(AMOUNTS IN THOUSANDS)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash flows from operating activities		
Net income	$ 65,050	$ 50,082
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including amortization of deferred debt issuance costs	57,661	43,499
Provision for uncollectible accounts	618	591
Deferred income tax expense	22,484	15,826
Stock-based compensation	9,399	5,288
Other, net	(57)	76
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(25,108)	(2,539)
Other current assets	(19,334)	(6,081)
Accounts payable	14,303	(14,478)
Transition services payable	(16,609)	
Other current liabilities	(2,832)	(12,139)
Other assets and liabilities	879	2,951
Net cash provided by operating activities	106,454	83,076
Cash flows from investing activities		
Capital expenditures	(43,680)	(27,027)
Acquisition, net of acquired cash	(497)	(3,099)
Net cash used in investing activities	(44,177)	(30,126)
Cash flows from financing activities		
Principal payments on senior credit facility	(2,500)	(2,580)
Issuance of stock under employee stock purchase plan	1,132	415
Issuance of stock for stock options exercised	6,256	2,586
Minimum tax withholding on restricted stock awards	(601)	(295)
Capital contribution from noncontrolling interest in a joint venture	1,092	981
Net cash provided by financing activities	5,379	1,107
Effect of exchange rate changes on cash	(6,073)	(3,465)
Net increase in cash	61,583	50,592
Cash at beginning of period	91,934	165,605
Cash at end of period	$ 153,517	$ 216,197

Supplemental cash flow information		
Interest paid	$ 22,627	$ 23,361
Income taxes paid	32,907	23,444

See Notes to Unaudited Condensed Consolidated Financial Statements

SYNIVERSE HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

1. Business

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. We were incorporated in Delaware on November 9, 2001 and we completed our initial public offering on February 10, 2005. For over 20 years, including our time as part of our former parent company, we have served as one of the wireless industry s operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our roaming, messaging and network services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including wireless voice and data roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), number portability and wireless value-added roaming services. We currently provide our services to approximately 700 telecommunications operators and to over 100 enterprise customers in approximately 160 countries.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. (Syniverse, Inc.) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2009. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

The unaudited condensed consolidated financial statements include the accounts of Syniverse, Inc., all of its wholly owned subsidiaries and a variable interest entity (VIE) for which Syniverse, Inc. is the primary beneficiary. References to the Company , us , or we include all of the consolidated companies. For the consolidated joint venture in which we own less than a 100% interest, we record net income (loss) attributable to noncontrolling interest in our consolidated statements of income equal to the percentage of the economic or ownership interest retained in the joint venture by the respective noncontrolling parties. All significant intercompany balances and transactions have been eliminated.

Revenue Recognition

The majority of our revenues are transaction-based charges under long-term contracts, typically averaging three years in duration. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract on a month-to-month billing schedule as we negotiate new agreements or renewals. Our revenues are primarily the result of the sale of our roaming, messaging, network and other services to wireless and enterprise operators throughout the world. Generally, there is a seasonal increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. In addition, our messaging services revenues generally grow sequentially through the calendar year with volumes peaking during the fourth quarter holiday seasons.

Roaming Services primarily generate revenues by charging per-transaction processing fees. For our wireless roaming clearing house, DataNet services, interstandard roaming solutions and Mobile Data Roaming (MDR) services for Code Division Multiple Access (CDMA) operators, revenues vary based on the number or size of data/messaging records provided to us by our customers for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed. For our financial clearing house and settlement services, revenues vary based on the number of invoices or roaming agreements managed on the customer s behalf. We recognize revenues at the time the services are performed. For our signaling solutions and fraud-related services, the per-transaction fee is based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize revenues at the time the transactions are processed.

Messaging Services primarily generate revenues by charging per-transaction processing fees. For our SMS and MMS services, revenues vary based on the number of messaging records provided to us by our customers for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed.

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Network Services primarily generate revenues by charging per-transaction processing fees. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. Our number portability services primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We recognize processing revenues at the time the transactions are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the life of the initial customer agreements. In addition, we provide our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries). We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers. We recognize revenues at the time the transactions are processed.

Other Services include turn-key solutions with multiple product and service elements which may include software and hardware products, as well as installation services, post-contract customer support and training. In those cases, we recognize revenue attributable to an element in a customer arrangement when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Joint Venture Interests

Effective January 1, 2010, we adopted a newly issued accounting standard which provides guidance for the consolidation of variable interest entities and requires an enterprise to determine whether its variable interests give it a controlling financial interest in a variable interest entity. This new guidance replaces the existing quantitative approach for determining the primary beneficiary, with a qualitative approach based on which entity has both the power to direct the economically significant activities of the entity and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Determination about whether an enterprise should consolidate a variable interest entity is required to be evaluated continuously. The adoption of this standard did not have an impact on our financial position or results of operations.

In determining whether we are the primary beneficiary, we consider a number of factors, including our ability to direct the activities that most significantly affect the entity s economic success, our contractual rights and responsibilities under the arrangement and the significance of the arrangement to each party. These considerations impact the way we account for our existing joint venture relationship.

In February 2009, we entered into a joint venture agreement to implement number portability services in India. Our economic interest in the joint venture is 37.5%. We expect to provide India s telecommunications operators with number portability clearing house and centralized database solutions until March 2019. We consolidate the operations of this joint venture, as we retain the contractual power to direct the activities of this entity which most significantly and directly impact its economic performance. The activity of this joint venture is not significant to our overall operations. The assets of this joint venture are restricted, from the standpoint of Syniverse, in that they are not available for our general business use outside the context of the joint venture. The holders of the liabilities of the joint venture have no recourse to Syniverse.

Customer Accounts

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our contract with the customer, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately $132,909 and $152,747 as of September 30, 2010 and December 31, 2009, respectively.

Derivative Instruments and Hedging Activities

Derivative instruments are recorded on the consolidated balance sheets as assets or liabilities and measured at fair value. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in accumulated other comprehensive income (loss) and subsequently recognized in earnings when the hedged items impact income. Changes in the fair value of derivatives not designated as hedges and the ineffective portion of cash flow hedges are recorded in current earnings. We have designated our interest rate swap as a cash flow hedge that effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. We do not hold or enter into financial instruments for speculative trading purposes. See Note 9 for more information on our interest rate swap.

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Foreign Currencies

We have operations in subsidiaries in Europe, primarily the United Kingdom and Germany, and the Asia-Pacific region whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period and are included in other income (expense), net in the consolidated income statements. For the three and nine months ended September 30, 2010, we recorded foreign currency transaction gain of $1,791 and $1,944, respectively. For the three and nine months ended September 30, 2009, we recorded foreign currency transaction (loss) gain of $(40) and $1,094, respectively.

The assets and liabilities of subsidiaries whose functional currency is other than the U.S. Dollar are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of accumulated other comprehensive income (loss) and is included in stockholders equity. Translation gains and losses on intercompany balances which are deemed to be of a long-term investment nature are also recorded as a component of other comprehensive income. Income statement items are translated at the average rates prevailing during the period.

Segment Information

Effective January 1, 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments. The segment information presented herein reflects the realignment of our operations into the new segments for the three and nine months ended September 30, 2010 and 2009, respectively.

We analyze each of our reporting segments based on segment revenues, operating expenses (including depreciation and amortization) and operating income excluding certain sales and general and administrative costs which are not allocated to the business lines. Interest income (expense), other, net and the provision for income taxes are managed on a consolidated basis and are, accordingly, reflected only in consolidated results. Therefore, these items are excluded from our segment operating results. We have three reportable segments: (1) Roaming Services; (2) Messaging Services; and (3) Network Services. In addition, we also present a Corporate and Other category which includes our technology turn-key solutions including operator solutions for number portability readiness, prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers primarily in the Asia Pacific region.

Our Chief Operating Decision Maker (CODM) evaluates performance and determines resource allocations based on segment operating income (loss). Our management uses segment operating income (loss) in the evaluation of segment operating performance as a profit measure that is generally within the control of the operating segments. Additional information about our segments, including financial information, is included in Note 12.

3. Recent Accounting Pronouncements

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, which is included in the ASC in Topic 605 (Revenue Recognition). ASU 2009-13 amends previous revenue recognition guidance to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity s fiscal year. We are currently assessing the impact of ASU 2009-13 on our consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-14, *Certain Revenue Arrangements That Include Software Elements*, which is included in the ASC in Topic 985 (Software). ASU 2009-14 amends previous software revenue recognition to exclude all tangible products containing both software and non-software components that function together to deliver the product s essential functionality. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity s fiscal year. We are currently assessing the impact of ASU 2009-14 on our consolidated financial position and results of operations.

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4. Goodwill

The changes to the carrying value of goodwill during the nine months ended September 30, 2010 were as follows:

	2010
Goodwill balance as of December 31, 2009	$ 685,710
Effect of foreign currency translation	(9,661)
Goodwill balance as of September 30, 2010	$ 676,049

5. Net Income Per Common Share

Basic net income per common share includes no dilution and is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share includes the potential dilution from the exercise of stock options and restricted stock.

We calculate net income per common share using the two-class method. Under the two-class method, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are treated as participating securities and are included in the computation of earnings per share pursuant to the two-class method. Certain of our unvested share-based payment awards contain nonforfeitable rights to dividends and dividend equivalents.

The following table displays the computation of net income per common share using the two-class method:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic and diluted net income per common share:				
Net income attributable to Syniverse Holdings, Inc.	$ 23,342	$ 17,744	$ 65,966	$ 50,307
Less: net income allocated to restricted stock	(403)	(206)	(1,140)	(494)
Net income available to common shareholders	$ 22,939	$ 17,538	$ 64,826	$ 49,813
Determination of basic and diluted shares:				
Basic weighted-average common shares outstanding	68,818,510	68,088,050	68,539,595	67,965,214
Dilutive stock options and restricted stock	461,464	215,092	373,698	113,026
Diluted weighted-average common shares outstanding	69,279,974	68,303,142	68,913,293	68,078,240
Basic net income per common share	$ 0.33	$ 0.26	$ 0.95	$ 0.73
Diluted net income per common share	$ 0.33	$ 0.26	$ 0.94	$ 0.73

For the nine months ended September 30, 2010, and 2009, options to purchase 1,125,292 and 1,529,844 shares of common stock were outstanding during the periods but were not included in the computation of diluted earnings per share because their effect would be anti-dilutive.

