SYNIVERSE HOLDINGS INC
Form 10-Q
November 07, 2012
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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, 2012

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 333-176382

SYNIVERSE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**30-0041666**
(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 ¨	Accelerated filer ¨
Non-accelerated filer x (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

The number of shares of common stock outstanding as of November 7, 2012 was 1,000.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash	$ 168,342	$ 226,753
Accounts receivable, net of allowances of $9,543 and $7,374, respectively	166,389	159,422
Deferred tax assets	9,036	9,103
Income taxes receivable	16,289	5,374
Prepaid and other current assets	30,217	26,917
Total current assets	390,273	427,569
Property and equipment, net	84,563	82,630
Capitalized software, net	208,980	208,683
Deferred costs, net	43,535	46,234
Goodwill	1,682,171	1,684,856
Identifiable intangibles, net	500,911	572,404
Other assets	44,828	8,366
Total assets	$ 2,955,261	$ 3,030,742
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable	$ 18,730	$ 14,107
Income taxes payable	2,197	
Accrued liabilities	64,314	92,507
Deferred revenues	10,472	5,973
Current portion of capital lease obligation	3,790	117
Current portion of long-term debt, net of original issue discount	7,083	9,800
Total current liabilities	106,586	122,504
Long-term liabilities:		
Deferred tax and other tax liabilities	234,559	236,737
Long-term capital lease obligation, less current maturities	4,106	381
Long-term debt, net of current portion and original issue discount	1,399,901	1,469,075
Other long-term liabilities	8,672	7,932
Total liabilities	1,753,824	1,836,629
Commitments and contingencies		
Stockholder equity:		

Common stock, $0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2012 and December 31, 2011		
Additional paid-in capital	1,213,272	1,208,365
Accumulated deficit	(18,522)	(21,472)
Accumulated other comprehensive income	(431)	2,400
Total Syniverse Holdings, Inc. stockholder equity	1,194,319	1,189,293
Noncontrolling interest	7,118	4,820
Total equity	1,201,437	1,194,113
Total liabilities and stockholder equity	$ 2,955,261	$ 3,030,742

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS)

	Successor		Successor		Predecessor
	Three Months Ended September 30,		Nine Months Ended September 30,	Period from January 13 to September 30,	Period from January 1 to January 12,
	2012	2011	2012	2011	
Revenues	$ 189,356	$ 203,680	$ 557,629	$ 551,441	$ 22,014
		(Unaudited)			
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	69,592	67,295	203,916	192,045	9,274
Sales and marketing	16,057	17,350	50,814	46,573	2,376
General and administrative	25,744	26,894	84,255	70,080	3,664
Depreciation and amortization	44,411	49,162	131,685	142,435	2,720
Restructuring and management termination benefits	(60)	699	571	2,476	
Merger expenses				40,549	47,203
	155,744	161,400	471,241	494,158	65,237
Operating income (loss)	33,612	42,280	86,388	57,283	(43,223)
Other income (expense), net:					
Interest income	166	23	670	67	
Interest expense	(25,304)	(26,728)	(83,405)	(85,966)	(859)
Debt extinguishment costs			(6,458)		
Other, net	3,086	(1,259)	3,567	(744)	(349)
	(22,052)	(27,964)	(85,626)	(86,643)	(1,208)
Income (loss) before provision for (benefit from) income taxes	11,560	14,316	762	(29,360)	(44,431)
(Benefit from) provision for income taxes	(5,506)	2,633	(5,471)	(11,968)	(13,664)
Net income (loss)	17,066	11,683	6,233	(17,392)	(30,767)
Net income (loss) attributable to noncontrolling interest	1,627	477	3,283	1,698	(3)
Net income (loss) attributable to Syniverse Holdings, Inc.	$ 15,439	$ 11,206	$ 2,950	$ (19,090)	$ (30,764)

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(AMOUNTS IN THOUSANDS)

	Successor			Successor	Predecessor
	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Period from January 13 to September 30, 2011	Period from January 1 to January 12, 2011
	(Unaudited)				
Net income (loss)	$ 17,066	$ 11,683	$ 6,233	$ (17,392)	$ (30,767)
Other comprehensive (loss) income (net of tax):					
Foreign currency translation adjustment (1)	(1,648)	(211)	(2,746)	2,361	(2,366)
Other comprehensive income (loss)	(1,648)	(211)	(2,746)	2,361	(2,366)
Comprehensive income (loss)	15,418	11,472	3,487	(15,031)	(33,133)
Less: comprehensive income (loss) attributable to noncontrolling interest	2,062	(373)	3,368	934	4
Comprehensive income (loss) attributable to Syniverse Holdings, Inc.	$ 13,356	$ 11,845	$ 119	$ (15,965)	$ (33,137)

(1) Foreign currency translation adjustments are shown net of tax expense (benefit) of $419 and $(1,203) for the three months ended September 30, 2012 and 2011, respectively, and net of tax (benefit) expense of $(140), $827 and $0 for the nine months ended September 30, 2012, period January 13 through September 30, 2011 and January 1 through January 12, 2011, respectively.

