GSC Acquisition Co
Form SC 13G/A
January 28, 2009

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 2)*

GSC Acquisition Company
(Name of Issuer)

COMMON STOCK
(Title of Class of Securities)

40053G106
(CUSIP Number)

December 31, 2008
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

/ / Rule 13d-1(b)
/X/ Rule 13d-1(c)
/ / Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Investments L.P.

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) / /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

5. Sole Voting Power: 0

Number of Shares Beneficially Owned By Each Reporting Person With:

6. Shared Voting Power: 2,465,625

7. Sole Dispositive Power: 0

8. Shared Dispositive Power: 2,465,625

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,465,625

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 9.8%

12. Type of Reporting Person: IA

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Services LLC (1)

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) / /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

Number of Shares Beneficially Owned By Each Reporting Person With:

5. Sole Voting Power: 0

6. Shared Voting Power: 2,465,625

7. Sole Dispositive Power: 0

8. Shared Dispositive Power: 2,465,625

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,465,625

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 9.8%

12. Type of Reporting Person: IA

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(1) HBK Investments L.P. has delegated discretion to vote and dispose of the Securities to HBK Services LLC ("Services"). Services may, from time to time, delegate discretion to vote and dispose of certain of the Securities to HBK New York LLC, a Delaware limited liability company, HBK Virginia LLC, a Delaware limited liability company, and/or HBK Europe Management LLP, a limited liability partnership organized under the laws of the United Kingdom (collectively, the "Subadvisors"). Each of Services and the Subadvisors is under common control with HBK Investments L.P. The Subadvisors expressly declare that the filing of this statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, beneficial owners of the Securities.

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK New York LLC

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) / /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

| | |
|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With: | 5. Sole Voting Power: 0 |
| | 6. Shared Voting Power: 2,465,625 |
| | 7. Sole Dispositive Power: 0 |
| | 8. Shared Dispositive Power: 2,465,625 |

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,465,625

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 9.8%

12. Type of Reporting Person: IA

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Partners II L.P.

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) /  /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

| | |
|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With: | 5. Sole Voting Power: 0 |
| | 6. Shared Voting Power: 2,465,625 |
| | 7. Sole Dispositive Power: 0 |
| | 8. Shared Dispositive Power: 2,465,625 |

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,465,625

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 9.8%

12. Type of Reporting Person: HC

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Management LLC

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) /  /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

| | |
|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With: | 5. Sole Voting Power: 0 |
| | 6. Shared Voting Power: 2,465,625 |
| | 7. Sole Dispositive Power: 0 |
| | 8. Shared Dispositive Power: 2,465,625 |

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,465,625

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 9.8%

12. Type of Reporting Person: HC

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Master Fund L.P.

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) / /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

| | |
|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With: | 5. Sole Voting Power: 0 |
| | 6. Shared Voting Power: 2,181,400 |
| | 7. Sole Dispositive Power: 0 |
| | 8. Shared Dispositive Power: 2,181,400 |

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

2,181,400

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 8.7%

12. Type of Reporting Person: PN

CUSIP No. 40053G106

1. Name of Reporting Persons.

HBK Special Opportunity Fund I L.P.

2. Check the Appropriate Box if a Member of a Group

(a) /X/

(b) /  /

3. SEC Use Only

4. Citizenship or Place of Organization: Delaware

| | |
|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With: | 5. Sole Voting Power: 0 |
| | 6. Shared Voting Power: 284,225 |
| | 7. Sole Dispositive Power: 0 |
| | 8. Shared Dispositive Power: 284,225 |

9. Aggregate Amount Beneficially Owned by Each Reporting Person:

284,225

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares / /

11. Percent of Class Represented by Amount in Row (9): 1.1%

12. Type of Reporting Person: PN

Item 1(a). Name of Issuer:

The name of the issuer is GSC Acquisition Company (the "Issuer").

Item 1(b). Address of Issuer's Principal Executive Offices:

The principal executive offices of the Issuer are located at 500 Campus Drive, Suite 220, Florham Park, New Jersey 07932.

Item 2(a). Names of Persons Filing:

This Schedule 13G statement is hereby filed by the persons set forth below.

HBK Investments L.P.
HBK Services LLC
HBK New York LLC
HBK Partners II L.P.
HBK Management LLC
HBK Master Fund L.P.
HBK Special Opportunity Fund I L.P.