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6. Supplemental Equity and Comprehensive Income Information

Changes in Equity

The following table provides a reconciliation of the beginning and the ending carrying amounts of total equity, equity attributable to stockholders of Syniverse Holdings, Inc. and equity attributable to the noncontrolling interest:

		Stockholders of Syniverse Holdings, Inc.					
	Total	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interest
Balance, December 31, 2009	$ 621,154	$ 69	$ 483,227	$ 149,582	$ (12,205)	$ (15)	$ 496
Comprehensive income (1)	54,009			65,966	(11,104)		(853)
Issuance of stock for stock options exercised	6,256	1	6,255				
Stock-based compensation	9,399		9,399				
Issuance of stock under employee stock purchase plan	1,132		1,132				
Minimum tax withholding on restricted stock awards	(601)		(601)				
Capital contribution from noncontrolling interest in a joint venture	1,092						1,092
Balance, September 30, 2010	$ 692,441	$ 70	$ 499,412	$ 215,548	$ (23,309)	$ (15)	$ 735

(1) The allocation of the individual components of comprehensive income attributable to stockholders of Syniverse Holdings, Inc. and the noncontrolling interests is disclosed in the comprehensive income section of this note.

Comprehensive Income

Comprehensive income is comprised of changes in our currency translation adjustment account and net changes in the fair value of our interest rate swap. Comprehensive income, net of taxes, for the three and nine months ended September 30, 2010 and 2009 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	$ 22,985	$ 17,572	$ 65,050	$ 50,082
Foreign currency translation adjustments (1)	12,584	5,053	(12,061)	8,636
Net change in fair value of interest rate swap (2)	358	73	1,020	414
Comprehensive income	$ 35,927	$ 22,698	$ 54,009	$ 59,132

(1) Foreign currency translation adjustments are shown net of tax (expense) benefit of $(1,208) and $1,091 for the three months ended September 30, 2010 and 2009, respectively, and net of tax benefit of $1,705 and $968 for the nine months ended September 30, 2010 and 2009, respectively.

(2) The change in fair value of the interest rate swap is shown net of tax benefit of $228 and $47 for the three months ended September 30, 2010 and 2009, respectively, and net of tax benefit of $650 and $190 for the nine months ended September 30, 2010 and 2009, respectively.

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The following table summarizes the allocation of total comprehensive income between stockholders of Syniverse, Inc. and the noncontrolling interest:

	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Stockholders of Syniverse Holdings, Inc.	Noncontrolling Interest	Total	Stockholders of Syniverse Holdings, Inc.	Noncontrolling Interest	Total
Net income (loss)	$ 23,342	$ (357)	$ 22,985	$ 65,966	$ (916)	$ 65,050
Foreign currency translation adjustments	12,522	62	12,584	(12,124)	63	(12,061)
Net change in fair value of interest rate swap	358		358	1,020		1,020
Comprehensive income (loss)	$ 36,222	$ (295)	$ 35,927	$ 54,862	$ (853)	$ 54,009

	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	Stockholders of Syniverse Holdings, Inc.	Noncontrolling Interest	Total	Stockholders of Syniverse Holdings, Inc.	Noncontrolling Interest	Total
Net income (loss)	$ 17,744	$ (172)	$ 17,572	$ 50,307	$ (225)	$ 50,082
Foreign currency translation adjustments	5,048	5	5,053	8,570	66	8,636
Net change in fair value of interest rate swap	73		73	414		414
Comprehensive income (loss)	$ 22,865	$ (167)	$ 22,698	$ 59,291	$ (159)	$ 59,132

On July 30, 2010, we and American Stock Transfer and Trust Company, LLC, a New York limited liability company (the Rights Agent) entered into an amendment to the Rights Agreement, dated as of November 16, 2008, by and between the Company and the Rights Agent. The Amendment amends the final expiration date of our preferred share purchase rights issued under the Rights Agreement in connection with the our shareholder rights plan. As a result of the Amendment, the Rights expired and the Rights Agreement and shareholder rights plan terminated effective as of the close of business on July 30, 2010.

7. Stock-Based Compensation

Syniverse has three stock-based compensation plans, the Founders Stock Option Plan for non-employee directors, executives and other key employees of Syniverse, the Directors Stock Option Plan, which provides for grants to independent directors, and the 2006 Amended and Restated Long-Term Equity Incentive Plan, which provides compensation to non-employee directors, executives and other key employees of Syniverse through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), performance awards or any combination of the foregoing.

The impact to our income from operations of recording stock-based compensation for the three and nine months ended September 30, 2010 and 2009 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Cost of operations	$ 136	$ 86	$ 420	$ 192
Sales and marketing	1,208	581	3,380	1,261

General and administrative	2,063	1,606	5,599	3,835
Total stock-based compensation	$ 3,407	$ 2,273	$ 9,399	$ 5,288

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The following table summarizes information about our stock option activity:

Stock Options	Shares
Outstanding at December 31, 2009	2,480,977
Granted	959,980
Exercised	(447,226)
Cancelled or expired	(64,897)
Outstanding at September 30, 2010	2,928,834
Exerciseable at September 30, 2010	1,026,491

Changes in our restricted stock were as follows:

Restricted Stock	Shares
Unvested at December 31, 2009	802,550
Granted	218,330
Vested	(141,016)
Forfeited	(54,770)
Unvested at September 30, 2010	825,094

Activity related to our performance-based restricted stock is as follows:

Performance-Based Restricted Stock	Shares
Unvested at December 31, 2009	133,590
Granted	155,470
Vested	
Forfeited	(2,900)
Unvested at September 30, 2010	286,160

We issued 447,226 and 188,322 shares related to stock option exercises during the nine months ended September 30, 2010 and 2009, respectively. We issued 81,850 and 60,950 shares related to the employee stock purchase plan during the nine months ended September 30, 2010 and 2009, respectively.

8. Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date. During the nine months ended September 30, 2010 and 2009, the effective tax rate was 40.6% and 35.6%, respectively. During the nine months ended September 30, 2009, the income tax provision was adjusted for a tax benefit of approximately $1,443 due to an adjustment for an item believed to be non-deductible in prior periods. The increase in our effective tax rate is attributed to the mix of income from domestic and foreign tax jurisdictions with higher tax rates and certain discrete items.

We, and our eligible subsidiaries, file a consolidated U.S. federal income tax return. All subsidiaries incorporated outside of the U.S. are consolidated for financial reporting purposes, however, they are not eligible to be included in our consolidated U.S. federal income tax return. Separate provisions for income taxes have been recorded for these entities. We intend to reinvest substantially all of the unremitted earnings of our non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for these non-U.S. subsidiaries was recorded in the accompanying consolidated statements of income.

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9. Derivative Instruments and Hedging Activities

On October 6, 2008, we entered into an interest rate swap agreement with a notional amount of $100,000. The purpose of this transaction was to provide a hedge against the effects of changes in interest rates on our U.S.-denominated term loan under our senior credit facility which carries a variable interest rate. The hedge effectively swaps variable rate interest expense based on 1-month LIBOR to a fixed rate interest expense thereby reducing our exposure to interest rate fluctuations. Under the terms of the interest rate swap, we pay a fixed rate of 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin and receive payments from our counterparty based on the 1-month LIBOR over the life of the agreement without an exchange of the underlying principal amount. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense. The effective date of the swap is October 31, 2008 and has matured on October 31, 2010.

We have designated the interest rate swap as a cash flow hedge. The counterparty to this interest rate swap agreement is a major financial institution, and we do not anticipate nonperformance by this counterparty. As of September 30, 2010 and December 31, 2009, the fair value of our interest rate swap (based on Level 2 inputs) is $201 and $1,871, respectively, which is recorded in other accrued liabilities in the consolidated balance sheets and is offset by a corresponding amount in accumulated other comprehensive loss. There was no ineffective portion of the swap during the nine months ended September 30, 2010 and 2009. For the nine months ended September 30, 2010, we recognized other comprehensive gain of $1,020, net of tax.

Net Investment Hedge of a Foreign Operation

We have designated our Euro-denominated debt as a net investment hedge of certain foreign operations. For the nine months ended September 30, 2010 and 2009, $6,413 and $4,420, respectively, of loss related to the revaluation of the debt from Euros to US dollars was included as a component of accumulated other comprehensive loss.

10. Fair Value of Financial Instruments

The accounting standards for fair value require disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies is as follows:

Level 1 Quoted prices for identical assets and liabilities in active markets.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs for the asset or liability.

Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the nine month period ending September 30, 2010.

As of September 30, 2010 and December 31, 2009, we held an interest rate swap that is required to be measured at fair value on a recurring basis. The following tables show the fair value measurement on a recurring basis as of September 30, 2010 and December 31, 2009:

		Fair Value Measurements at Reporting Date Using		
	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				

Interest rate swap	$ (201)	$	$ (201)	$

		Fair Value Measurements at Reporting Date Using		
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				
Interest rate swap	$ (1,871)	$	$ (1,871)	$

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We have elected to use the income approach to value our interest rate swap, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present value amount assuming that participants are motivated, but not compelled to transact.

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reflected in the financial statements at their carrying value, which approximate their fair value due to their short maturity.

The fair value of the 7 3/4% senior subordinated notes due 2013 is based upon quoted market prices in inactive markets for similar instruments (Level 2). The fair value of the Term Note B is based upon quoted market prices in active markets for similar instruments (Level 2). The carrying amounts and fair values of our long-term debt as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Note B	$ 328,547	$ 326,510	$ 337,464	$ 325,653
7 3/4% senior subordinated notes, due 2013	$ 175,000	$ 178,728	$ 175,000	$ 173,915

11. Commitments and Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

12. Segment Information

In January 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments. Prior period information has been realigned to correspond to the new reporting structure.

Our reportable segments as well as the services included in each are as follows:

Roaming Services. Includes wireless data clearing house, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events, financial settlement services, roaming fraud prevention services, interstandard roaming solutions and MDR services for CDMA operators. In addition, roaming services includes signaling and fraud management solutions that enable wireless subscribers from one operator to make and accept telephone calls while roaming on another operator s network. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution between operators.

Messaging Services. Includes translating, routing and delivering SMS, MMS and other message formats across disparate networks for wireless operators and enterprise customers. We accomplish the translating, routing and delivering of messages by mapping a message to a phone number, determining the appropriate operator, routing the message accurately and resolving incompatibility issues among CDMA, Global System for Mobile Communication (GSM) and Voice-over-Internet Protocol (VoIP) providers. Our services can deliver messages domestically and globally to multiple devices and platforms.

Network Services. Includes connecting disparate wireless and fixed line operator networks and enabling access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls through our SS7/C7 hub. SS7/C7 are the telecommunications industry s standard network signaling protocols used by substantially all operators to enable critical telecommunications functions such as number portability, toll-free calling services and caller ID. Network services also includes number portability services used by many wireless operators, including most domestic U.S. operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all wireless operators in Canada and Singapore. In addition, these services include providing our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries). We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers.

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We also present a Corporate and Other category which includes our technology turn-key solutions including operator solutions for number portability readiness, prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers in the Asia Pacific region.