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

	Successor		Predecessor
	Nine Months Ended September 30, 2012	Period from January 13 to September 30, 2011	Period from January 1 to January 12, 2011
	(Unaudited)		
Operating activities			
Net (loss)	$ 6,233	$ (17,392)	$ (30,767)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	131,685	142,435	2,720
Amortization of deferred debt issuance costs and original issue discount	5,946	5,449	56
Allowance for uncollectible accounts	832	488	46
Allowance for credit losses	5,300	12,398	164
Deferred income tax (benefit) expense	(1,970)	(10,910)	2,095
Write-off of deferred financing costs	6,115		
Debt extinguishment costs	6,458		
Excess tax benefit from stock-based compensation			8,599
Stock-based compensation	4,984	5,368	29,162
Other, net	(410)	2,760	31
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(12,463)	(54,562)	11,650
Income tax receivable or payable	(8,690)	19,956	(34,313)
Prepaid and other current assets	(3,931)	(6,207)	(1,920)
Accounts payable	5,117	(10,139)	11,111
Accrued liabilities and deferred revenues	(23,791)	3,904	14,167
Other assets and long-term liabilities	18	(8,161)	(962)
Net cash provided by operating activities	121,433	85,387	11,839
Investing activities			
Capital expenditures	(50,906)	(38,515)	
Acquisitions, net of cash acquired	(37,980)	(2,733,121)	
Net cash used in investing activities	(88,886)	(2,771,636)	
Financing activities			
Debt issuance costs paid	(10,181)	(56,393)	
Principal payments on Old Senior Credit Facility	(1,014,750)	(7,688)	
Principal payments on New Senior Credit Facility	(2,375)		
Borrowings under Old Senior Credit Facility, net of discount		1,012,500	
Borrowings under New Senior Credit Facility, net of discount	940,500		
Proceeds from issuance of 9.125% senior unsecured notes		475,000	
Carlyle contribution from Holdings		1,200,000	
Distribution to Buccaneer Holdings, Inc.	(77)		
Payments on capital lease obligation	(4,056)	(87)	
Minimum tax withholding on stock-based compensation			(619)
Excess tax benefit from stock-based compensation			8,599

Distribution to noncontrolling interest	(1,070)		
Net cash (used in) provided by financing activities	(92,009)	2,623,332	7,980
Effect of exchange rate changes on cash	1,051	(467)	15
Net (decrease) increase in cash	(58,411)	(63,384)	19,834
Cash at beginning of period	226,753	239,290	219,456
Cash at end of period	$ 168,342	$ 175,906	$ 239,290
Supplemental noncash investing and financing activities			
Capital lease additions	$ 11,905	$	$
Supplemental cash flow information			
Interest paid	$ 84,630	$ 52,022	$
Income taxes paid (refunded)	5,193	(15,019)	71

See Notes to Unaudited Condensed Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

1. Description of Business

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. Since 1987, including our time as part of our former parent company, we have served as one of the mobile telecommunication industry s operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our data clearing house, network and technology services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our integrated suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to mobile subscribers, including wireless voice and data roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), number portability and wireless value-added services. We currently provide our services to over 740 telecommunications operators and to more than 150 enterprise customers in nearly 160 countries.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

On January 13, 2011, pursuant to the Merger Agreement, dated as of October 28, 2010, among Syniverse Holdings, Inc., Buccaneer Holdings, Inc., a Delaware corporation (Holdings) formed by an affiliate of The Carlyle Group (Carlyle) and Buccaneer Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Holdings (Merger Sub) formed solely for the purpose of entering into the merger, Merger Sub merged with and into Syniverse Holdings, Inc. with Syniverse Holdings, Inc. as the surviving corporation (also referred to herein as the Merger). We also refer to the Merger together with all related transactions to effect the Merger discussed in our Annual Report on Form 10-K as the Transactions . As a result of the Merger, Syniverse Holdings, Inc. became a wholly-owned subsidiary of Holdings.

Merger Sub was determined to be the acquirer for accounting purposes and therefore, the Merger was accounted for using the acquisition method of accounting. Accordingly, the purchase price of the Merger has been allocated to the Company s assets and liabilities based upon their estimated fair values at the acquisition date. Periods prior to January 13, 2011 reflect the financial position, results of operations, and changes in financial position of the Company prior to the Merger (the Predecessor) and periods on and after January 13, 2011 reflect the financial position, results of operations, and changes in financial position of the Company after the Merger (the Successor). Certain Merger expenses and financing costs incurred prior to January 13, 2011 by Merger Sub are included in the Successor period. The only activity undertaken by Merger Sub prior to January 13, 2011 related to the financing and completion of the Merger. For accounting purposes, the purchase price allocation was applied on January 13, 2011.

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and on a basis that is consistent with the accounting principles applied in our audited financial statements for the fiscal year ended December 31, 2011 (2011 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 2011 financial statements. Operating results for the interim periods noted herein are not necessarily indicative of the results that may be achieved for a full year.

The unaudited condensed consolidated financial statements include the accounts of Syniverse Holdings, Inc. and all of its wholly owned subsidiaries and a variable interest entity for which Syniverse Holdings, Inc. is deemed to be the primary beneficiary. References to the Company, us, or we include all of the consolidated companies. Noncontrolling interest is recognized for the portion of a consolidated joint venture not owned by us. All significant intercompany balances and transactions have been eliminated.

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Use of Estimates

We have prepared our financial statements in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the period. Actual results could differ from those estimates.

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 customer contracts, 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 condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately $128,349 and $129,796 as of September 30, 2012 and December 31, 2011, respectively.

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 other, net in the condensed consolidated statements of operations. For the three and nine months ended September 30, 2012, we recorded foreign currency transaction gains of $3,086 and $3,567, respectively, which included a $4,345 out-of-period gain during the third quarter 2012. For the three months ended September 30, 2011, the period January 13, 2011 through September 30, 2011, and January 1 through January 12, 2011, we recorded foreign currency transaction losses of $1,236, $744 and $349, respectively.

Seasonality

Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, MDR and roaming clearing house.

Segment Information

In accordance with the applicable accounting guidance, we have evaluated our portfolio of service offerings, reportable segments and the financial information reviewed by our chief operating decision maker for purposes of making resource allocation decisions. Based on our evaluation, we determined that we have one operating segment and one reportable segment.