Item 2(b). Address of Principal Business Office, or if None, Residence:

The address of the principal business office for each Reporting Person is set forth below.

HBK Investments L.P.: 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.
HBK Services LLC: 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.
HBK New York LLC: 350 Park Avenue, 20th Floor, New York, New York 10022.
HBK Partners II L.P.: 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.
HBK Management LLC: 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.
HBK Master Fund L.P.: c/o HBK Services LLC, 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.

HBK Special Opportunity Fund I L.P.: c/o HBK Services LLC, 2101 Cedar Springs Road, Suite 700, Dallas, Texas 75201.

Item 2(c). Citizenship:

HBK Investments L.P. is a Delaware limited partnership.
HBK Services LLC is a Delaware limited liability company.
HBK New York LLC is a Delaware limited liability company.
HBK Partners II L.P. is a Delaware limited partnership.
HBK Management LLC is a Delaware limited liability company.
HBK Master Fund L.P. is a Cayman Islands limited partnership.
HBK Special Opportunity Fund I L.P. is a Cayman Islands limited partnership.

Item 2(d). Title of Class of Securities:

This statement relates to the Common Stock of the Issuer (the "Securities").

Item 2(e). CUSIP Number:

The CUSIP number of the Securities is 40053G106.

Item 3. If this statement is filed pursuant to Sections 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

(a) / / Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) / / Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) / / Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) / / Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) / / An investment adviser in accordance with section 240.13d-1(b)(1)(ii)(E).

(f) / / An employee benefit plan or endowment fund in accordance with section 240.13d-1(b)(1)(ii)(F).

(g) / / A parent holding company or control person in accordance with section 240.13d-1(b)(1)(ii)(G).

(h) / / A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(i) / / A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

(j) / / Group, in accordance with section 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

Ownership is incorporated by reference to items 5-9 and 11 of the cover page of each Reporting Person.

The percentage disclosed in item 11 of the cover page of each Reporting Person is calculated based upon 25,200,000 shares of common stock reported to be outstanding as of November 11, 2008 by the Issuer in its Form 10-Q for the quarterly period ended September 30, 2008 filed with the Securities and

Exchange Commission on November 12, 2008.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following / /

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Jamiel A. Akhtar, Richard L. Booth, David C. Haley, Lawrence H. Lebowitz, and William E. Rose are each managing members (collectively, the "Members") of HBK Management LLC. The Members expressly declare that the filing of this statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, beneficial owners of the Securities.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Not applicable.

Item 8. Identification and Classification of Members of the Group.

See Item 2.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATED: January 28, 2009

HBK INVESTMENTS L.P.

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK SERVICES LLC

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK NEW YORK LLC

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK PARTNERS II L.P.
By: HBK Management LLC
General Partner

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK MANAGEMENT LLC

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK MASTER FUND L.P.
By: HBK Services LLC
Investment Advisor

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

HBK SPECIAL OPPORTUNITY FUND I L.P.
By: HBK Services LLC
Investment Advisor

By: /s/ Jon L. Mosle
Jon L. Mosle
Authorized Signatory (1)

(1) An Authorization Certificate authorizing Jon L. Mosle to act on behalf of each Reporting Person was previously filed.

div>

(130,544
)
Other comprehensive income (loss), net of tax effects

15,325

15,325

15,325

Purchases of treasury stock
(346
)

(3
)

3

(29,185
)

(29,185
)

(29,185
)
Common stock issued, net of shares withheld for employee taxes
357

3

(27,736
)

(3,342
)

26,755

(4,320
)

(4,320
)
Stock-based compensation

37,266

37,266

37,266

Balance at January 31, 2019
149,276

$
1,493

$
1,654,363

$
2,820,910

$

(600,112
)

$
(97,852
)

$
3,778,802

$
5,863

$
3,784,665

Capital in
Excess of
Par
Value

Retained
Earnings

Treasury
Stock

Accumulated

Other
Comprehensive
Income (Loss)

Total
Synopsys
Stockholders’
Equity

Non-controlling
Interest

Stockholders'
Equity

Common Stock

Shares

Amount

Balance at October 31, 2017
150,445

$
1,505

$
1,622,429

$
2,143,873

$
(426,208
)