Summarized financial information for our reportable segments for the three and nine months ended September 30, 2010 and 2009, is shown in the following tables:

	For the three months ended September 30, 2010				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	$ 83,752	$ 45,265	$ 34,362	$ 2,225	$ 165,604
Off-Network Database Queries			1,266		1,266
Total segment revenues	83,752	45,265	35,628	2,225	166,870
Operations and support expenses	23,352	23,625	22,462	32,716	102,155
Depreciation and amortization expense	6,553	5,428	3,931	3,180	19,092
Total segment operating expenses	29,905	29,053	26,393	35,896	121,247
Segment operating income (loss)	$ 53,847	$ 16,212	$ 9,235	$ (33,671)	$ 45,623

	For the three months ended September 30, 2009				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	$ 69,066	$ 5,231	$ 36,327	$ 4,486	$ 115,110
Off-Network Database Queries			1,552		1,552
Total segment revenues	69,066	5,231	37,879	4,486	116,662
Operations and support expenses	19,916	3,829	19,362	22,994	66,101
Depreciation and amortization expense	6,351	1,307	4,495	2,432	14,585
Total segment operating expenses	26,267	5,136	23,857	25,426	80,686
Segment operating income (loss)	$ 42,799	$ 95	$ 14,022	$ (20,940)	$ 35,976

	For the nine months ended September 30, 2010				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	$ 222,680	$ 142,013	$ 98,294	$ 8,033	$ 471,020
Off-Network Database Queries			3,671		3,671
Total segment revenues	222,680	142,013	101,965	8,033	474,691
Operations and support expenses	64,037	71,077	61,611	94,276	291,001
Depreciation and amortization expense	19,661	15,870	12,136	8,709	56,376

Total segment operating expenses	83,698	86,947	73,747	102,985	347,377
Segment operating income (loss)	$ 138,982	$ 55,066	$ 28,218	$ (94,952)	$ 127,314

	For the nine months ended September 30, 2009				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	$ 192,475	$ 22,597	$ 105,332	$ 14,163	$ 334,567
Off-Network Database Queries			4,497		4,497
Total segment revenues	192,475	22,597	109,829	14,163	339,064
Operations and support expenses	57,599	12,749	57,633	70,508	198,489
Depreciation and amortization expense	18,499	2,639	13,982	7,086	42,206
Total segment operating expenses	76,098	15,388	71,615	77,594	240,695
Segment operating income (loss)	$ 116,377	$ 7,209	$ 38,214	$ (63,431)	$ 98,369

Revenues by geographic region, based on the bill to location on the invoice, were as follows:

	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
North America	$ 131,537	$ 81,527	$ 372,899	$ 241,467
Asia Pacific	9,293	9,447	28,184	28,317
Caribbean and Latin America	9,418	8,391	28,879	24,049
Europe, Middle East and Africa	15,356	15,745	41,058	40,734
Off-Network Database Queries (i)	1,266	1,552	3,671	4,497
Total Revenues	$ 166,870	$ 116,662	$ 474,691	$ 339,064

(i) Off-Network Database Queries are not allocated to geograghic regions.

For the three months ended September 30, 2010 and 2009, we derived 72.9% and 64.8%, respectively, of our revenues from customers in the United States. For the nine months ended September 30, 2010 and 2009, we derived 72.3% and 66.3%, respectively, of our revenues from customers in the United States.

13. Restructurings

In December 2009, we completed a restructuring plan to reduce our workforce in Asia Pacific to better align our operating costs to the economic environment and eliminated certain redundant positions in Europe and North America. As a result of this plan, we incurred severance related costs of $2,583. We do not allocate restructuring charges to our reportable segments. Through September 30, 2010, we have paid $2,351 related to this plan, which includes the $538 paid through December 31, 2009. We expect to pay the remainder of these benefits in 2010.

For the nine months ended September 30, 2010, we had the following activity in our restructuring accruals:

	December 31, 2009 Balance	Additions	Payments	Reductions	September 30, 2010 Balance
December 2009 Restructuring Termination costs	$ 2,045	$	$ (1,813)	$	$ 232
Total	$ 2,045	$	$ (1,813)	$	$ 232

14. Subsequent Event

On October 28, 2010, we entered into a definitive agreement to be acquired by an affiliate of The Carlyle Group (Carlyle), a global alternative asset manager, for approximately $2.6 billion. Our Board of Directors unanimously approved the transaction, which is subject to customary closing conditions, including approval of the stockholders and various regulatory organizations, but is not subject to any financing conditions. Carlyle will acquire all of the outstanding common shares of Syniverse for $31.00 per share in cash. The transaction is expected to close in the first quarter of 2011.

A special meeting of Syniverse s stockholders will be held after the preparation and filing of a proxy statement with the Securities and Exchange Commission and subsequent mailing to shareholders. Upon completion of the acquisition, Syniverse will become a private company, wholly owned by Carlyle.

15. Supplemental Consolidating Financial Information

Syniverse Technologies, Inc. s (Syniverse) payment obligations under the senior subordinated notes are guaranteed by Syniverse Holdings, Inc. (Syniverse Inc.) and all domestic subsidiaries of Syniverse Holdings, Inc. including Highwoods Corporation, Syniverse ICX and Syniverse Brience (collectively, the Guarantors). The results of Syniverse Technologies BV and Syniverse Holdings Limited are included as non-guarantors. Such guarantees are full, unconditional and joint and several. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of income, and statements of cash flows information for Syniverse Holdings, Inc., the Guarantors and the non-guarantor subsidiaries. The supplemental financial information reflects the investment of Syniverse Holdings, Inc. and Syniverse Technologies, Inc. using the equity method of accounting.

As of December 31, 2009, we revised the presentation of the previously reported supplemental consolidating guarantor and non-guarantor subsidiaries balance sheets, statements of income and statements of cash flows for all prior periods. We identified certain domestic guarantors that were not previously reported as subsidiary guarantors. This change in classification had no effect on the audited consolidated balance sheets, statements of income or statements of cash flows. All prior periods have been corrected for comparative presentation.

In addition, during the quarter ended June 30, 2010, certain of our subsidiaries underwent legal entity ownership changes within the consolidated Syniverse group. As a result, Perfect Profits International Limited, previously reported as a non-guarantor, is included as a subsidiary guarantor. All prior periods have been adjusted to include Perfect Profits International Limited within the subsidiary guarantor results for comparative presentation.

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CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF SEPTEMBER 30, 2010

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash	$ 44	$ 124,426	$ 19,273	$ 9,774	$	$ 153,517
Accounts receivable, net of allowances		95,669	48,998	5,726		150,393
Accounts receivable - affiliates	20,886		67,438	3,919	(92,243)	
Prepaid and other current assets	31	30,001	12,406	863	(2,989)	40,312
Total current assets	20,961	250,096	148,115	20,282	(95,232)	344,222
Property and equipment, net		51,272	29,004	503		80,779
Capitalized software, net		33,874	31,520	169		65,563
Deferred costs, net		6,103				6,103
Goodwill		363,822	311,534	693		676,049
Identifiable intangibles, net		132,912	79,879			212,791
Other assets		2,191		2,593	(795)	3,989
Investment in subsidiaries	675,882	536,907			(1,212,789)	
Total assets	$ 696,843	$ 1,377,177	$ 600,052	$ 24,240	$ (1,308,816)	$ 1,389,496
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Accounts payable	$	$ 6,704	$ 1,884	$ 276	$	$ 8,864
Accounts payable - affiliates	3,916	61,923	12,442	14,697	(92,978)	
Accrued payroll and related benefits	1,221	12,657	7,814	1,277		22,969
Accrued interest		1,760				1,760
Accrued income taxes			2,989		(2,989)	
Deferred revenues		483	5,620	197		6,300
Other accrued liabilities		17,917	14,712	358		32,987
Current portion of Term Note B		3,387				3,387
Total current liabilities	5,137	104,831	45,461	16,805	(95,967)	76,267
Long-term liabilities:						
Deferred tax liabilities		92,824	16,311		(435)	108,700
7 $^{3}/4$% senior subordinated notes due 2013		175,000				175,000
Term Note B, less current maturities		325,160				325,160
Other long-term liabilities		3,480	8,677	131	(360)	11,928
Total liabilities	5,137	701,295	70,449	16,936	(96,762)	697,055
Stockholders equity:						
Common stock	70		116,651	4,299	(120,950)	70
Additional paid-in capital	499,412	394,992	472,255	2,192	(869,439)	499,412

Retained earnings	215,548	273,445	(33,479)	2,213	(242,179)	215,548
Accumulated other comprehensive (loss) income	(23,309)	6,725	(25,824)	(1,400)	20,499	(23,309)
Common stock held in treasury, at cost	(15)	(15)			15	(15)
Total Syniverse Holdings, Inc. stockholders equity	691,706	675,147	529,603	7,304	(1,212,054)	691,706
Noncontrolling interest		735				735
Total equity	691,706	675,882	529,603	7,304	(1,212,054)	692,441
Total liabilities and stockholders equity	$ 696,843	$ 1,377,177	$ 600,052	$ 24,240	$ (1,308,816)	$ 1,389,496

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2010

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 108,437	$ 53,440	$ 4,993	$	$ 166,870
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	136	37,397	23,596	810		61,939
Sales and marketing	950	5,859	5,767	2,656		15,232
General and administrative	(1,436)	19,456	4,267	2,697		24,984
Depreciation and amortization		10,745	8,337	10		19,092
	(350)	73,457	41,967	6,173		121,247
Operating income (loss)	350	34,980	11,473	(1,180)		45,623
Other income (expense), net:						
Income from equity investment	22,776	7,686			(30,462)	
Interest income		764	19		(761)	22
Interest expense		(6,930)	(761)		761	(6,930)
Other, net		1,422	1,034	(586)		1,870
	22,776	2,942	292	(586)	(30,462)	(5,038)
Income (loss) before provision for income taxes	23,126	37,922	11,765	(1,766)	(30,462)	40,585
Provision (benefit) for income taxes	141	15,146	2,922	(609)		17,600
Net income (loss)	22,985	22,776	8,843	(1,157)	(30,462)	22,985
Net loss attributable to noncontrolling interest		357				357
Net income (loss) attributable to Syniverse Holdings, Inc.	$ 22,985	$ 23,133	$ 8,843	$ (1,157)	$ (30,462)	$ 23,342

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2010

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 296,364	$ 165,496	$ 12,831	$	$ 474,691
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	420	103,236	71,877	2,555		178,088
Sales and marketing	2,653	17,108	14,562	7,217		41,540
General and administrative	1,427	50,683	14,990	4,273		71,373
Depreciation and amortization		32,782	23,569	25		56,376
	4,500	203,809	124,998	14,070		347,377
Operating income (loss)	(4,500)	92,555	40,498	(1,239)		127,314
Other income (expense), net:						
Income from equity investment	67,761	24,728			(92,489)	
Interest income		778	53	4	(761)	74
Interest expense		(20,585)	(761)	(1)	761	(20,586)
Other, net		1,175	1,232	267		2,674
	67,761	6,096	524	270	(92,489)	(17,838)
Income (loss) before provision for income taxes	63,261	98,651	41,022	(969)	(92,489)	109,476
Provision (benefit) for income taxes	(1,789)	30,890	15,434	(109)		44,426
Net income (loss)	65,050	67,761	25,588	(860)	(92,489)	65,050
Net loss attributable to noncontrolling interest		916				916
Net income (loss) attributable to Syniverse Holdings, Inc.	$ 65,050	$ 68,677	$ 25,588	$ (860)	$ (92,489)	$ 65,966