Revenues by service offering were as follows:

	Successor Three months ended September 30,	
	2012	**2011**
	(Unaudited)	
Network services	$ 90,654	$ 84,583
Messaging services	44,329	48,420
Roaming services	50,219	66,347
Other	4,154	4,330
Revenues	$ 189,356	$ 203,680

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	Successor		Predecessor
	Nine months ended September 30, 2012	Period from January 13 to September 30, 2011	Period from January 1 to January 12, 2011
	(Unaudited)		
Network services	$ 260,150	$ 233,003	$ 9,181
Messaging services	135,780	139,833	6,198
Roaming services	147,449	164,298	6,368
Other	14,250	14,307	267
Revenues	$ 557,629	$ 551,441	$ 22,014

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

	Three months ended September 30, 2012	Three months ended September 30, 2011
	(Unaudited)	
North America	$ 140,773	$ 156,760
Asia Pacific	18,234	14,659
Caribbean and Latin America	14,116	11,416
Europe, Middle East and Africa	16,233	20,845
Revenues	$ 189,356	$ 203,680

	Successor		Predecessor
	Nine months ended September 30, 2012	Period from January 13 to September 30, 2011	Period from January 1 to January 12, 2011
	(Unaudited)		
North America	$ 420,417	$ 430,821	$ 17,294
Asia Pacific	52,681	42,369	1,295
Caribbean and Latin America	40,439	31,378	1,428
Europe, Middle East and Africa	44,092	46,873	1,997
Revenues	$ 557,629	$ 551,441	$ 22,014

For the three months ended September 30, 2012 and 2011, we derived 69.1% and 71.3%, respectively, of our revenues from customers in the United States. For the nine months ended September 30, 2012, the period January 13, 2011 through September 30, 2011 and January 1 through January 12, 2011, we derived 70.1%, 72.0% and 80.5%, respectively, of our revenues from customers in the United States. During the three months ended September 30, 2012 and 2011, the nine months ended September 30, 2012 and during the periods January 13 through September 30 and January 1 through January 12, 2011, we did not generate revenue in excess of 10% of total revenues in any other individual country.

Long-lived assets by geographic location were as follows:

	September 30, 2012	December 31, 2011

	(Unaudited)	
North America	$ 281,872	$ 279,931
Asia Pacific	5,169	5,164
Caribbean and Latin America	251	293
Europe, Middle East and Africa	6,251	5,925
Total long-lived assets	$ 293,543	$ 291,313

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3. Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which is included in the Accounting Standards Codification (ASC) in Topic 820 Fair Value Measurement . ASU 2011-04 amends the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This accounting standard does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or International Financial Reporting Standards (IFRS). This accounting standard was effective for our financial statements beginning January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which is included in the ASC in Topic 220 Comprehensive Income . The ASU requires companies to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements for interim and annual reports. This statement was effective for presentation of comprehensive income for fiscal years beginning after December 15, 2011 and interim periods within those years and is applied retrospectively. As this guidance only amends the presentation of the components of other comprehensive income, the adoption of this standard will not have an impact on our consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment,* which is included in the ASC in Topic 350 Intangibles Goodwill and Other . ASU 2011-08 permits companies to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. If a greater than 50 percent likelihood exists that the fair value is less than the carrying amount then a two-step goodwill impairment test as described in Topic 350 must be performed. Under the amendments in this ASU, a company has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. A company may resume performing the qualitative assessment in any subsequent period. This statement is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard did not have a material impact on our consolidated financial position, results of operations or cash flows.

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment,* which is included in the ASC in Topic 350 Intangibles Goodwill and Other . ASU 2012-02 permits companies to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. If a greater than 50 percent likelihood exists that the indefinite-lived intangible asset is impaired then the quantitative impairment test, as described in Topic 350, must be performed. Under the amendments in this ASU, a company has the option to bypass the qualitative assessment for any indefinite-lived intangible assets and proceed directly to performing the quantitative impairment test by comparing the fair value with the carrying amount as described in Topic 350. A company may resume performing the qualitative assessment in any subsequent period. This statement is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial position, results of operations or cash flows.

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4. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2012 (Unaudited)	December 31, 2011
Accrued payroll and related benefits	$ 23,386	$ 37,190
Accrued interest	18,470	31,831
Accrued network payables	6,298	7,052
Accrued revenue share expenses	1,420	1,799
Other accrued liabilities	14,740	14,635
Total accrued liabilities	$ 64,314	$ 92,507

5. 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 were 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 were measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences were 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. The effective tax rate for the three months and nine months ended September 30, 2012 was a benefit of 47.6% and a benefit of 718.2%, respectively. The effective tax rate for the three months ended September 30, 2011, the period January 13, 2011 through September 30, 2011, and the period from January 1 through January 12, 2011, was a provision of 18.4%, a benefit of 40.8% and a benefit of 30.8%, respectively.

The change in our effective tax rate was chiefly attributable to (i) costs related to the Merger in 2011, some of which were non-deductible for income tax purposes, (ii) state and local effective income tax rate changes, including certain discrete adjustments recorded in 2011 related to state and local income tax positions and changes in deferred tax liabilities, (iii) the release of reserves on uncertain tax positions where statutes of limitations had expired, and (vii) certain return to provision true-ups related to returns filed.

We file a consolidated U.S. federal income tax return under Buccaneer Holdings, Inc. 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 condensed consolidated statements of operations.

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6. Debt and Credit Facilities

Our total debt outstanding as of September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012 (Unaudited)	December 31, 2011
Senior Credit Facility:		
Term Loan Facility, due 2019	$ 947,625	$
Term loan B, due 2017		1,014,750
$150,000 revolving credit facility		
Original issue discount	(15,641)	(10,875)
Senior Notes:		
9.125% senior unsecured notes, due 2019	475,000	475,000
Total debt	1,406,984	1,478,875
Less: Current portion		
Long-term debt, current portion	(9,500)	(10,250)
Original issue discount, current portion	2,417	450
Long-term debt	$ 1,399,901	$ 1,469,075

Maturities of long-term debt excluding the original issue discount as of September 30, 2012 for each of the five succeeding fiscal years were as follows:

Period ended December 31, 2012	2,375
Year ended December 31, 2013	9,500
Year ended December 31, 2014	9,500
Year ended December 31, 2015	9,500
Year ended December 31, 2016	9,500
Thereafter	1,382,250
	$ 1,422,625