$
(65,979
)

$
3,275,620

$

4,104

3,279,724

Net income (loss)

(3,691
)

(3,691
)

(3,691
)
Other comprehensive income (loss), net of tax effects

28,787

28,787

28,787

Purchases of treasury stock
(1,987
)

(20
)
20
(180,000
)
(180,000
)
(180,000
)
Equity forward contract
(20,000
)
(20,000
)
(20,000
)
Common stock issued, net of shares withheld for employee taxes
495
5
(22,103
)

(6,328
)

32,126

3,700

3,700

Stock-based compensation

32,113

32,113

32,113

Balance at January 31, 2018
148,953

$
1,490

$
1,612,459

$
2,133,854

$
(574,082
)

$
(37,192
)

$
3,136,529

$
4,104

$
3,140,633

(1) See Note 2. Summary of Significant Accounting Policies for additional information on the retained earnings adjustment due to adoption of Accounting Standards Codification (ASC) 606 and ASC 340.
(2) See Note 14. Taxes for additional information on the retained earnings adjustment due to adoption of Accounting Standard Update (ASU) 2016-16.
See accompanying notes to unaudited condensed consolidated financial statements.

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SYNOPSYS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three Months Ended January 31, 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | |
| Net income (loss) | $ | 153,514 | | $ | (3,691 | ) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | | | | |
| Amortization and depreciation | 51,830 | | | 43,920 | | |
| Amortization of capitalized costs to obtain revenue contracts | 12,793 | | | — | | |
| Stock compensation | 38,460 | | | 32,323 | | |
| Allowance for doubtful accounts | 1,500 | | | 368 | | |
| (Gain) loss on sale of property and investments | — | | | 4 | | |
| Deferred income taxes | (6,215 | | ) | 46,172 | | |
| Net changes in operating assets and liabilities, net of acquired assets and liabilities: | | | | | | |
| Accounts receivable | (209,049 | | ) | (34,811 | | ) |
| Inventories | (15,827 | | ) | (15,811 | | ) |
| Prepaid and other current assets | (10,027 | | ) | (14,504 | | ) |
| Other long-term assets | (49,403 | | ) | (25,601 | | ) |
| Accounts payable and accrued liabilities | (219,099 | | ) | (139,864 | | ) |
| Income taxes | (41,985 | | ) | (18,017 | | ) |
| Deferred revenue | 149,489 | | | 70,458 | | |
| Net cash used in operating activities | (144,019 | | ) | (59,054 | | ) |
| Cash flows from investing activities: | | | | | | |
| Proceeds from sales and maturities of short-term investments | — | | | 12,449 | | |
| Purchases of property and equipment | (29,007 | | ) | (28,316 | | ) |

| | | |
|---|---|---|
| Cash paid for acquisitions and intangible assets, net of cash acquired | — | (608,344) |
| Capitalization of software development costs | (737) | (807) |
| Net cash used in investing activities | (29,744) | (625,018) |
| Cash flows from financing activities: | | |
| Proceeds from credit facilities | 185,080 | 450,000 |
| Repayment of debt | (112,812) | (21,875) |
| Issuances of common stock | 6,358 | 12,486 |
| Payments for taxes related to net share settlement of equity awards | (10,593) | (10,247) |
| Purchase of equity forward contract | — | (20,000) |
| Purchases of treasury stock | (29,185) | (180,000) |
| Other | (762) | — |
| Net cash provided by financing activities | 38,086 | 230,364 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 4,882 | 11,555 |
| Net change in cash, cash equivalents and restricted cash | (130,795) | (442,153) |
| Cash, cash equivalents and restricted cash, beginning of period | 725,001 | 1,050,075 |
| Cash, cash equivalents and restricted cash, end of period | $ 594,206 | $ 607,922 |

See accompanying notes to unaudited condensed consolidated financial statements.