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2010

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities						
Net income (loss)	$ 65,050	$ 67,761	$ 25,588	$ (860)	$ (92,489)	$ 65,050
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization including amortization of deferred debt issuance costs		34,067	23,569	25		57,661
Provision for uncollectible accounts		(53)	413	258		618
Deferred income tax expense		22,484				22,484
Income from equity investment	(67,761)	(24,728)			92,489	
Stock-based compensation	9,399					9,399
Other, net		(64)	7			(57)
Changes in operating assets and liabilities, net of acquisition:						
Accounts receivable		(34,714)	9,513	93		(25,108)
Prepaids and other current assets		(15,582)	(3,923)	171		(19,334)
Accounts payable	752	10,860	2,115	576		14,303
Transition services payable			(16,609)			(16,609)
Other current liabilities	(14,227)	28,860	(19,121)	1,656		(2,832)
Other assets and liabilities		(527)	1,550	(144)		879
Net cash provided by (used in) operating activities	(6,787)	88,364	23,102	1,775		106,454
Cash flows from investing activities						
Capital expenditures		(21,726)	(21,797)	(157)		(43,680)
Acquisition, net of acquired cash		(497)				(497)
Net cash used in investing activities		(22,223)	(21,797)	(157)		(44,177)
Cash flows from financing activities						
Principal Payments on senior credit facility		(2,500)				(2,500)
Issuance of stock under employee stock purchase plan	1,132					1,132
Issuance of stock for stock options exercised	6,256					6,256
Minimum tax withholding on restricted stock awards	(601)					(601)
Capital contribution from noncontrolling interest in a joint venture		1,092				1,092
Net cash provided by (used in) financing activities	6,787	(1,408)				5,379
Effect of exchange rate changes on cash		63	(6,843)	707		(6,073)
Net increase (decrease) in cash		64,796	(5,538)	2,325		61,583
Cash at beginning of period	44	59,630	24,811	7,449		91,934

Cash at end of period	$ 44	$ 124,426	$ 19,273	$ 9,774	$	$ 153,517

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CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2009

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash	$ 44	$ 59,630	$ 24,811	$ 7,449	$	$ 91,934
Accounts receivable, net of allowances		60,902	59,122	6,103		126,127
Accounts receivable - affiliates	7,626		72,940	934	(81,500)	
Prepaid and other current assets	31	12,674	8,312	998	(1,202)	20,813
Total current assets	7,701	133,206	165,185	15,484	(82,702)	238,874
Property and equipment, net		48,022	15,923	370		64,315
Capitalized software, net		38,977	36,174	98		75,249
Deferred costs, net		7,388				7,388
Goodwill		363,822	321,189	699		685,710
Identifiable intangibles, net		142,051	92,887			234,938
Other assets		2,984		2,472	(2,206)	3,250
Investment in subsidiaries	613,727	554,725			(1,168,452)	
Total assets	$ 621,428	$ 1,291,175	$ 631,358	$ 19,123	$ (1,253,360)	$ 1,309,724
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Accounts payable	$	$ 5,445	$ 2,527	$ 48	$	$ 8,020
Accounts payable - affiliates	301	62,488	11,993	8,760	(83,542)	
Transition services payable			16,609			16,609
Accrued payroll and related benefits	469	3,056	5,012	1,295		9,832
Accrued interest		5,150				5,150
Accrued income taxes			2,669	1	(1,202)	1,468
Deferred revenues		1,196	4,885	116		6,197
Other accrued liabilities		15,143	16,040	859		32,042
Current portion of Term Note B		3,452				3,452
Total current liabilities	770	95,930	59,735	11,079	(84,744)	82,770
Long-term liabilities:						
Deferred tax liabilities		70,338	17,206		(290)	87,254
7 3/4% senior subordinated notes due 2013		175,000				175,000
Term Note B, less current maturities		334,012				334,012
Other long-term liabilities		2,168	7,487	249	(370)	9,534
Total liabilities	770	677,448	84,428	11,328	(85,404)	688,570
Stockholders equity:						
Common stock	69		116,651	2,110	(118,761)	69
Additional paid-in capital	483,227	475,869	516,130	2,192	(994,191)	483,227
Retained earnings	149,582	149,582	(72,581)	3,138	(80,139)	149,582
Accumulated other comprehensive (loss) income	(12,205)	(12,205)	(13,270)	355	25,120	(12,205)
Common stock held in treasury, at cost	(15)	(15)			15	(15)

Total Syniverse Holdings Inc. stockholders equity	620,658	613,231	546,930	7,795	(1,167,956)	620,658
Noncontrolling interest		496				496
Total equity	620,658	613,727	546,930	7,795	(1,167,956)	621,154
Total liabilities and stockholders equity	$ 621,428	$ 1,291,175	$ 631,358	$ 19,123	$ (1,253,360)	$ 1,309,724

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2009

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 94,279	$ 16,659	$ 5,724	$	$ 116,662
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	85	33,555	6,521	1,165		41,326
Sales and marketing	581	5,770	847	1,591		8,789
General and administrative	1,606	5,149	3,596	5,635		15,986
Depreciation and amortization		11,307	3,271	7		14,585
	2,272	55,781	14,235	8,398		80,686
Operating income (loss)	(2,272)	38,498	2,424	(2,674)		35,976
Other income (expense), net:						
Income from equity investment	18,985	31,512			(50,497)	
Interest income		15	15	3		33
Interest expense		(7,059)				(7,059)
Other, net		25	(30)	(35)		(40)
	18,985	24,493	(15)	(32)	(50,497)	(7,066)
Income (loss) before provision for income taxes	16,713	62,991	2,409	(2,706)	(50,497)	28,910
Provision (benefit) for income taxes	(859)	44,006	(32,159)	350		11,338
Net income	17,572	18,985	34,568	(3,056)	(50,497)	17,572
Net loss attributable to noncontrolling interest		172				172
Net income (loss) attributable to Syniverse Holdings, Inc.	$ 17,572	$ 19,157	$ 34,568	$ (3,056)	$ (50,497)	$ 17,744

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2009

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 278,738	$ 47,098	$ 13,228	$	$ 339,064
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	192	101,258	17,995	2,743		122,188
Sales and marketing	1,261	15,756	4,165	5,130		26,312
General and administrative	3,834	29,854	10,994	5,307		49,989
Depreciation and amortization		32,435	9,719	52		42,206
	5,287	179,303	42,873	13,232		240,695
Operating income (loss)	(5,287)	99,435	4,225	(4)		98,369
Other income (expense), net:						
Income from equity investment	53,420	38,903			(92,323)	
Interest income		96	118	60		274
Interest expense		(21,910)				(21,910)
Other, net		61	140	893		1,094
	53,420	17,150	258	953	(92,323)	(20,542)
Income before provision for income taxes	48,133	116,585	4,483	949	(92,323)	77,827
Provision (benefit) for income taxes	(1,949)	63,165	(33,990)	519		27,745
Net income	50,082	53,420	38,473	430	(92,323)	50,082
Net loss attributable to noncontrolling interest		225				225
Net income attributable to Syniverse Holdings, Inc.	$ 50,082	$ 53,645	$ 38,473	$ 430	$ (92,323)	$ 50,307

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2009

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities						
Net income	$ 50,082	$ 53,420	$ 38,473	$ 430	$ (92,323)	$ 50,082
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization including amortization of deferred debt issuance costs		39,070	4,376	53		43,499
Provision for (recovery of) uncollectible accounts		617	(26)			591
Deferred income tax expense		15,826				15,826
Income from equity investment	(53,420)	(38,903)			92,323	
Stock-based compensation	5,288					5,288
Other, net		68	(2)	10		76
Changes in operating assets and liabilities, net of acquisition:						
Accounts receivable		(4,026)	4,957	(3,470)		(2,539)
Prepaids and other current assets		21,827	(27,822)	(86)		(6,081)
Accounts payable		(15,271)	(4,259)	5,052		(14,478)
Other current liabilities	(1,950)	(9,182)	(908)	(99)		(12,139)
Other long-term assets and liabilities	(2,706)	4,069	1,468	120		2,951
Net cash provided by (used in) operating activities	(2,706)	67,515	16,257	2,010		83,076
Cash flows from investing activities						
Capital expenditures		(25,913)	(1,079)	(35)		(27,027)
Acquisition, net of acquired cash		(3,099)				(3,099)
Net cash used in investing activities		(29,012)	(1,079)	(35)		(30,126)
Cash flows from financing activities						
Principal payments on senior credit facility		(2,580)				(2,580)
Principal payments on Highwood s note		25,626	(25,626)			
Issuances of stock under employee stock purchase plan	415					415
Issuance of stock for stock options exercised	2,586					2,586
Minimum tax withholding on restricted stock awards	(295)					(295)
Capital contribution from noncontrolling interest in a joint venture		981				981
Net cash provided by (used in) financing activities	2,706	24,027	(25,626)			1,107
Effect of exchange rate changes on cash		104	(6,621)	3,052		(3,465)
Net increase in cash		62,634	(17,069)	5,027		50,592
Cash at beginning of period	44	118,914	40,136	6,511		165,605

Cash at end of period	$	44	$	181,548	$	23,067	$	11,538	$	$	216,197

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ITEM 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

We have made 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 (the Exchange Act), in this report. The words believes, anticipates, plans, expects, intends, estimates, seeks, may and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance and achievements, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

- expectations of growth of the global wireless telecommunications industry, including increases in wireless subscribers, wireless usage, roaming, mobile data, number portability and messaging;
- increases in demand for our services due to growth of the global wireless telecommunications industry, greater technology complexity and the introduction of new and incompatible wireless technologies;
- the effect of changing economic conditions on our business including our 2010 revenue and net income;
- the sufficiency of our cash on hand, cash available from operations and cash available from our revolving line of credit to fund our operations, debt service and capital expenditures;
- the failure to adapt to rapid technological changes in the telecommunications industry;
- the impact of intense competition in our market for services, including the possible reduction in the price of our services;
- the inability to develop and maintain relationships with material vendors;
- the difficulties of successfully integrating our operations with the VM3 Business operations;
- the impact of new products;
- uncertain results from our continued expansion into international markets;
- our stock price volatility and volatility in the market generally;
- changes in accounting policies and procedures;

customer migrations from our services to in-house solutions;

changes to regulations affecting our customers and us and future regulations to which they or we may become subject may harm our business, including domestic and international tax law changes;

fluctuations in currency exchange rates; and

other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (the SEC).