We incurred debt issuance costs of $19,681 associated with our New Senior Credit Facility (as defined below) consisting of $11,345 of original issue discount and $8,336 of deferred financing fees. Amortization of original issue discount and deferred financing fees for the three and nine months ended September 30, 2012 was $1,974 and $5,946, respectively. This amount includes amortization related to our Senior Credit Facility and our Senior Notes. Amortization during the nine months ended September 30, 2012 included $6,458 for a write-off of original issue discount and deferred financing fees related to the refinancing of our Old Senior Credit Facility as defined below. Amortization expense for the three months ended September 30, 2011, the period January 13, 2011 through September 30, 2011, and the period January 1 through January 12, 2011, for debt issuance costs and original issue discount was $1,952, $5,449 and $56, respectively. Amortization is included in interest expense in the condensed consolidated statement of operations. The net book value of deferred financing fees included in the accompanying condensed consolidated balance sheets was as follows:

	September 30, 2012 (Unaudited)	December 31, 2011
Debt issuance costs:		
Prepaid and other current assets	$ 3,640	$ 4,543

Deferred costs, net		43,535		46,234
Total	$	47,175	$	50,777

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Old Senior Credit Facility

On December 21, 2010, we entered into a senior credit facility consisting of a $150,000 revolving credit facility and a $1,025,000 Term Loan B (Old Senior Credit Facility), and on January 13, 2011, our Old Senior Credit Facility became effective. The term loan facility was used to fund, in part, the Transactions. The Company received net proceeds of $1,012,500 after payment of upfront fees of $12,500 to Barclays Capital, Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA and Sumitomo Mitsui Banking Corporation. We recorded the upfront fees as an original issue discount to be amortized over the life of the debt using the effective interest method. In addition, we incurred debt issuance costs of $36,164.

New Senior Credit Facility

On April 23, 2012, Syniverse Holdings, Inc. entered into a credit agreement (the Credit Agreement) with Holdings, Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a new senior credit facility (the New Senior Credit Facility) consisting of (i) a $950,000 term loan facility (the Term Loan Facility); and (ii) a $150,000 revolving credit facility (the Revolving Credit Facility) for the making of revolving loans, swing line loans and issuance of letters of credit. The Company received proceeds of $950,000 under the Term Loan Facility and paid upfront fees of $11,345. The proceeds from the New Senior Credit Facility plus cash on hand were used to repay the Old Senior Credit Facility. We recorded $9,500 of the upfront fees as an original issue discount to be amortized over the life of the Term Loan Facility using the effective interest method. Since we had no amounts drawn under the Revolving Credit Facility at June 30, 2012, we recorded $1,845 of the upfront fees as deferred financing costs to be amortized over the life of the Revolving Credit Facility using the effective interest method.

We incurred additional debt issuance costs of $8,336 in connection with the refinancing, which was determined to be a partial debt modification and partial debt extinguishment under the applicable accounting guidance. We recorded $6,115 to interest expense related to the modification and recorded the remaining $2,221 as deferred financing fees to be amortized over the life of the debt consistent with debt extinguishment accounting treatment. We recorded additional debt extinguishment costs of $6,458 related to the write-off of a portion of the original issue discount and deferred financing fees associated with the Old Senior Credit Facility in the debt extinguishment costs line item on the consolidated statement of operations.

Subject to specified conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the Term Loan Facility or Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the New Senior Credit Facility) by up to (i) $425,000 plus (ii) an additional amount as will not cause the net senior secured leverage ratio after giving effect to the incurrence of such additional amount to exceed 4.0:1.0 (calculated by treating any unsecured debt incurred in reliance on this clause (ii) as if it were secured).

Our Term Loan Facility will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facility and (iii) the date the loans under the Term Loan Facility are declared due and payable in connection with an event of default; provided that (a) in the event that more than $50,000 of the Senior Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Senior Notes (the First Springing Maturity Date), the maturity date for the Term Loan Facility will be the First Springing Maturity Date and (b) in the event that more than $50,000 in aggregate principal amount of any refinancing indebtedness in respect of the Senior Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the Second Springing Maturity Date), the maturity date for the Term Loan Facility will be the earlier of the Second Springing Maturity Date and April 23, 2019.

Our Revolving Credit Facility will mature the earlier of (i) April 23, 2017 and (ii) the date of termination in whole of the commitments under the Revolving Credit Facility, the letter of credit sublimit, and the swing line facility under the Credit Agreement.

Effective September 30, 2012, our Term Loan Facility amortizes in equal quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

We may voluntarily prepay loans or reduce commitments under our New Senior Credit Facility, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty, except that prepayments and certain refinancings of our Term Loan Facility within one year after the closing date of our New Senior Credit Facility will be subject to a prepayment premium of 1.0% of the principal amount prepaid. We must prepay our Term Loan Facility with the net cash proceeds of asset sales, casualty and condemnation events, the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under our New Senior Credit Facility unless specifically incurred to refinance a portion of our New Senior Credit Facility) and, for the year ended December 31, 2013 and thereafter, 50% of excess cash flow (such percentage to be subject to a reduction to zero based on the achievement of a net senior secured leverage ratio of 2.75:1.0), in each case, subject to certain reinvestment rights and other exceptions, as well as the right of the lenders to decline certain prepayments.

Borrowings bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, in the case of term loans under the New Senior Credit Facility, subject to a Eurodollar rate floor of 1.25% or a base rate floor of 2.25%, as applicable. The applicable margin for the term loans and revolving loans under our New Senior Credit Facility is 3.75% per annum for Eurodollar loans and 2.75% per annum for base rate loans, and in the case of the revolving loans, subject to an adjustment to 3.50% and 2.50%, respectively, based on a net senior secured leverage ratio of 1.75:1.0.

The following fees are applicable under our Revolving Credit Facility: (i) an unused line fee of 0.50% per annum, subject to an adjustment to 0.25% based on a net senior secured leverage ratio of 1.75:1.0; (ii) a letter of credit participation fee on the aggregate stated amount of each letter of credit available to be drawn equal to the applicable margin for Eurodollar rate loans; (iii) a letter of credit fronting fee equal to 0.125% per annum on the daily amount of each letter of credit available to be drawn; and (iv) certain other customary fees and expenses payable to our letter of credit issuers.

