



FORM 10-K

SYNIVERSE TECHNOLOGIES INC – N/A

Filed: March 26, 2004 (period: December 31, 2003)

Annual report which provides a comprehensive overview of the company for the past year

Table of Contents

PART I

- ITEM 1. BUSINESS
- ITEM 2. PROPERTIES
- ITEM 3. LEGAL PROCEEDINGS
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

PART II

- ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQ
- ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA
- ITEM 7: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
- ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
- ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
- ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
- ITEM 9A. CONTROLS AND PROCEDURES

PART III

- ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT
- ITEM 11. EXECUTIVE COMPENSATION
- ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATT
- ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
- ITEM 14. Principal Accountant Fees and Services

PART IV

- ITEM 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K
- SIGNATURES
- EX-3.1.1
- EX-3.1.7
- EX-10.46 (Material contracts)
- EX-10.47 (Material contracts)
- EX-12.1 (Statement regarding computation of ratios)
- EX-14 (Code of Ethics and Business Conduct)

EX-21.1 (Subsidiaries of the registrant)

EX-31.1

EX-31.2

EX-32.1

EX-32.2

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 333-88168-01
333-88168

SYNIVERSE HOLDINGS, LLC
SYNIVERSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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

30-0041664
06-1262301
(I.R.S. Employer Identification No.)

One Tampa City Center, Suite 700
Tampa, FL 33602
(Address of principal executive office)
(Zip code)

(813) 273-3000
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: None

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 26, 2004, there were 2,000 shares of Syniverse Technologies, Inc.'s no par value common stock outstanding, which are owned of record by Syniverse Holdings, Inc., a company that is wholly owned by Syniverse Holdings, LLC.

[Table of Contents](#)

SYNIVERSE HOLDINGS, LLC
SYNIVERSE TECHNOLOGIES, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2003
TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	3
Item 2. Properties	18
Item 3. Legal Proceedings	18
Item 4. Submission of Matters to a Vote of Security Holders	19
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. Selected Consolidated Financial Data	19
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	38
Item 8. Financial Statements and Supplementary Data	38
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	38
Item 9A. Controls and Procedures	38
PART III	
Item 10. Directors and Executive Officers of the Registrant	39
Item 11. Executive Compensation	42
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	48
Item 13. Certain Relationships and Related Transactions	50
Item 14. Principal Accountant Fees and Services	56
PART IV	
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K	57
Signatures	102
Exhibit Index	104

ITEM 1. BUSINESS**Overview**

We are a global communications technology company specializing in innovative business and network engineering solutions that manage and interconnect voice and data systems throughout the world. Our services include transaction-based, network, number portability, technology interoperability, call processing and other outsourcing services that simplify the interconnection and management of complex voice and data networks. We address technology interoperability complexities as the largest clearinghouse in the United States for the billing and settlement of wireless roaming telephone calls, with an estimated market share of approximately 60% in 2003 based on wireless subscribers. We also own one of the largest unaffiliated Signaling System 7 (SS7) networks in the United States. SS7 is the telecommunication industry's standard network signaling protocol used by nearly all carriers to enable the setup and delivery of wireless and wireline telephone calls. Our network services also allow our customers to access intelligent network services and monitor network performance and subscriber activity on a real-time basis. In addition, we are the industry's leading developer and provider of call processing solutions that enable seamless regional, national and international wireless roaming telephone service. We are the leading provider of wireless local number portability (WLNP) in the United States, having developed and launched the wireless industry's only end-to-end solution for wireless carriers. Our full suite of products addresses pre-provisioning of subscribers, intercarrier communication necessary for actual porting to a new carrier, and porting failures, known as fallout. Our solutions are offered as either service bureau or turnkey, providing flexibility for carriers and creating a significant recurring revenue stream for us. We have dominant market share for WLNP based on contracts with five of the top six U.S. carriers, representing 92% of the available intercarrier communications service bureau customers, and 70% of the inter-carrier communications clearinghouse market.

Effective March 1, 2004 we changed our corporate name. TSI Telecommunication Holdings LLC became Syniverse Holdings, LLC and TSI Telecommunication Services Inc. became Syniverse Technologies, Inc. In addition, our other subsidiaries also changed their names on this date as follows: TSI Telecommunication Holdings Inc. to Syniverse Holdings, Inc.; TSI Finance Company to Syniverse Finance, Inc.; TSI Telecommunication Networks Inc. to Syniverse Networks, Inc.; TSI Telecommunication Services, BV to Syniverse Technologies, BV; and TSI Brience, LLC to Syniverse Brience, LLC.