Although we presently believe that the plans, expectations and results expressed in or suggested by the forward-looking statements are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included under the caption Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this report. This management s discussion and analysis should also be read in conjunction with the management s discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 as updated by our Quarterly Reports on Form 10-Q.

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Business

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served as one of the wireless industry s operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our roaming, messaging and network services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including wireless voice and data roaming, SMS and MMS, number portability and value-added roaming services.

Demand for our services is driven primarily by wireless voice and data traffic, subscriber roaming activity, SMS and MMS messaging, number porting and next generation IP applications. The global wireless telecommunications industry is expected to grow due to continued subscriber growth, increased usage and deployment of new services. In addition, subscriber adoption of new wireless technologies and services can also drive demand for our services due to the resulting increase in interoperability complexities. The global wireless industry relies on an extensive and complex set of communication standards, technical protocols, network interfaces and systems that must successfully communicate with one another in order to provide voice and data services to subscribers in their local markets and when roaming. The proliferation of these standards has resulted in technological incompatibilities, which are increasingly difficult to manage as new wireless technologies and services are introduced and deployed. We believe that as wireless usage expands and complexity continues to increase, the demand for our services will grow.

We have developed a broad set of innovative interoperability solutions in response to the evolving needs of our customers. In addition, on October 23, 2009, we completed the acquisition of the messaging business of VeriSign, Inc. (VeriSign or VM3). Through the acquisition of VM3, we have expanded our messaging operations to achieve the solution s scale, reach and capabilities needed to provide mobile operators with new service offerings to meet customers growing need for messaging services. Through our integrated suite of services, we enable customers to provide their subscribers with enhanced services including:

- national and international wireless voice and data roaming;
- messaging services, including SMS and MMS, across incompatible standards and protocols;
- intelligent network services such as wireless number portability and advanced IP service offerings; and
- value-added roaming services.

Our service platforms also enable operators to rapidly and cost-effectively deploy next-generation wireless services including enhanced wireless data, wireless, VoIP and value-added roaming services.

We provide our services to approximately 700 telecommunications operators and to over 100 enterprise customers in approximately 160 countries. Our customers include wireless operators, telecommunications providers, internet service providers and social networking portals, cable companies and other non-traditional enterprise clients. We believe that maintaining strong relationships with our customers is one of our core competencies and that maintaining these relationships is critical to our success.

Services

We provide an integrated suite of services to our customers to meet their evolving technology requirements. In January 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments for the three and nine months ended September 30, 2010 and 2009, respectively.

Our reportable segments as well as the services included in each are as follows:

Roaming Services. We operate one of the largest wireless data clearing houses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. We also provide financial settlement services, roaming fraud prevention services, interstandard roaming solutions and MDR services for CDMA operators. In addition, we provide wireless operators with signaling and fraud management solutions that enable wireless subscribers from one operator to make and accept telephone calls while roaming on another operator s network. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution between operators.

Messaging Services. Our messaging services reliably translate, route and deliver SMS, MMS and other message formats across disparate networks for wireless operators and enterprise customers. We accomplish the translating, routing and delivering of messages by mapping a message to a phone number, determining the appropriate operator, routing the message accurately and resolving incompatibility issues among CDMA, GSM and VoIP providers. Our services can deliver messages domestically and globally to multiple devices and platforms. The messaging services segment captures the services acquired with the VM3 acquisition including Inter-Carrier Gateway, PictureMail, Premium Messaging Gateway and Mobile Enterprise Solutions (MES).

Network Services. We connect disparate wireless and fixed line operator networks and enable access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls through our SS7/C7 hub. SS7/C7 are the telecommunications industry s standard network signaling protocols used by substantially all operators to enable critical telecommunications functions such as number portability, toll-free calling services and caller ID. We have recently introduced IPX as a new product which enables operators to interconnect IP services between operators for multiple types of traffic across a single network. Our leading number portability services are used by many wireless operators, including most U.S. operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all wireless operators in Canada and Singapore. In addition, we provide our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries)**.** We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers.

We also present a Corporate and Other category which includes our technology turn-key solutions including operator solutions for number portability readiness, prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers in the Asia Pacific region.

Executive Overview

Third Quarter Financial Highlights

For the three months ended September 30, 2010, total revenue increased $50.2 million, or 43.0%, to $166.9 million from $116.7 million for the same period in 2009. Net income increased $5.4 million, or 30.8%, to $23.0 million for the three months ended September 30, 2010 from $17.6 million for the same period in 2009. Diluted earnings per share was $0.33 and $0.26 for the three months ended September 30, 2010 and 2009, respectively.

Roaming services revenues increased $14.7 million, or 21.3%, to $83.8 million for the three months ended September 30, 2010 from $69.1 million for the same period in 2009. The revenue increase was primarily due to volume growth driven by our data clearing house, primarily our CDMA data clearing house product, and MDR. Volume growth in our data clearing house continues to be predominantly generated by data sessions and SMS, partially offset by declines in voice sessions.

Messaging services revenues increased $40.0 million, or 765.3%, to $45.2 million for the three months ended September 30, 2010 from $5.2 million for the same period in 2009. The increase in revenues is primarily a result of $39.0 million in messaging revenues associated with our acquisition of the messaging business from VeriSign, Inc. in the fourth quarter of 2009.

Network services revenues decreased $2.3 million, or 5.9%, to $35.6 million for the three months ended September 30, 2010 from $37.9 million for the same period in 2009. The decrease is primarily due to the loss of a certain customer from our SS7 solutions offset by increased porting volumes in number portability.

Other services revenues decreased $2.3 million, or 50.4% to $2.2 million for the three months ended September 30, 2010 from $4.5 million for the same period in 2009. Our technology turnkey solutions offering has experienced lower sales due to timing of and reduced capital expenditures by operators in the Asia Pacific region.

Business Developments

Proposed merger with an affiliate of The Carlyle Group

On October 28, 2010, we entered into a definitive agreement to be acquired by an affiliate of The Carlyle Group (Carlyle), a global alternative asset manager, for approximately $2.6 billion. Our Board of Directors unanimously approved the transaction, which is subject to customary closing conditions, including approval of the stockholders and various regulatory organizations, but is not subject to any financing conditions. Carlyle will acquire all of the outstanding common shares of Syniverse for $31.00 per share in cash. The transaction is expected to close in the first quarter of 2011.

A special meeting of Syniverse s stockholders will be held after the preparation and filing of a proxy statement with the Securities and Exchange Commission and subsequent mailing to shareholders. Upon completion of the acquisition, Syniverse will become a private company, wholly owned by Carlyle.

India Number Portability Services

In February 2009, we entered into a joint venture agreement to implement number portability services in India. This joint venture was awarded the license for Zone 1, which includes the service areas of Delhi, Mumbai and nine other areas. We expect to provide India s telecommunications operators with number portability clearing house and centralized database solutions until March 2019. The service offering is dependent on operator readiness and regulatory confirmation of the implementation timeline.

Several times since February 2009, the Indian telecommunications regulatory authority has announced uncertainty in the implementation timeline. In general, India mobile operators continue to be delayed in their readiness efforts. However, our readiness efforts are complete. The regulatory authority is continuing to monitor the operator readiness and in its most recent statement indicated the expectation of the number portability launch date will be phased in commencing in the fourth quarter of 2010.

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Revenues

Most of our revenues are transaction-based charges under long-term contracts, typically with terms averaging three years in duration. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services on a month to month billing schedule under the terms of the expired contract as we negotiate new agreements or renewals. Most of the services and solutions we offer to our customers are based on applications, network connectivity and technology platforms owned and operated by us. We generate our revenues through the sale of our roaming, messaging, network and other services to telecommunications operators and enterprise customers throughout the world. Generally, there is a slight increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. In addition, our messaging services revenues generally grow sequentially through the calendar year with volumes peaking in the fourth quarter holiday seasons.

Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, subscriber habits, and volume and pricing trends, with few of these factors known in advance. From time to time, specific events such as customer contract renewals at different terms, a customer contract termination, a customer s decision to change technologies or to provide solutions in-house, or a consolidation of operators will be known to us and then we can estimate their impact on our revenues.

Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative and depreciation and amortization.

Cost of operations includes data processing costs, network costs, revenue share service provider arrangements, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges.

Sales and marketing includes personnel costs, advertising costs, trade show costs and relationship marketing costs.

General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to these functions. Our research and development expenses, which are primarily personnel, relate to technology creation, enhancement and maintenance of new and existing services.

Depreciation and amortization relate primarily to our property and equipment including our SS7 network, computer equipment, infrastructure facilities related to information management, capitalized software and other intangible assets recorded in purchase accounting.

Consolidated Results of Operations

Comparison of the three and nine months ended September 30, 2010 and 2009

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
	(dollars in thousands, except per share amounts)				(dollars in thousands, except per share amounts)			
Revenue	$ 166,870	$ 116,662	$ 50,208	43.0%	$ 474,691	$ 339,064	$ 135,627	40.0%
Operating income	$ 45,623	$ 35,976	$ 9,647	26.8%	$ 127,314	$ 98,369	$ 28,945	29.4%
Diluted earnings per share	$ 0.33	$ 0.26	0.07	29.0%	$ 0.94	$ 0.73	0.21	28.6%

Revenues increased $50.2 million to $166.9 million for the three months ended September 30, 2010 from $116.7 million for the same period in 2009. Revenues increased $135.6 million to $474.7 million for the nine months ended September 30, 2010 from $339.1 million for the same period in 2009. The increase in revenues was primarily due to transaction volume growth driven by our Roaming and Messaging services including $123.9 million in year-to-date messaging revenues associated with our acquisition of VM3 in the fourth quarter of 2009, of which, $39.0 million was generated in the three months ended September 30, 2010. These increases were offset in part by decreases in Network and Other services.

Expenses

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Cost of operations	$ 61,939	$ 41,326	$ 20,613	49.9%	$ 178,088	$ 122,188	$ 55,900	45.7%
As a % of revenue	37.1%	35.4%		1.7%	37.5%	36.0%		1.5%

Cost of operations increased $20.6 million to $61.9 million for the three months ended September 30, 2010 from $41.3 million for the same period in 2009. Cost of operations increased $55.9 million to $178.1 million for the nine months ended September 30, 2010 from $122.2 million for the same period in 2009. The increase was primarily due to operating costs associated with our acquisition of VM3, which was completed in the fourth quarter of 2009. As a percentage of revenue, cost of operations increased to 37.1% and 37.5% for the three and nine months ended September 30, 2010 from 35.4% and 36.0% for the three and nine months ended September 30, 2010 and 2009, respectively, due to the impact of the VM3 acquisition.