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SYNOPSYS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Description of Business
Synopsys, Inc. (Synopsys or the Company) provides products and services used by designers across the entire silicon to software spectrum, from engineers creating advanced semiconductors to software developers seeking to ensure the security and quality of their code. The Company is a global leader in supplying the electronic design automation (EDA) software that engineers use to design and test integrated circuits (ICs), also known as chips. The Company also offers semiconductor intellectual property (IP) products, which are pre-designed circuits that engineers use as components of larger chip designs rather than designing those circuits themselves. The Company provides software and hardware used to validate the electronic systems that incorporate chips and the software that runs on them. To complement these offerings, the Company provides technical services and support to help its customers develop advanced chips and electronic systems. These products and services are part of the Company’s Semiconductor & System Design segment.
The Company is also a leading provider of software tools and services that improve the security and quality of software code in a wide variety of industries, including electronics, financial services, media, automotive, medicine, energy and industrials. These tools and services are part of the Company’s Software Integrity segment.

Note 2. Summary of Significant Accounting Policies
The Company has prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Pursuant to these rules and regulations, the Company has condensed or omitted certain information and footnote disclosures it normally includes in its annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In management’s opinion, the Company has made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly present its unaudited condensed consolidated balance sheets, results of operations, comprehensive income, stockholders' equity and cash flows. The Company’s interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto in Synopsys’ Annual Report on Form 10-K for the fiscal year ended October 31, 2018 as filed with the SEC on December 17, 2018.
Use of Estimates. To prepare financial statements in conformity with U.S. GAAP, management must make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates and may result in material effects on the Company’s operating results and financial position.
Principles of Consolidation. The unaudited condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.
Fiscal Year End. The Company’s fiscal year generally ends on the Saturday nearest to October 31 and consists of 52 weeks, with the exception that every five or six years, the Company has a 53-week year. When a 53-week year occurs, the Company includes the additional week in the first quarter to realign fiscal quarters with calendar quarters. Fiscal 2019 is a 52-week year and will end on November 2, 2019. Fiscal 2018 was a 53-week year and ended on November 3, 2018.
The results of operations for the first quarters of fiscal 2019 and 2018 included 13 weeks and 14 weeks, respectively, and ended on February 2, 2019 and February 3, 2018, respectively. For presentation purposes, the unaudited condensed consolidated financial statements and accompanying notes refer to the closest calendar month end.
Segment Reporting. Effective in fiscal 2019, the Company realigned its business to evaluate the results of its Software Integrity business separately from Synopsys’ traditional electronic design automation (EDA) and semiconductor IP business. The Chief Operating Decision Makers (CODMs) now regularly review disaggregated information for the following two reportable segments: (1) Semiconductor & System Design, which includes EDA tools, IP products, system integration solutions and associated services, and (2) Software Integrity, which includes security and quality solutions for software development across many industries. Synopsys' CODMs are its two co-

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Chief Executive Officers. Historical segment disclosures have been recast to retrospectively reflect the change from one to two reportable segments.

Goodwill. Effective in the first quarter of fiscal 2019, with the change in the Company's reportable segments, the Company has determined there are now two reporting units, requiring goodwill to be allocated to the two reporting units using a relative fair value method. Goodwill represents the excess of the aggregate purchase price over the fair value of the net tangible and identifiable intangible assets acquired by the Company. The carrying amount of goodwill at each reporting unit is tested for impairment annually as of October 31, or more frequently if facts and circumstances warrant a review. As a result of changes to the Company's segment reporting, the Company conducted a quantitative impairment test for each of its reporting units and concluded that there was no impairment. The Company performs either a qualitative or quantitative analysis when testing a reporting unit's goodwill for impairment. A qualitative goodwill impairment test is performed when the fair value of a reporting unit historically has significantly exceeded the carrying value of its net assets and based on current operations is expected to continue to do so. Otherwise, the Company is required to conduct a quantitative impairment test for each reporting unit and estimates the fair value of each reporting unit using a combination of a discounted cash flow analysis and a market approach based on market multiples. The discount rate used in an income approach is based on the Company's weighted-average cost of capital and may be adjusted for the relevant risks pertaining to projecting future cash flows. If the fair value of a reporting unit is less than its carrying value, a goodwill impairment charge is recorded for the difference. Refer to Note 3. Goodwill and Intangible Assets for a discussion of the change in reporting units as related to the realignment of the Company's segments.

Revenue Recognition. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC 606), "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in "Revenue Recognition (ASC 605)." The new guidance creates a single, principle-based model for revenue recognition that is intended to expand and improve companies' revenue disclosures. For revenue recognition policies under ASC 605, refer to Note 2 - Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended October 31, 2018.