Our obligations under our New Senior Credit Facility are guaranteed by Holdings and each of our current and future direct and indirect wholly owned domestic subsidiaries (the Subsidiary Guarantors) (other than (i) subsidiaries designated as unrestricted, (ii) immaterial subsidiaries, (iii) any subsidiary that is prohibited by applicable law or certain contractual obligations from guaranteeing our New Senior Credit Facility or which would require governmental approval to provide a guarantee, (iv) certain holding companies of foreign subsidiaries, (v) not-for-profit subsidiaries, if any, (vi) certain receivables financing subsidiaries, (vii) any subsidiary with respect to which the Company and the administrative agent reasonably agree that the burden, cost or other consequences of providing a guarantee will be excessive in view of the benefits obtained by the lenders therefrom and (viii) any subsidiary whose guaranteeing of the New Senior Credit Facility would result in a material adverse tax consequence) will be secured by a first lien on substantially all of their assets, including capital stock of subsidiaries (subject to certain exceptions). The Subsidiary Guarantors under our New Senior Credit Facility also guarantee the Senior Notes and are the same guarantors of the Old Senior Credit Facility, as follows: Syniverse Technologies, LLC (formerly known as Syniverse Technologies, Inc.), Syniverse ICX Corporation and The Rapid Roaming Company.

Our New Senior Credit Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations or restrictions on (i) our ability to incur debt, grant liens, enter into fundamental corporate transactions, pay subsidiary distributions, enter into transactions with affiliates, make further negative pledges, sell or otherwise transfer assets, make certain payments, investments or acquisitions, repay certain indebtedness in the event of a change of control, and amend certain debt documents and (ii) the activities engaged in by Holdings. The negative covenants are subject to the customary exceptions.

There are no financial covenants included in our New Senior Credit Facility other than a springing maximum net senior secured leverage ratio of 4.25 to 1.0, which will be tested only for the benefit of the revolving lenders and only (i) when, at the end of a fiscal quarter, (a) the aggregate amount of any revolving loans, any swing line loans or any letter of credit obligations outstanding exceeds 10% of all commitments under the Revolving Credit Facility in effect as of April 23, 2012 or (b) the aggregate amount of any letter of credit obligations outstanding exceeds 15% of all commitments under the Revolving Credit Facility in effect as of April 23, 2012 and (ii) upon an extension of credit under the Revolving Credit Facility in the form of the making of a revolving loan or a swing line loan, or the issuance of a letter of credit. The events set forth in clauses (i) and (ii) in the preceding sentence have not occurred during or as of the end of the fiscal quarter ended September 30, 2012.

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9.125% senior unsecured notes

On December 22, 2010, we issued $475,000 of senior unsecured notes bearing interest at 9.125% that will mature on January 15, 2019 (Senior Notes). Interest on the Senior Notes is paid on January 15 and July 15 of each year.

The Senior Notes are guaranteed on a senior basis by the following domestic subsidiary guarantors: Syniverse Technologies, LLC (formerly known as Syniverse Technologies, Inc.), Syniverse ICX Corporation and The Rapid Roaming Company. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Senior Notes, and any subsidiary so designated will not be a guarantor of the notes.

The Senior Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

We incurred financing fees of $20,436 in connection with the issuance of the Senior Notes which are amortized over the term of the notes using the effective interest method.

7. Fair Value Measurements

ASC Topic 820 requires 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 in active markets for identical assets and liabilities.

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 that are significant to the fair value of the assets or liabilities.

Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the three or nine months ended September 30, 2012.

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

The carrying amounts, excluding original issue discount, and fair values of our long-term debt as of September 30, 2012 and December 31, 2011 were as follows:

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Old Senior Credit Facility	$	$	$ 1,014,750	$ 1,016,018
New Senior Credit Facility	947,625	953,548		
Senior Notes	475,000	509,438	475,000	503,500

The fair values of the Old Senior Credit Facility, the New Senior Credit Facility and the Senior Notes were based upon quoted market prices in inactive markets for similar instruments (Level 2).

8. Commitments and Contingencies

Business Acquisition Agreement

On June 30, 2012, Syniverse Holdings, Inc. entered into an agreement (the Purchase Agreement) with WP Roaming S.à r.l., a Luxembourg limited liability company (the Seller), pursuant to which, subject to the satisfaction or waiver of the conditions set forth in the Purchase Agreement, it will acquire from the Seller all the shares and preferred equity certificates (whether convertible or not) in WP Roaming III S.à r.l. (WP Roaming) (the Transaction). WP Roaming is a holding company which conducts the business of MACH S.à r.l, also known as The MACH Group . The purpose of the Transaction is to give the Company added global scale and increased reach with more direct connections to support roaming, messaging and network solutions that enable its customers to deliver superior experiences to their end users.

At the closing of the Transaction, Syniverse Holdings, Inc. will pay to the Seller an amount equal to approximately 172,700 (the Base Amount), subject to adjustment, plus 250 per month from December 31, 2011 through the closing date of the Transaction. The Purchase Agreement reflects a locked box approach, such that Syniverse Holdings, Inc. will acquire WP Roaming with economic effect from December 31, 2011. On July 2, 2012, Syniverse Holdings, Inc. paid the Seller a deposit of 30,000 (the Deposit).

In addition, at the closing of the Transaction, Syniverse Holdings, Inc. shall, on behalf of WP Roaming, pay all amounts outstanding to WP Roaming s third-party lenders in order to ensure the release of all related guarantees and security interests (the Refinancing). The Seller has covenanted in the Purchase Agreement that the principal amounts repayable (excluding interest and any other fees, costs and expenses relating thereto) will not exceed approximately 348,000 and $89,000. As of the lockbox date of December 31, 2011, cash consideration would have been approximately 550 million.