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Sales and marketing	$ 15,232	$ 8,789	$ 6,443	73.3%	$ 41,540	$ 26,312	$ 15,228	57.9%
As a % of revenue	9.1%	7.5%		1.6%	8.8%	7.8%		1.0%

Sales and marketing expenses increased $6.4 million to $15.2 million for the three months ended September 30, 2010 from $8.8 million for the same period in 2009. Sales and marketing expenses increased $15.2 million to $41.5 million for the nine months ended September 30, 2010 from $26.3 million for the same period in 2009. The increase was primarily due to expenses associated with our acquisition of VM3, which was completed in the fourth quarter of 2009, and expected higher performance-based compensation and stock-based compensation expenses incurred during the three and nine months ended September 30, 2010 as compared to the same periods in 2009. As a percentage of revenue, sales and marketing expense increased 1.6% and 1.0% for the three and nine months ended September 30, 2010, respectively, due to increases in product management expenses partially driven by the VM3 acquisition and in support of our new line of business structure.

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
General and administrative	$ 24,984	$ 15,986	$ 8,998	56.3%	$ 71,373	$ 49,989	$ 21,384	42.8%
As a % of revenue	15.0%	13.7%		1.3%	15.0%	14.7%		0.3%

General and administrative expenses increased $9.0 million to $25.0 million for the three months ended September 30, 2010 from $16.0 million for the same period in 2009. General and administrative expenses increased $21.4 million to $71.4 million for the nine months ended September 30, 2010 from $50.0 million for the same period in 2009. The increase was primarily due to higher performance-based compensation, stock-based compensation, professional services, travel and expenses associated with our acquisition of VM3, which was completed in the fourth quarter of 2009, including integration costs of $0.8 million and $2.6 million for the three and nine months ended September 30, 2010, respectively. As a percentage of revenue, general and administrative expense increased to 15.0% for the three and nine months ended September 30, 2010, respectively, from 13.7% and 14.7% for the three and nine months ended September 30, 2009.

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Depreciation and amortization	$ 19,092	$ 14,585	$ 4,507	30.9%	$ 56,376	$ 42,206	$ 14,170	33.6%
As a % of revenue	11.4%	12.5%		(1.1)%	11.9%	12.4%		(0.5)%

Depreciation and amortization expenses increased $4.5 million to $19.1 million for the three months ended September 30, 2010 from $14.6 million for the same period in 2009. Depreciation and amortization expenses increased $14.2 million to $56.4 million for the nine months ended

September 30, 2010 from $42.2 million for the same period in 2009. The increase was primarily due to the amortization of intangible assets from our acquisition of VM3.

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Other Income (Expense)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	$ Change	% Change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Interest income	$ 22	$ 33	$ (11)	(33.3)%	$ 74	$ 274	$ (200)	(73.0)%
Interest expense	$ (6,930)	$ (7,059)	$ (129)	(1.8)%	$ (20,586)	$ (21,910)	$ (1,324)	(6.0)%
Other, net	$ 1,870	$ (40)	$ 1,910	(4775.0)%	$ 2,674	$ 1,094	$ 1,580	144.4%

Interest income decreased $0.2 million to $0.1 million for the nine months ended September 30, 2010 from $0.3 million for the same period in 2009. The decrease was due to lower yields earned on outstanding cash balances.

Interest expense decreased $0.1 million to $6.9 million for the three months ended September 30, 2010 from $7.0 million for the same period in 2009. Interest expense decreased $1.3 million to $20.6 for the nine months ended September 30, 2010 from $21.9 million for the same period in 2009. The decrease was primarily due to lower variable interest rates on our Euro denominated senior credit facility.

Other, net increased $1.9 million and $1.6 million for the three and nine months ended September 30, 2010, respectively, from the same periods in 2009. The increase was primarily due to foreign currency transaction gain (loss) on foreign denominated cash balances and intercompany accounts as a result of our global presence and other non-operating income.

Provision for income taxes increased $6.3 million to $17.6 million for the three months ended September 30, 2010 from $11.3 million for the same period in 2009. Provision for income taxes increased $16.7 million to $44.4 million for the nine months ended September 30, 2010 from $27.7 million for the same period in 2009. During the three months ended September 30, 2010 and 2009, the effective tax rate was 43.4% and 39.2%, respectively. During the nine months ended September 30, 2010 and 2009, the effective tax rate was 40.6% and 35.6%, respectively. During the nine months ended September 30, 2010, the income tax provision was adjusted for a tax benefit of approximately $0.6 million due to certain discrete items. Excluding the effect of discrete tax adjustments, the effective tax rate for the nine months ended September 30, 2010 was 40.1%. During the nine months ended September 30, 2009, the income tax provision was adjusted for a tax benefit of approximately $1.4 million due to an adjustment for an item believed to be non-deductible in prior periods. Excluding the effect of discrete tax adjustments, the effective tax rate for the nine months ended September 30, 2009 was 37.8%. The increase in our effective tax rate is attributed to the mix of income from domestic and foreign tax jurisdictions with higher domestic tax rates and certain discrete items.

Segment Results of Operations

Roaming Services

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	$ Change	% Change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Revenue	$ 83,752	$ 69,066	$ 14,686	21.3%	$ 222,680	$ 192,475	$ 30,205	15.7%
Segment operating income	$ 53,847	$ 42,799	$ 11,048	25.8%	$ 138,982	$ 116,377	$ 22,605	19.4%
Segment operating margin %	64.3%	62.0%		2.3%	62.4%	60.5%		1.9%

Roaming services revenues increased $14.7 million, or 21.3%, to $83.8 million for the three months ended September 30, 2010 from $69.1 million for the same period in 2009. Roaming services revenues increased $30.2 million, or 15.7%, to $222.7 million for the nine months ended September 30, 2010 from $192.5 million for the same period in 2009. The revenue increase was primarily due to volume growth driven by our data clearing house, primarily our CDMA data clearing house product, and MDR. Volume growth in our data clearing house continues to be predominantly generated by data sessions and SMS partially offset by declines in voice sessions.

Segment operating income increased $11.0 million to $53.8 million for the three months ended September 30, 2010 from $42.8 million for the same period in 2009. The increase is driven by higher revenue offset by increases in operations and support expenses of $3.4 million primarily for performance-based and stock-based compensation and depreciation and amortization of $0.2 million. Segment operating income increased $22.6 million to $139.0 million for the nine months ended September 30, 2010 from $116.4 million for the same period in 2009. The increase is driven by higher revenue offset by increases in operations and support expenses of $6.4 million primarily for performance-based and stock-based compensation; software licenses and maintenance costs to support higher volumes; and depreciation and amortization of $1.2 million.

Segment operating margins within the Roaming segment increased 2.3 percentage points and 1.9 percentage points during the three and nine months ended September 30, 2010, respectively, from the same period in 2009. The increase is a result of higher revenues in excess of operations costs due to the fixed nature of our cost of operations.

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Messaging Services

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Revenue	$ 45,265	$ 5,231	$ 40,034	765.3%	$ 142,013	$ 22,597	$ 119,416	528.5%
Segment operating income	$ 16,212	$ 95	$ 16,117	16965.3%	$ 55,066	$ 7,209	$ 47,857	663.8%
Segment operating margin %	35.8%	1.8%		34.0%	38.8%	31.9%		6.9%

Messaging services revenues increased $40.0 million, or 765.3%, to $45.2 million for the three months ended September 30, 2010 from $5.2 million for the same period in 2009. Messaging services revenues increased $119.4 million or 528.5%, to $142.0 million for the nine months ended September 30, 2010 from $22.6 million for the same period in 2009. The increase in revenues is primarily a result of $123.9 million in year-to-date messaging revenues associated with our acquisition of VM3 in the fourth quarter of 2009, of which $39.0 million was generated in the three months ended September 30, 2010.

Segment operating income increased $16.1 million to $16.2 million for the three months ended September 30, 2010 from $0.1 million for the same period in 2009. Segment operating income increased $47.9 million to $55.1 million for the nine months ended September 30, 2010 from $7.2 million for the same period in 2009. The increase is primarily driven by our acquisition of VM3 in the fourth quarter of 2009.

Segment operating margins within the Messaging segment increased 34.0 percentage points during the three months ended September 30, 2010 from the same period in 2009. The increase is driven primarily by the impact of the acquisition offset by the loss of a customer in 2009. Segment operating margins within the Messaging segment increased 6.9 percentage points during the nine months ended September 30, 2010 from the same period in 2009. The increase is a result of higher volumes, partially offset by the impact of the VM3 acquisition.

Network Services

	Three Months Ended September 30, 2010	2009	$ Change	% Change	Nine Months Ended September 30, 2010	2009	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Revenue	$ 35,628	$ 37,879	$ (2,251)	(5.9)%	$ 101,965	$ 109,829	$ (7,864)	(7.2)%
Segment operating income	$ 9,235	$ 14,022	$ (4,787)	(34.1)%	$ 28,218	$ 38,214	$ (9,996)	(26.2)%
Segment operating margin %	25.9%	37.0%		(11.1)%	27.7%	34.8%		(7.1)%

Network services revenues decreased $2.3 million, or 5.9%, to $35.6 million for the three months ended September 30, 2010 from $37.9 million for the same period in 2009. Network services revenues decreased $7.9 million to $101.9 for the nine months ended September 30, 2010 from $109.8 million for the same period in 2009. The decrease is primarily due to the loss of a certain customer from our SS7 solutions offset by increased volumes in our number portability products.

Segment operating income decreased $4.8 million to $9.2 million for the three months ended September 30, 2010 from $14.0 million for the same period in 2009 and decreased $10.0 million to $28.2 million for the nine months ended September 30, 2010 from $38.2 million for the same period in 2009. The decrease was driven by the decline in revenue combined with increased costs associated with the expansion of our network infrastructure.

Segment operating margins within the Network services segment decreased 11.1 percentage points and 7.1 percentage points during the three and nine months ended September 30, 2010, respectively, from the same period in 2009 due to the fixed nature of our cost of operations.

Liquidity and Capital Resources

Cash Flow Information

Cash and cash equivalents were $153.5 million at September 30, 2010 as compared to $91.9 million at December 31, 2009. The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).

	Nine Months Ended September 30,	
	2010	2009
Net cash provided by operating activities	$ 106,454	$ 83,076
Net cash used in investing activities	(44,177)	(30,126)
Net cash provided by financing activities	5,379	1,107
Effect of exchange rate changes on cash	(6,073)	(3,465)
Net increase in cash	$ 61,583	$ 50,592

Net cash provided by operating activities increased $23.4 million to $106.5 million for the nine months ended September 30, 2010 from $83.1 million for the same period in 2009. The increase was due to higher net income adjusted for non-cash items, partially offset by the timing of working capital items. Net income adjusted for non-cash items increased $39.8 million, as a result of the factors discussed under the *Results of Operations* section. Cash used for working capital was driven by higher accounts receivables and prepaid and other current assets largely associated with the acquisition of VM3 combined with a $16.6 million payment for transition services payable to VeriSign, Inc. under the transition services agreement entered into as a part of the VM3 acquisition which was an obligation as of December 31, 2009.