ASC 606 requires a company to recognize revenue when goods are transferred or services are provided to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. ASC 606 also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has issued several amendments to ASC 606, including amendments that deferred the initially proposed adoption date and clarified accounting for licenses of intellectual property and identifying performance obligations.

The Company adopted ASC 606 at the beginning of fiscal 2019 using the modified retrospective transition method. Under this method, periods prior to the adoption date are not adjusted and continue to be reported under the revenue accounting literature in effect during those periods. The Company evaluated contracts that were in effect at the beginning of fiscal 2019 as if they had been accounted for under ASC 606 from the contract inception and summarized the most significant adoption impacts as follows:

- Revenue for certain ongoing contracts that was previously deferred would have been recognized in the periods prior to adoption under ASC 606. Therefore, upon adoption, the Company recorded the following adjustments to the beginning balances to reflect the amount of revenue that will no longer be recognized in future periods for such contracts: an increase to retained earnings of $265.1 million, a decrease to unbilled receivables of $27.4 million, an increase to contract assets of $126.9 million, and a decrease in deferred revenue of $165.6 million.
- The Company capitalized $73.8 million of incremental costs for obtaining contracts with customers at the adoption date with a corresponding adjustment to retained earnings, and is amortizing these costs over the contract term.
- The Company recorded an increase in its opening deferred tax liability of $81.4 million, with a corresponding adjustment to retained earnings, to record the tax effect of the above adjustments.

The impacts of adopting ASC 606 on the Company's unaudited condensed consolidated financial statements for the quarter are summarized in the tables below.

Balance Sheet Accounts

The following table summarizes the effects of adopting ASC 606 on certain account balances of the unaudited condensed consolidated balance sheet that were impacted as of January 31, 2019:

| | As reported under ASC 606 | Adjustments | Adjusted balance under ASC 605 |
|---|---|---|---|
| | (in thousands) | | |
| Receivables, net | $762,292 | $ 73,234 | $835,526 |
| Prepaid and other current assets | 249,927 | (167,729) | 82,198 |
| Deferred income taxes | 337,824 | 70,362 | 408,186 |
| Other long-term assets | 358,527 | (95,715) | 262,812 |
| Accounts payable and other accrued liabilities | 335,341 | (10,713) | 324,628 |
| Deferred revenue | 1,262,201 | 112,374 | 1,374,575 |
| Long-term deferred revenue | 63,013 | 80,614 | 143,627 |
| Other long-term liabilities (1) | 296,098 | (16,671) | 279,427 |
| Retained earnings | 2,820,910 | (285,452) | 2,535,458 |

(1) Includes long-term deferred tax liabilities.

Statements of Operations

The following table summarizes the effects of adopting ASC 606 on the unaudited condensed consolidated statements of operations for the three months ended January 31, 2019:

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| | As reported under ASC 606 | Adjustments | Adjusted under ASC 605 |
|---|---|---|---|
| | (in thousands, except per share amounts) | | |
| Revenue: | | | |
| Time-based products | $553,716 | $ 15,856 | $569,572 |
| Upfront products | 130,513 | (16,786 ) | 113,727 |
| Maintenance and service | 136,172 | (21,414 ) | 114,758 |
| Total revenue | 820,401 | (22,344 ) | 798,057 |
| Cost of Revenue: | | | |
| Products | 116,620 | — | 116,620 |
| Maintenance and service | 58,829 | — | 58,829 |
| Amortization of intangible assets | 17,443 | — | 17,443 |
| Total cost of revenue | 192,892 | — | 192,892 |
| Gross margin | 627,509 | (22,344 ) | 605,165 |
| Operating expenses: | | | |
| Research and development | 271,326 | — | 271,326 |
| Sales and marketing | 155,959 | 11,184 | 167,143 |
| General and administrative | 42,061 | — | 42,061 |
| Amortization of intangible assets | 10,784 | — | 10,784 |
| Restructuring | (35 ) | — | (35 ) |
| Total operating expenses | 480,095 | 11,184 | 491,279 |
| Operating income | 147,414 | (33,528 ) | 113,886 |
| Other income (expense), net | (359 ) | — | (359 ) |
| Income (loss) before provision for income taxes | 147,055 | (33,528 ) | 113,527 |
| Provision (benefit) for income taxes | (6,459 ) | (5,670 ) | (12,129 ) |
| Net income (loss) | $153,514 | $ (27,858 ) | $125,656 |
| Net income (loss) per share: | | | — |
| Basic | $1.03 | $ (0.19 ) | $0.84 |
| Diluted | $1.01 | $ (0.19 ) | $0.82 |
| Shares used in computing per share amounts: | | | — |
| Basic | 149,288 | | 149,288 |
| Diluted | 152,661 | | 152,661 |