Consummation of the transaction is subject to receipt of approval of competition authorities in the European Union (or applicable Member States), Brazil, Columbia, Jersey, Taiwan and the Ukraine; and to there being no restraints imposed by competition authorities in Australia, New Zealand, Singapore or the United States (together, these are referred to as the Relevant Competition Authorities). Syniverse Holdings, Inc. is responsible for obtaining the required competition approvals by a date that would permit closing of the Transaction to occur no later than June 24, 2013 (the Longstop Date).

The Purchase Agreement will terminate automatically if (i) a Relevant Competition Authority enjoins the transaction or the closing conditions described above have not been satisfied as of the Longstop Date; (ii) one of several specified subsidiaries of WP Roaming experiences an insolvency situation as of the closing date; or (iii) the marketing period for Syniverse Holdings, Inc. s financing has not completed by the Longstop Date. Upon automatic termination of the Purchase Agreement, Syniverse Holdings, Inc. will pay a termination fee of 60,000 (against which the Deposit will be credited). In addition, Syniverse Holdings, Inc. may terminate the Purchase Agreement if WP Roaming s existing lenders cannot confirm the release of all security interests under WP Roaming s existing financing agreements effective as of the closing of the Transaction. If the Purchase Agreement is so terminated, the Seller will retain the Deposit but Syniverse Holdings, Inc. will not be obligated to pay an additional fee.

The Purchase Agreement provides that Syniverse Holdings, Inc. will be indemnified for breaches of the Seller s pre-closing covenants and representations, subject to certain limitations.

Commitment Letter

On June 29, 2012, the Company entered into a debt financing commitment letter (the Commitment Letter) with Barclays Bank PLC, Deutsche Bank Trust Company Americas, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities Inc., Credit Suisse AG, Credit Suisse Securities (USA) LLC and Goldman Sachs Bank (the Commitment Parties).

Pursuant to the Commitment Letter, certain of the Commitment Parties will act as the initial lenders, joint lead arrangers and joint bookrunners with respect to a $700,000 senior secured credit facility (the Term Loan Facility) and a backstop facility which will be available if and to the extent that the Company is unable to incur all or a portion of the Term Loan Facility in compliance with its existing financing agreements on the closing date of the

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Transaction (the Backstop Facility , and together with the Term Loan Facility, the Facilities), each subject to the terms and conditions set forth in the Commitment Letter. Proceeds from the Facilities, together with the proceeds of any debt issued in lieu of the Backstop Facility, and cash on hand at the Company will be used to finance the Transaction and pay the fees and expenses related to the foregoing.

Each of the Facilities will include certain representations and warranties, affirmative and negative covenants, events of default, guarantee arrangements and, in the case of the Term Loan Facility, collateral arrangements, as described in the Commitment Letter. The Commitment Parties obligations to provide the financing are subject to the satisfaction of specified conditions, including:

- the consummation of the Transaction substantially concurrently with the initial funding under the Facilities in accordance with the terms of the Purchase Agreement without giving effect to any modification, amendment, consent or waiver material and adverse to the lenders without the consent of the Commitment Parties;
- the accuracy of certain major representations, as described in the Commitment Letter;
- the absence of certain major events of default, as described in the Commitment Letter;
- the consummation of the Refinancing substantially concurrently with the initial funding under the Facilities;
- the delivery of financial statements and certain marketing materials, as described in the Commitment Letter;
- the execution and delivery of definitive loan documentation for the Facilities, including receipt of documentation and other information required by regulatory authorities under applicable know your customer and anti-money laundering rules; and
- the payment of fees and expenses in connection with the Facilities.

The documentation governing the Term Loan Facility and Backstop Facility has not been finalized, and accordingly the actual terms may differ from the description of such terms in the foregoing summary of the Commitment Letter. The foregoing summary of the Commitment Letter does not purport to be complete and is subject to, and qualified in its entirety by, the terms and conditions of the Commitment Letter.

Other

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. As of September 30, 2012, we have considered all of the claims and disputes of which we are aware and have provided for probable losses, which are not significant.

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9. Stockholder Equity

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

	Total	Syniverse Holdings, Inc. Stockholder Equity	Noncontrolling Interest
Predecessor balance, December 31, 2010	$ 722,481	$ 722,406	$ 75
Net (loss)	(30,767)	(30,764)	(3)
Other Comprehensive (loss) income from foreign currency translation adjustments	(2,366)	(2,373)	7
Stock-based compensation	29,162	29,162	
Tax benefit from acceleration of stock-based compensation	8,599	8,599	
Minimum tax withholding on restricted stock awards	(619)	(619)	
Predecessor balance, January 12, 2011	$ 726,490	$ 726,411	$ 79
Purchase accounting adjustments	(723,058)	(726,411)	3,353
Successor			
Capital contribution from Holdings	1,200,000	1,200,000	
Net (loss) income	(29,075)	(30,296)	1,221
Other Comprehensive income from foreign currency translation adjustments	2,573	2,487	86
Stock-based compensation	2,433	2,433	
Successor balance, September 30, 2011 (Unaudited)	$ 1,179,363	$ 1,174,624	$ 4,739
Successor balance, December 31, 2011	$ 1,194,113	$ 1,189,293	$ 4,820
Net Income	6,233	2,950	3,283
Other Comprehensive (loss) income from foreign currency translation adjustments	(2,746)	(2,831)	85
Stock-based compensation	4,984	4,984	
Distribution to non-controlling interest	(1,070)		(1,070)
Distribution to Buccaneer Holdings, Inc.	(77)	(77)	
Successor Balance, September 30, 2012 (Unaudited)	$ 1,201,437	$ 1,194,319	$ 7,118

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10. Stock-Based Compensation

Stock-based compensation expense for the three months ended September 30, 2012 and 2011, the nine months ended September 30, 2012, the period January 13, 2011 through September 30, 2011, and January 1 through January 12, 2011 was as follows:

	Three months ended September 30, 2012	Three months ended September 30, 2011
Cost of operations	$ 18	$ 241
Sales and marketing	184	1,487
General and administrative	357	1,207
Total stock-based compensation	$ 559	$ 2,935

	Successor			Predecessor
	Nine months ended September 30, 2012	Period from January 13 to September 30,	2011	Period from January 1 to January 12,
Cost of operations	$ 353	$ 453		$
Sales and marketing	1,884	2,498		
General and administrative	2,747	2,417		
Merger Expenses				29,162
Total stock-based compensation	$ 4,984	$ 5,368		$ 29,162

The following table summarizes our stock option activity for the nine months ended September 30, 2012:

Stock Options	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2011	7,406,672	$ 10.00
Granted	1,199,998	11.30
Exercised	(86,667)	10.00
Cancelled or expired	(463,332)	10.16
Outstanding at September 30, 2012	8,056,671	$ 10.18

The fair value for options granted in the three months ended September 30, 2012 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	1.1%
Volatility factor	55.0%
Dividend yield	0.0%
Weighted average expected life of options (in years)	6.5

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11. Restructuring and Management Termination Benefits

In December 2010, we implemented a restructuring plan primarily to realign certain senior management functions. As a result of this plan, we incurred severance related costs of $2,296. As of September 30, 2012, we have paid $2,107 related to this plan.

In June 2011, we implemented a restructuring plan primarily to realign certain sales management positions. As a result of this plan, we incurred severance related costs of $1,276, of which $1,189 has been paid as of September 30, 2012. In addition, effective July 1, 2011, our former Chief Executive Officer and President retired from the Company. In conjunction with his retirement, we incurred management termination benefits expense of $1,067, which was entirely paid as of September 30, 2012. These costs were recorded in restructuring and management termination benefits expense.

In December 2011, we implemented a restructuring plan primarily to regionalize our customer support workforce to provide better alignment with our customers needs. As a result of this plan, we incurred severance related costs of $3,713 and contract termination costs of $388 related to the exit of a leased facility. We have paid $3,319 related to this plan as of September 30, 2012.

We expect to pay the remainder of the benefits outstanding under each of these plans by June 30, 2013.

The following table summarizes the activity in our restructuring and management termination benefits liability for the nine months ended September 30, 2012:

	December 31, 2011 Balance	Additions	Payments	Adjustments	September 30, 2012 Balance
December 2010 Plan	$ 336	$	$ (147)	$	$ 189
June 2011 Plan	1,354		(1,240)	(27)	87
December 2011 Plan	2,961	702	(2,777)	(104)	782
Total	$ 4,651	$ 702	$ (4,164)	$ (131)	$ 1,058

12. Merger Expenses

Predecessor period merger expenses incurred in the period January 1, 2011 through January 12, 2011 consisted of stock-based compensation of $29,162 related to the acceleration of the equity awards existing prior to the Merger, advisory costs of $15,690 and professional services costs including legal, tax and audit services of $2,351. Successor period merger expenses for the period January 13, 2011 through September 30, 2011 consisted of advisory costs of $35,023, of which a portion related to the transaction fee and expenses paid to Carlyle, and legal, accounting and insurance costs of $5,526.

13. Related Party Transactions

Consulting Agreement with Carlyle

On the effective date of the Merger, the Company entered into a consulting services agreement with Carlyle, a related party, for advisory, consulting and other services which are provided to us and our subsidiaries. We recorded $2,392 associated with the annual consulting fee in general and administrative expenses for the nine months ended September 30, 2012 and $1,383 for the period January 13, 2011 through September 30, 2011. We also paid Carlyle $31,549 on the effective date of the Merger for a one-time transaction fee and expenses associated with the Transactions. Of that amount, $20,507 was recorded in merger expenses for the Successor period and $11,042 was included in capitalized debt issuance costs.

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14. Pro Forma Financial Information

The following unaudited pro forma financial information summarizes our consolidated revenue and net loss for the nine months ended September 30, 2011 assuming that the Merger had taken place on January 1, 2010:

	Nine months Ended September 30, 2011 Pro Forma
Revenues	$ 573,455
Net Income	10,217

The above unaudited pro forma financial information has been prepared for comparative purposes only and includes certain adjustments to actual financial results, such as imputed interest costs, and estimated additional depreciation and amortization expense as a result of property and equipment and intangible assets acquired. The pro forma financial information does not purport to be indicative of the results of operations that would have been achieved had the acquisition taken place on the date indicated or the results of operations that may result in the future.

15. Supplemental Consolidating Financial Information

We have presented supplemental consolidating balance sheets, statements of operations, statements of comprehensive income (loss) and statements of cash flows for Syniverse Holdings, Inc., which we refer to in this footnote only as Syniverse, Inc., the Subsidiary Guarantors and the non-guarantor subsidiaries for all periods presented to reflect the guarantor structure under the Senior Notes as discussed in Note 6. The supplemental financial information reflects the investment of Syniverse, Inc. using the equity method of accounting.

Syniverse, Inc. s payment obligations under the Senior Notes are guaranteed by certain wholly owned domestic subsidiaries of Syniverse Inc., including Syniverse Technologies LLC (formerly known as Syniverse Technologies, Inc.), Syniverse ICX Corporation and The Rapid Roaming Company (collectively, the Subsidiary Guarantors). Highwoods Corporation, Syniverse Technologies BV, Syniverse Technologies Holdings LLC, Perfect Profits International Limited, Syniverse Technologies K.K., Syniverse Technologies (India) Private Limited and Syniverse Brience LLC are included as non-guarantors. Such guarantees are irrevocable, unconditional and joint and several.