Net cash used in investing activities was $44.2 million for the nine months ended September 30, 2010, which includes $43.7 million for capital expenditures and $0.5 million for the final working capital adjustment for the acquisition of VM3. Capital expenditures related to investments in internal infrastructure, including capacity increases and messaging integration as well as capitalized software for new products and services. Net cash used in investing activities was $30.1 million for the nine months ended September 30, 2009, which includes $27.0 million for capital expenditures and $3.1 million for the acquisition of Wireless Solutions International in May 2009. Capital expenditures primarily related to investment in our internal infrastructure, including IPX and network infrastructure to support capacity growth for customers, upgrading our business continuity and disaster recovery platform and capitalized software for new products and services.

Net cash provided by financing activities was $5.4 million for the nine months ended September 30, 2010, which includes $2.5 million of principal payments on our senior credit facility offset by $6.3 million of stock issued for stock option exercises, $1.1 million of stock issued under the employee share purchase program and $1.1 million in capital contributions received from partners holding a noncontrolling interest in a joint venture. Net cash used in financing activities was $1.1 million for the nine months ended September 30, 2009, which includes $2.6 million of principal payments on our senior credit facility offset by $2.6 million of stock issued for stock option exercises and the $1.0 million in capital contributions from the noncontrolling interest in a joint venture.

On October 6, 2008, we entered into an interest rate swap agreement to hedge $100.0 million of our U.S.-denominated term loan under our senior credit facility. The hedge effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. The effective date of the swap is October 31, 2008 and has matured on October 31, 2010. The fixed rate is 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin.

We believe that, based upon cash on hand, projected operating cash flow and the availability of funds from our revolving line of credit, we have sufficient liquidity to meet currently anticipated growth plans, including short and long-term capital expenditures and working capital requirements. In addition, we believe that this liquidity is sufficient to fund our debt repayment obligations. We plan to repay or refinance existing long-term debt by its maturity. We may desire to obtain additional long-term financing for other purposes, including future acquisitions. If we decide to engage in one or more additional acquisitions, depending on the size and timing of such transactions, we may need supplemental funding. Historically, we have been successful in obtaining financing, although the marketplace for such investment capital can become restricted depending on a variety of economic factors.

Debt and Credit Facilities

Amended and Restated Senior Credit Facility

On August 9, 2007, we entered into a $464.0 million amended and restated credit agreement, the senior credit facility, with Lehman Brothers Inc. and Deutsche Bank Securities Inc. as joint lead arrangers and joint book-running managers, Lehman Commercial Paper Inc., as administrative agent, Deutsche Bank AG New York Branch, as syndication agent, Bear Stearns Corporate Lending Inc. and LaSalle Bank National Association, as co-documentation agents and the lenders from time to time parties thereto. The obligations under the senior credit facility are unconditionally guaranteed by Syniverse, Inc. and all material U.S. domestic subsidiaries of Syniverse Technologies, Inc. (the Guarantors) and are secured by a security interest in substantially all of the tangible and intangible assets of Syniverse Technologies, Inc. and the Guarantors. The obligations under the senior credit facility are also secured by a pledge of the capital stock of Syniverse Technologies, Inc. and its direct and indirect U.S. subsidiaries.

The senior credit facility provides for aggregate borrowings of $464.0 million as follows:

- a term loan of $112.0 million in aggregate principal amount;
- a delayed draw term loan of $160.0 million in aggregate principal;
- a Euro-denominated delayed draw term loan facility of the equivalent of $130.0 million;

- a revolving credit line of $42.0 million; and

- a Euro-denominated revolving credit line of the equivalent of $20.0 million.

On December 19, 2007, the delayed draw term loans of $290.0 million (delayed draw term loan of $160.0 million and Euro-denominated delayed draw term loan of the equivalent of $130.0 million) were used to fund the acquisition of BSG Wireless including the repayment of existing debt and to pay related transaction fees and expenses. The delayed draw term loans were subject to a commitment fee of 1.25% per annum on undrawn amounts.

The applicable margin for the base rate term loan and the base rate revolving loans is 1.50%. U.S. dollar denominated borrowings bear interest at the applicable margin plus either a base rate or, at our option, a LIBOR rate. The applicable margin for the Eurodollar term loan, Euro-denominated term loan and Eurodollar revolving loans is 2.50%. Euro-denominated borrowings under the senior credit facility bear interest at the applicable margin plus a EURIBOR rate. The term loan facilities require regularly scheduled quarterly payments of principal and interest, and the entire amount of the term loan facilities will mature on August 9, 2014. The full amount borrowed under the revolving credit line will mature on August 9, 2013. In the event we fail to refinance our 7 $^{3}/4$% senior subordinated notes by February 15, 2013, then the maturity date of our term loan facilities and revolving credit line will be accelerated to February 15, 2013.

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On May 4, 2009, we entered into an Amendment, Waiver, Resignation and Appointment Agreement, or the amendment, with Lehman Commercial Paper Inc., Bank of America, N.A., and certain of the other parties to the senior credit facility. Pursuant to the amendment, Lehman Commercial Paper has resigned as administrative agent and Bank of America has been appointed as successor administrative agent under the senior credit facility. The amendment also provides for other modifications of the senior credit facility including the termination of Lehman Commercial Paper s commitments under our undrawn revolving credit lines of $28.2 million and provides for Bank of America to extend commitments under our undrawn revolving credit lines of $10.0 million. This modification reduces our revolving credit lines from $62.0 million to $43.8 million.

As of September 30, 2010, we had an aggregate face amount of $328.5 million of outstanding indebtedness under our senior credit facility representing $209.4 million in U.S. dollar denominated term loans and $119.1 million in Euro-denominated term loans including $29.6 million available under the revolving credit line and $14.2 million available under the Euro-denominated revolving credit line. As of September 30, 2010, the applicable interest rate was 2.76% on the term loan based on the LIBOR option and 3.08% on the Euro-denominated delayed term loan based on the EURIBOR option.

The senior credit facility contains covenants that will limit our ability and that of our Guarantors to, among other things, incur or guarantee additional indebtedness, create liens, pay dividends on or repurchase stock, make certain types of investments, restrict dividends or other payments from our subsidiaries, enter into transactions with affiliates and sell assets or merge with other companies. The senior credit facility also requires compliance with financial covenants, including a maximum ratio of total indebtedness to Consolidated EBITDA. As of September 30, 2010, we believe we are in compliance with all of our covenants contained in the senior credit facility.

7 ^{3}/4% Senior Subordinated Notes Due 2013

On August 24, 2005, we completed a private offering of $175.0 million in aggregate principal amount of our 7 ^{3}/4% senior subordinated notes due 2013. Interest on the notes accrues at the rate of 7 ^{3}/4% per annum and is payable semi-annually in arrears on February 15 and August 15, commencing on February 15, 2006.

The indenture governing our 7 ^{3}/4% senior subordinated notes due 2013 contains certain covenants that among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of September 30, 2010, we believe we are in compliance with all of the covenants contained in the indenture governing our senior subordinated notes.

Non-GAAP Financial Measures

We believe that the disclosure of adjusted EBITDA, operating free cash flow and cash net income is useful to investors as these non-GAAP measures form the basis of how our executive team and Board of Directors evaluates our performance. By disclosing these non-GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, the means by which our management team operates our company. We also believe these measures can assist investors in comparing our performance to that of other companies on a consistent basis without regard to certain items that do not directly affect our ongoing operating performance or cash flows.

Adjusted EBITDA, operating free cash flow and cash net income have limitations as analytical tools, and should not be relied on or considered in isolation or as a substitute for GAAP measures, such as net income, cash flows from operating activities and other consolidated income or other cash flows statement data prepared in accordance with GAAP. In addition, these non-GAAP measures may not be comparable to other similarly titled measures of other companies. Because of these limitations, adjusted EBITDA and operating free cash flow should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Cash net income also should not be considered as a replacement for, or a measure that should be used or analyzed in lieu of, net income. We attempt to compensate for these limitations by relying primarily upon our GAAP results and using adjusted EBITDA, operating free cash flow and cash net income as supplemental information only.

Adjusted EBITDA and Operating Free Cash Flow

Adjusted EBITDA is determined by adding the following items to net income: interest expense, net, provision for income taxes, depreciation and amortization, non-cash stock compensation and acquisition related expenses including transition and integration costs.

Operating free cash flow is determined by subtracting capital expenditures from net cash provided by operating activities.

We utilize adjusted EBITDA and operating free cash flow because we believe that adjusted EBITDA and operating free cash flow provide useful information regarding our continuing operating results. We rely on adjusted EBITDA and operating free cash flow as primary measures to review and assess the operating performance of our management team in connection with our executive compensation and bonus plans. We also review adjusted EBITDA and operating free cash flow to compare our current operating results with prior periods and with the operating results of other companies in our industry. In addition, we utilize adjusted EBITDA and operating free cash flow as an assessment of our overall liquidity and our ability to meet our debt service obligations.

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Cash Net Income

Cash net income is calculated by (i) adding the following items to net income: provision for income taxes, non-cash stock compensation, acquisition related expenses including transition and integration costs and purchase accounting amortization; (ii) adjusting the resulting pre-tax sum for a provision for income taxes at an assumed long-term tax rate of 37.5%, which excludes the effect of our net operating losses; and (iii) adding to that sum the cash benefit of our tax-deductible goodwill. The cash benefit is a result of the differing treatments of approximately $436 million of goodwill on our balance sheet as of September 30, 2010 and December 31, 2009, which primarily is the result of acquisitions that we made from Verizon in February 2002, IOS North America in September 2004 and VM3 in October 2009. Specifically, while this goodwill is not amortized for GAAP purposes, the amortization of goodwill is, nonetheless, deductible in calculating our taxable income and, hence, reduces actual cash tax liabilities.

We report cash net income as we believe that it provides an after-tax operating performance measure including the cash impact of our tax deductible goodwill to compare current operating results with prior periods.

Reconciliation of Non-GAAP Measures to GAAP

A reconciliation of net income, the closest GAAP financial measure, to adjusted EBITDA and cash net income is presented in the financial tables below.