Statements of Cash Flows

Adoption of ASC 606 had no impact to cash from or used in operating, financing, or investing activities on the unaudited condensed consolidated cash flows statements.

Revenue Policy

The core principle of ASC 606 is to recognize revenue for the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or products. The principle is achieved through the following five-step approach:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligation in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Nature of Products and Services

The Company generates revenue from the sale of products that include software licenses and, to a lesser extent,

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hardware products, maintenance and services. The various types are set forth below.

Electronic Design Automation

Software license revenue consists of fees associated with the licensing of the Company's software primarily through Technology Subscription License (TSL) contracts. TSLs are time-based licenses for a finite term and generally provide the customer with limited rights to receive, or to exchange certain quantities of licensed software for, unspecified future technology. The majority of the Company's arrangements are TSLs due to the nature of its business and customer requirements. In addition to the licenses, the arrangements also include: post-contract customer support, which includes providing frequent updates and upgrades to maintain the utility of the software due to rapid changes in technology; other intertwined services such as multiple copies of the tools; assisting the Company's customers in applying the Company's technology in the customers' development environment; and rights to remix licenses for other licenses. Payments are generally received in equal or near equal installments over the term of the arrangement. Under ASC 605, these arrangements were qualified to be recognized ratably over the contract terms. Under ASC 606, the Company has concluded that its software licenses in TSL contracts are not distinct from its obligation to provide unspecified software updates to the licensed software throughout the license term. Such updates represent inputs to a single, combined performance obligation, commencing upon the later of the arrangement effective date or transfer of the software license. Remix rights are not an additional promised good or service in the contract, and where unspecified additional software product rights are part of the contract with the customer, such rights are accounted for as part of the single performance obligation that includes the licenses, updates, and technical support because such rights are provided for the same period of time and have the same pattern of transfer to the customer over the duration of the subscription term.

IP & System Integration

The Company generally licenses IP under nonexclusive license agreements that provide usage rights for specific applications. Additionally, for certain IP license agreements, royalties are collected as customers sell their own products that incorporate the Company’s IP. Under ASC 605, the Company recognized revenue either upfront if certain criteria in ASC 605 were met, or over the contractual period for IP licensing and support arrangements if such arrangements were combined with other TSL arrangements. Under ASC 606, these arrangements generally have two distinct performance obligations that consist of transferring the licensed IP and the support service. Support services consist of a stand-ready obligation to provide technical support and software updates over the support term. Revenue allocated to the IP license is recognized at a point in time upon the later of the delivery date or the beginning of the license period, and revenue allocated to support services is recognized ratably over the support term. Royalties are recognized as revenue is earned, generally when the customer sells its products that incorporate the Company’s IP.

Software Integrity Products

Software Integrity product arrangements provide customers the right to software licenses, software updates and technical support. Under the term of these arrangements, the customer expects to receive integral updates to the software licenses that protect the customer’s software from potential security vulnerabilities. The licenses and software updates together serve to fulfill the Company’s commitment to the customer, as they represent inputs to a single, combined performance obligation that commences upon the later of the arrangement effective date or transfer of the software license. Software updates are part of the contract with the customer, and such rights are accounted for as part of the single performance obligation that includes the licenses, updates, and technical support because such rights are provided for the same period of time and have the same time-based pattern of transfer to the customer.

Hardware

The Company generally has two performance obligations in arrangements involving the sale of hardware products. The first performance obligation is to transfer the hardware product, which includes embedded software integral to the functionality of the hardware product. The second performance obligation is to provide maintenance on the hardware and its embedded software, including rights to technical support, hardware repairs and software updates that are all provided over the same term and have the same time-based pattern of transfer to the customer. The portion of the transaction price allocated to the hardware product is generally recognized as revenue at a point in time when the hardware is delivered to the customer. The Company has concluded that control generally transfers upon delivery because the customer has title to the hardware, physical possession of the hardware, and a present obligation to pay for the hardware. The portion of the transaction price allocated to maintenance is recognized as revenue that is ratable over the maintenance term. The adoption of ASC 606 did not change the timing of revenue recognition for hardware products and related services.