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CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF SEPTEMBER 30, 2012

(AMOUNTS IN THOUSANDS)

	Syniverse, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
ASSETS					
Current assets:					
Cash	$ 44	$ 127,068	$ 41,230	$	$ 168,342
Accounts receivable, net of allowances		142,477	23,912		166,389
Accounts receivable affiliates	1,309,068		221,874	(1,530,942)	
Deferred tax assets		9,036			9,036
Income taxes receivable		13,483	9,625	(6,819)	16,289
Prepaid and other current assets	3,678	19,720	6,819		30,217
Total current assets	1,312,790	311,784	303,460	(1,537,761)	390,273
Property and equipment, net		75,799	8,764		84,563
Capitalized software, net		206,073	2,907		208,980
Deferred costs, net	43,535				43,535
Goodwill		1,682,171			1,682,171
Identifiable intangibles, net		497,670	3,241		500,911
Long-term note receivable affiliates			7,183	(7,183)	
Other assets		44,567	261		44,828
Investment in subsidiaries	1,263,348	302,361		(1,565,709)	
Total assets	$ 2,619,673	$ 3,120,425	$ 325,816	$ (3,110,653)	$ 2,955,261
LIABILITIES AND STOCKHOLDER EQUITY					
Current liabilities:					
Accounts payable	$	$ 16,776	$ 1,954	$	$ 18,730
Accounts payable affiliates		1,538,259		(1,538,259)	
Income taxes payable		8,817		(6,620)	2,197
Accrued liabilities	18,370	36,555	9,389		64,314
Deferred revenues		6,529	3,943		10,472
Current portion of capital lease obligation		3,790			3,790
Current portion of long-term debt, net of original issue discount	7,083				7,083
Total current liabilities	25,453	1,610,726	15,286	(1,544,879)	106,586
Long-term liabilities:					
Long-term note payable affiliates		7,183		(7,183)	
Deferred tax and other tax liabilities		234,559			234,559
Long-term capital lease obligation, less current maturities		4,106			4,106
Long-term debt, net of current portion and original issue discount	1,399,901				1,399,901
Other long-term liabilities		503	8,169		8,672
Total liabilities	1,425,354	1,857,077	23,455	(1,552,062)	1,753,824
Stockholder equity:					
Common stock			125	(125)	

Additional paid-in capital	1,213,272	529,580	356,113	(885,693)	1,213,272
(Accumulated deficit) retained earnings	(18,522)	727,548	(29,411)	(698,137)	(18,522)
Accumulated other comprehensive (loss) income	(431)	6,220	(24,466)	18,246	(431)
Total Syniverse Holdings Inc. stockholder equity	1,194,319	1,263,348	302,361	(1,565,709)	1,194,319
Noncontrolling interest				7,118	7,118
Total equity	1,194,319	1,263,348	302,361	(1,558,591)	1,201,437
Total liabilities and stockholder equity	$ 2,619,673	$ 3,120,425	$ 325,816	$ (3,110,653)	$ 2,955,261

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

(AMOUNTS IN THOUSANDS)

	Syniverse, Inc.	Subsidiary Guarantors	Successor Subsidiary Non-Guarantors	Adjustments	Consolidated
Revenues	$	$ 163,556	$ 25,800	$	$ 189,356
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)		59,814	9,778		69,592
Sales and marketing		11,204	4,853		16,057
General and administrative		25,641	103		25,744
Depreciation and amortization		43,057	1,354		44,411
Restructuring and management termination benefits		(60)			(60)
		139,656	16,088		155,744
Operating income		23,900	9,712		33,612
Other income (expense), net:					
Income from equity investment	32,668	13,542		(46,210)	
Interest income		74	92		166
Interest expense	(25,304)				(25,304)
Other, net		788	2,298		3,086
	7,364	14,404	2,390	(46,210)	(22,052)
Income (loss) before provision for (benefit from) income taxes	7,364	38,304	12,102	(46,210)	11,560
(Benefit from) provision for income taxes	(9,702)	5,636	(1,440)		(5,506)
Net income	17,066	32,668	13,542	(46,210)	17,066
Net income attributable to noncontrolling interest				1,627	1,627
Net income attributable to Syniverse Holdings, Inc.	$ 17,066	$ 32,668	$ 13,542	$ (47,837)	$ 15,439

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

(AMOUNTS IN THOUSANDS)

	Syniverse, Inc.	Subsidiary Guarantors	Successor Subsidiary Non-Guarantors	Adjustments	Consolidated
Net income	$ 17,066	$ 32,668	$ 13,542	$ (46,210)	$ 17,066
Other comprehensive (loss) (net of tax):					
Foreign currency translation adjustment, net of tax expense of $419			(1,648)		(1,648)
Other comprehensive loss			(1,648)		(1,648)
Comprehensive income (loss)	17,066	32,668	11,894	(46,210)	15,418
Less: comprehensive income attributable to noncontrolling interest				2,062	2,062
Comprehensive income (loss) attributable to Syniverse Holdings, Inc.	$ 17,066	$ 32,668	$ 11,894	$ (48,272)	$ 13,356

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(AMOUNTS IN THOUSANDS)

	Syniverse, Inc.	Subsidiary Guarantors	Successor Subsidiary Non-Guarantors	Adjustments	Consolidated
Revenues	$	$ 483,233	$ 74,396	$	$ 557,629
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)		175,733	28,183		203,916
Sales and marketing		35,681	15,133		50,814
General and administrative		86,900	(2,645)		84,255
Depreciation and amortization		127,037	4,648		131,685
Restructuring and management termination benefits		533	38		571
		425,884	45,357		471,241
Operating income		57,349	29,039		86,388
Other income (expense), net:					
Income from equity investment	61,490	24,655		(86,145)	
Interest income		317	353		670
Interest expense	(83,405)				(83,405)
Debt extinguishment costs	(6,458)				(6,458)
Other, net		383	3,184		3,567
	(28,373)	25,355	3,537	(86,145)	(85,626)
(Loss) income before (benefit from) provision for income taxes	(28,373)	82,704	32,576	(86,145)	762
(Benefit from) provision for income taxes	(34,606)	21,214	7,921		(5,471)
Net income	6,233	61,490	24,655	(86,145)	6,233
Net income attributable to noncontrolling interest					