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Reconciliation to adjusted EBITDA				
Net income	$ 22,985	$ 17,572	$ 65,050	$ 50,082
Interest expense, net	6,908	7,026	20,512	21,636
Provision for income taxes	17,600	11,338	44,426	27,745
Depreciation and amortization	19,092	14,585	56,376	42,206
Non-cash stock compensation	3,407	2,273	9,399	5,288
BSG Wireless transition expenses		1,511		6,136
Messaging acquisition and integration expenses	758	1,756	2,556	1,756
Adjusted EBITDA	$ 70,750	$ 56,061	$ 198,319	$ 154,849

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Reconciliation to cash net income				
Net income	$ 22,985	$ 17,572	$ 65,050	$ 50,082
Add provision for income taxes	17,600	11,338	44,426	27,745
Income before provision for income taxes	40,585	28,910	109,476	77,827
Non-cash stock compensation	3,407	2,273	9,399	5,288
Purchase accounting amortization	9,102	7,020	27,387	20,728
BSG Wireless transition expenses		1,511		6,136
Messaging acquisition and integration expenses	758	1,756	2,556	1,756
Adjusted income before provision for income taxes	53,852	41,470	148,818	111,735
Less assumed provision for income taxes at 37.5%	(20,194)	(15,551)	(55,806)	(41,901)
Add cash savings of tax deductible goodwill[1]	2,775	2,301	8,328	6,903
Cash net income	$ 36,433	$ 28,220	$ 101,340	$ 76,737

Cash net income per share	$	0.53	$	0.41	$	1.47	$	1.13
Diluted shares outstanding		69,280		68,303		68,913		68,078

(1) Represents the cash benefit realized currently as a result of the tax deductibility of goodwill amortization.

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A reconciliation of operating free cash flow to net cash provided by operating activities, the closest GAAP measure, is presented in the financial table below.

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Reconciliation to operating free cash flow				
Net cash provided by operating activities	$ 48,976	$ 32,802	$ 106,454	$ 83,076
Capital expenditures	(15,721)	(6,091)	(43,680)	(27,027)
Operating free cash flow	$ 33,255	$ 26,711	$ 62,774	$ 56,049

Effect of Inflation

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had any material effect on our results of operations during the three and nine months ended September 30, 2010 and 2009.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances.

During the nine months ended September 30, 2010, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2009. In addition, we do not believe that any of our reporting units is at risk of failing the initial step for calculating goodwill impairment as of September 30, 2010. You should read the Critical Accounting Estimates in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 1A Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 and our summary of significant accounting policies in Note 2 of our Notes to Unaudited Condensed Consolidated Financial Statements in this Form 10-Q.

Recent Accounting Pronouncements

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, which is included in the ASC in Topic 605 (Revenue Recognition). ASU 2009-13 amends previous revenue recognition guidance to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity s fiscal year. We are currently assessing the impact of ASU 2009-13 on our consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-14, *Certain Revenue Arrangements That Include Software Elements*, which is included in the ASC in Topic 985 (Software). ASU 2009-14 amends previous software revenue recognition to exclude all tangible products containing both software and non-software components that function together to deliver the product s essential functionality. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity s fiscal year. We are currently assessing the impact of ASU 2009-14 on our consolidated financial position and results of operations.

Off-Balance Sheet Arrangements

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our contract with the customer, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately $132.9 million and $152.7 million as of September 30, 2010 and December 31, 2009, respectively.

We have also used off-balance sheet financing in recent years primarily in the form of operating leases for facility space and some equipment leasing and we expect to continue these practices. We do not use any other type of joint venture or special purpose entities that would create off-balance sheet financing. We believe that our decision to lease our office space is similar to that used by many other companies of our size and does not have a material impact to our financial statements.

Available Information

We file annual and quarterly reports, proxy statements and other information with the SEC. You may read and print materials that we have filed with the SEC from its website at *www.sec.gov*. In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act can be viewed and printed from the investor information section of our website at *www.syniverse.com*, free of charge, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Certain materials relating to our corporate governance, including our senior financial officers code of ethics, are also available in the investor information section of our website. Our website and the information contained or incorporated therein are not intended to be incorporated into this report.

Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing to us using the address on the cover of this Form 10-Q. You may also telephone our investor relations office directly at (813) 637-5007.

Our SEC filings may also be viewed and copied at the following SEC Public Reference Room and at the offices of the New York Stock Exchange where our common stock is quoted under the symbol SVR.

SEC Public Reference Room

100 F Street, N.E.

Washington, DC 20549

(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext

20 Broad Street

New York, NY 10005

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Market Risk

We are exposed to changes in interest rates on our senior credit facility. Our senior credit facility is variable rate debt. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of September 30, 2010 and December 31, 2009, we had $328.5 million and $337.5 million, respectively, of variable rate debt outstanding on our senior credit facility. Holding other variables constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have had an estimated impact on pre-tax earnings and cash flows of approximately $3.3 million for the next twelve month period ending September 30, 2011. Under the terms of the senior credit facility at least 25% of our funded debt must bear interest that is effectively fixed. As a result, we may from time to time be required to enter into interest rate protection agreements establishing a fixed maximum interest rate with respect to a portion of our total indebtedness.

On October 6, 2008, we entered into an agreement to hedge $100.0 million of our U.S. dollar-denominated term loan under our senior credit facility. The hedge effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. The effective date of the swap is October 31, 2008 and has matured on October 31, 2010. The fixed rate is 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin.

Foreign Currency Market Risk

Although the majority of our operations are conducted in U.S. dollars, our significant foreign operations are conducted in Euros and Great Britain Pounds. On a less significant basis, we conduct operations in the various currencies of the Asia-Pacific region, Canada and Latin America, several of which are directly tied to the movement in the U.S. dollar. Consequently, a portion of our revenues and expenses may be affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations. We have not hedged our translation risk on foreign currency exposure through the use of derivative instruments.

A 10% change in average foreign currency rates against the U.S. dollar during the nine months ended September 30, 2010 would have increased or decreased our revenues and net income by approximately $5.0 million and $1.4 million, respectively.

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ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2010. Our evaluation tested controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Based on our evaluation, as of September 30, 2010, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During our first quarter ended March 31, 2010, we integrated the finance functions relating to the messaging business acquisition from VeriSign, Inc. into the internal control structure of the Company. Prior to the integration, these functions were provided by VeriSign, Inc. under a transition services agreement. There were no other changes in our internal control over financial reporting during the three or nine months ended September 30, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 1A: RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in Item 1A Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009 and disclosed elsewhere in this quarterly report on Form 10-Q. Other than as set forth below, or elsewhere in this Report or our other filings with the Securities and Exchange Commission, there has been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

There are risks and uncertainties associated with the proposed merger with an affiliate of Carlyle.

On October 28, 2010, we entered into a an agreement and plan of merger, which we refer to as the merger agreement, providing for the acquisition of Syniverse Holdings, Inc. (the Company) by an affiliate of Carlyle Partners V, L.P., which we refer to as Carlyle and which affiliate we refer to as Parent. Pursuant to the merger agreement, we will become a wholly owned subsidiary of an affiliate of Carlyle. There are a number of risks and uncertainties relating to the merger. For example, the merger may not be consummated or may not be consummated as currently anticipated, as a result of several factors, including, but not limited to, the failure to satisfy the closing conditions set forth in the merger agreement, Parent s failure to obtain the necessary equity and debt financing contemplated by the commitment letters received in connection with the merger or the failure of that financing to be sufficient to complete the merger and the transactions contemplated thereby. In addition, there can be no assurance that approval of our stockholders and requisite regulatory approvals will be obtained, that the other conditions to closing of the merger will be satisfied or waived or that other events will not intervene to delay or result in the termination of the merger. If the proposed merger is not completed, the share price of our common stock may change to the extent that the current market price of our common stock reflects an assumption that the merger will be consummated. Pending the closing of the merger, the merger agreement also restricts us from engaging in certain actions without Parent s consent. Any delay in closing or a failure to close could have a negative impact on our business and stock price as well as our relationships with our customers, vendors or employees, as well as a negative impact on our ability to pursue alternative strategic transactions and/or our ability to implement alternative business plans. In addition, if the merger agreement is terminated under certain circumstances, we are required to pay a termination fee.

Our business could be adversely impacted as a result of uncertainty related to the proposed merger with an affiliate of Carlyle.

The proposed merger could cause disruptions in our business relationships and business generally, which could have an adverse effect on our financial condition, results of operations and cash flows. For example:

- customers and vendors may experience uncertainty about the Company s future and seek alternative business relationships with third parties or seek to alter their business relationships with the Company;

- our employees may experience uncertainty about their future roles at the Company, which might adversely affect our ability to retain and hire key managers and other employees; and

- the attention of our management may be directed to transaction-related considerations and may be diverted from the day-to-day operations of our business and pursuit of our strategic initiatives.

In addition, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed merger, and many of these fees and costs are payable by us regardless of whether or not the merger is consummated. In addition, if the merger agreement is terminated under certain circumstances, we are required to pay a termination fee.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5: OTHER INFORMATION

(a) Not applicable.

(b) Not applicable.

ITEM 6: EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated October 28, 2010, among Syniverse Holdings, Inc., Buccaneer Holdings, Inc. and Buccaneer Merger Sub, Inc. (5)
3.1	Restated Certificate of Incorporation of TSI Telecommunication Services Inc. (n/k/a Syniverse Technologies, Inc.) (1)
3.2	Certificate of Amendment of Restated Certificate of Incorporation of Syniverse Technologies, Inc. (2)
3.3	Second Amended and Restated Certificate of Incorporation of Syniverse Holdings, Inc. (3)
3.4	Bylaws of Syniverse Technologies, Inc. (1)
3.5	Amended and Restated Bylaws of Syniverse Holdings, Inc. (3)
4.1	Amendment to Rights Agreement. (4)
*31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
*31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
**32.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
**32.2	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
***101	The following financial information from Syniverse Holdings, Inc. s and Syniverse Technologies, Inc. s Quarterly Report on Form 10-Q for the period ended September 30, 2010, filed with the SEC on November 5, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheet at September 30, 2010 (unaudited) and December 31, 2009, (ii) the Condensed Consolidated Statements of Income (unaudited) for the three and nine month periods ended September 30, 2010 and 2009, (iii) the Condensed Consolidated Statements of Cash Flows (unaudited) for the nine month periods ended September 30, 2010 and 2009, and (iv) Notes to Condensed Unaudited Consolidated Financial Statements (tagged as blocks of text).

(1) Incorporated by reference to the Registrants Registration Statement on Form S-4 (Registration No. 333-88168).
(2) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
(3) Incorporated by reference to Syniverse Holdings, Inc. s Registration Statement on Form S-1/A (Registration No. 333-120444).
(4) Incorporated by reference to the Registrants Current Report on Form 8-K filed July 30, 2010.
(5) Incorporated by reference to the Registrants Current Report on Form 8-K filed November 1, 2010.
* Filed herewith
** Furnished herewith
*** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

SIGNATURES

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.

SYNIVERSE HOLDINGS, INC.

SYNIVERSE TECHNOLOGIES, INC.
(Registrant)

Date: November 4, 2010

/s/ DAVID W. HITCHCOCK
David W. Hitchcock
Chief Financial Officer
(Principal Financial Officer)

/s/ MARTIN A. PICCIANO
Martin A. Picciano
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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