Professional Services
Our arrangements often include service elements (other than maintenance and support services). These services include training, design assistance, and consulting. Services performed on a time and materials basis are recognized over time, as the customer simultaneously receives and consumes the benefit provided. Certain arrangements also include the customization or modification of licensed IP. Revenue from these contracts is recognized over time as the services are performed, when the development is specific to the customer's needs and Synopsys has enforceable rights to payment for performance completed. Performance is generally measured using costs incurred or hours expended to measure progress. The Company has a history of accurately estimating project status and the costs necessary to complete projects. A number of internal and external factors can affect these estimates, including labor rates, utilization and efficiency variances, specification and testing requirement changes, and changes in customer delivery priorities. Payments for services are generally due upon milestones in the contract or upon consumption of the hourly resources.
Flexible Spending Accounts
Some customers enter into a non-cancelable Flexible Spending Account arrangement (FSA) whereby the customer commits to a fixed dollar amount over a specified period of time that can be used to purchase from a list of Synopsys products or services. These arrangements do not meet the definition of a revenue contract until the customer executes a separate order to identify the required products and services that they are purchasing. The combination of the FSA arrangement and the subsequent order creates enforceable rights and obligations, thus meeting the definition of a revenue contract. Each separate order under the agreement is treated as an individual contract under the new standard and accounted for based on the respective performance obligations included within the FSA arrangements.
Disaggregated Revenue
The following table shows the percentage of revenue by product groups:

| | Three Months Ended January 31, | |
|---|---|---|
| | 2019 | 2018 |
| EDA | 61 % | 63 % |
| IP & System Integration | 29 % | 28 % |
| Software Integrity Products & Services | 10 % | 8 % |
| Other | — % | 1 % |
| Total | 100% | 100% |

Judgments
The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether services and products are considered distinct performance obligations that should be accounted for separately versus together require significant judgment. The Company has concluded that (1) its EDA software licenses in TSL contracts are not distinct from its obligation to provide unspecified software updates to the licensed software throughout the license term, because those promises represent inputs to a single, combined performance obligation, and (2) where unspecified additional software product rights are part of the contract with the customer, such rights are accounted for as part of the single performance obligation that includes the licenses, updates, and technical support, because such rights are provided for the same period of time and have the same time-based pattern of transfer to the customer. In reaching this conclusion, the Company considered the nature of the obligation to customers which is to provide an ongoing right to use the most up to date and relevant software. As EDA customers operate in a rapidly changing and competitive environment, satisfying the obligation requires providing critical updates to the existing software products, including ongoing iterative interaction with customers to make the software relevant to customers' ability to meet the time to go to market with advanced products.
Similarly, the Company also concluded that in its Software Integrity business, the licenses and maintenance updates serve together to fulfill the Company's commitment to the customer as both work together to provide the functionality to the customer and represent a combined performance obligation because the updates are essential to the software's

central utility, which is to identify security vulnerabilities and other threats.

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Judgment is also required to determine the standalone selling price (SSP) for each distinct performance obligation. For non-software performance obligations (IP, Hardware, and services), SSP is established based on observable prices of products and services sold separately. SSP for license (and related updates and support) in a contract with multiple performance obligations is determined by applying a residual approach whereby all other non-software performance obligations within a contract are first allocated a portion of the transaction price based upon their respective SSP, using observable prices, with any residual amount of the transaction price allocated to the license because the Company does not sell the license separately, and the pricing is highly variable.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in receivables (billed or unbilled), contract assets, or contract liabilities (deferred revenue) on the Company's unaudited condensed consolidated balance sheet. The Company records a contract asset when revenue is recognized prior to the right to invoice, or deferred revenue when revenue is recognized subsequent to invoicing. For time-based software agreements, customers are generally invoiced in equal, quarterly amounts, although some customers prefer to be invoiced in single or annual amounts. The Company records an unbilled receivable when revenue is recognized and it has an unconditional right to invoice and receive payment.

The contract assets indicated below are presented as prepaid and other current assets in the unaudited condensed consolidated balance sheet. The contract assets are transferred to receivables when the rights to invoice and receive payment become unconditional.

Contract balances are as follows:

| | As of January 31, 2019 | As of October 31, 2018 as adjusted |
|---|---|---|
| | (in thousands) | |
| Contract assets | $ 167,729 | $ 126,897 |
| Unbilled receivables | 36,922 | 36,699 |
| Deferred revenue | 1,325,214 | 1,104,110 |

During the three months ended January 31, 2019, the Company recognized $487.1 million of revenue that was included in the deferred revenue balance at the beginning of the period, as adjusted for the adoption of ASC 606.

Contracted but unsatisfied or partially unsatisfied performance obligations were approximately $4.3 billion as of January 31, 2019, which includes $432.5 million in non-cancellable FSA commitments from customers where actual product selection and quantities of specific products or services are to be determined by customers at a later date. The Company has elected to exclude future sales-based royalty payments from the remaining performance obligations. The contracted unsatisfied performance obligations, excluding non-cancellable FSA, expected to be recognized over the next 12 months is approximately 50%, with the remainder recognized thereafter.

Costs of Obtaining a Contract with Customer

The incremental costs of obtaining a contract with a customer, which consist primarily of direct sales commissions earned upon execution of the contract, are required to be capitalized under ASC 340-40 and amortized over the estimated period over which the benefit is expected to be received. As direct sales commissions paid for renewals are commensurate with the amounts paid for initial contracts, the deferred incremental costs will be recognized over the contract term. Total capitalized direct commission costs as of January 31, 2019 were $95.7 million and are included in other assets in the Company's unaudited condensed consolidated balance sheet. Amortization of these assets was $12.8 million during the three months ended January 31, 2019 and is included in sales and marketing expense in the Company's unaudited condensed consolidated statements of operations.

Note 3. Goodwill and Intangible Assets

Following the realignment of the Company's operating segments during the first quarter of fiscal 2019, as described in Note 12. Segment Disclosure, the Company has two reporting units and has assigned assets and liabilities to each of the reporting units based on each unit's operating activities. Previously, the Company operated as a single reporting segment and reporting unit. Goodwill was reallocated to the reporting units using a relative fair value method and assessed for impairment. No impairment of goodwill was identified for any periods presented.

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Intangible assets as of January 31, 2019 consisted of the following:

| | Gross Assets | Accumulated Amortization | Net Assets |
|---|---|---|---|
| | (in thousands) | | |
| Core/developed technology | $773,147 | $ 615,315 | $ 157,832 |
| Customer relationships | 358,644 | 214,037 | 144,607 |
| Contract rights intangible | 184,260 | 178,614 | 5,646 |
| Trademarks and trade names | 42,928 | 23,116 | 19,812 |
| In-process research and development (IPR&D)(1) | 1,200 | — | 1,200 |
| Capitalized software development costs | 36,556 | 33,466 | 3,090 |
| Total | $1,396,735 | $ 1,064,548 | $ 332,187 |

(1) IPR&D is reclassified to core/developed technology upon completion or is written off upon abandonment.

Intangible assets as of October 31, 2018 consisted of the following:

| | Gross Assets | Accumulated Amortization | Net Assets |
|---|---|---|---|
| | (in thousands) | | |
| Core/developed technology | $773,147 | $ 598,956 | $ 174,191 |
| Customer relationships | 358,524 | 204,382 | 154,142 |
| Contract rights intangible | 183,953 | 177,191 | 6,762 |
| Trademarks and trade names | 42,929 | 21,944 | 20,985 |
| In-process research and development (IPR&D)(1) | 1,200 | — | 1,200 |
| Capitalized software development costs | 35,818 | 32,694 | 3,124 |
| Total | $1,395,571 | $ 1,035,167 | $ 360,404 |

Amortization expense related to intangible assets consisted of the following:

| | Three Months Ended January 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (in thousands) | |
| Core/developed technology | $16,359 | $18,068 |
| Customer relationships | 9,580 | 8,563 |
| Contract rights intangible | 1,116 | 890 |
| Trademarks and trade names | 1,172 | 1,026 |
| Capitalized software development costs(2) | 772 | 920 |
| Total | $28,999 | |