Industry Trends

Demand for our services is driven primarily by the number of wireless telephone subscribers, the volume of wireless roaming telephone calls, government mandated changes within the telecommunications industry and the increasing technological complexities associated with the proliferation of different communication standards and protocols within telecommunication networks worldwide. The number of U.S. wireless subscribers has grown from 16 million in 1993 to 158 million in 2003, according to the Cellular Telecommunications and Internet Association (CTIA). The U.S. wireless subscriber base is expected to grow to 185 million by 2007 according to the Telecommunications Industry Association (TIA). According to the TIA and Wilkofsky Gruen Associates, wireless is the fastest growing segment of the telecommunications industry. In 2002, the worldwide wireless subscriber base expanded by 6.3 percent to 905 million, with the largest number of subscribers, 417 million, in Asia Pacific, followed by Western Europe at 308 million (TIA). In conjunction with the projected growth in the number of U.S. and worldwide wireless subscribers, we believe the annual number of billable wireless roaming telephone calls will also continue to increase. Growth in wireless subscribers and wireless roaming telephone calls has been driven by improved wireless service quality, decreased cost of service and increased wireless telephone service coverage both in the U.S. and abroad. Wireless telephone service coverage has increased due to the build out of networks in new and existing markets and increased roaming arrangements among carriers that allow subscribers of one carrier to use another carrier's network while traveling out of the subscribers' home market.

These developments have been accompanied by increased technological complexities associated with the proliferation of different network architectures, including various mobile switch types (e.g., Lucent, Nortel, Ericsson and Motorola), diverse signaling standards (e.g., CDMA, TDMA GSM, iDEN, 1xRTT, Wi-Fi), distinct billing record formats (e.g., CIBER, TAP and RADIUS) and multiple network protocols (e.g., X.25, Frame Relay, SS7 and IP). Despite these complexities, wireless carriers are required to provide seamless regional, national and international wireless telephone service coverage in order to attract and retain subscribers. We expect these complexities to increase as wireless carriers introduce new network technologies to enable wireless messaging, data, e-commerce and Wi-Fi access.

[Table of Contents](#)

The federal mandate requiring carriers to offer WLNP by November 24, 2004 was an added complexity to the wireless industry. The implementation of WLNP impacts nearly every system within a carrier's operations, including network signaling and routing, switching, billing, point of sale systems and customer service procedures and systems. The Federal Communications Commission (FCC) mandate, which allows customers to change their telecommunication service provider while keeping their existing telephone number, recommends wireless carriers to change or "port" and activate a customer's service within 2.5 business hours of the initial customer request. Commencing November 24, 2003, wireless operators in the top 100 markets in the United States had to offer full portability throughout their networks, including the ability to support roaming. Second and third tier markets must offer portability by May 24, 2004. To port numbers, carriers need to exchange information with other carriers and transmit information to the regional Number Portability Administration Centers (NPACs). The business and technical impacts of this mandate present significant opportunities for us to assist these carriers in both the implementation and the ongoing service, since these WLNP technical solutions are not generally viewed as a core competency of carriers.

These technological challenges have made revenue assurance, cost management and delivery of quality service increasingly difficult for carriers. As a result, we believe wireless carriers will increasingly utilize trusted third-party service providers, such as us, that offer outsourced solutions to assist in the management of interoperability, network, number portability and call processing complexities. We believe we offer the most comprehensive and advanced suite of services to meet these carriers' needs. Our proven capabilities position us well to continue developing innovative solutions to enhance the technological advantages of our services and meet the industry's evolving requirements.

Services

We provide a diverse set of services to meet the evolving requirements of the telecommunications industry. These services include:

- **Network Services.** We provide our customers with connectivity to our SS7 network and other widely used communications networks (e.g., X.25, Frame Relay and IP). SS7 is the telecommunication industry's standard network signaling protocol used by almost every carrier in North America to enable the setup and delivery of wireless and wireline telephone calls. A telephone call has two components: the call content (e.g., voice, video or data) and the signaling information (e.g., caller information, number called and subscriber validation). SS7 is the transport network for this signaling information. We also provide Web-based analysis and reporting services, allowing our customers to access real-time subscriber activity, monitor their networks, troubleshoot customer care issues and handle network management tasks seamlessly. In addition, use of our SS7 network facilitates access to intelligent network services, such as local number portability (LNP), line information database (LIDB), toll-free database and caller name. We also offer software and services that enable secure application and mobile data communication across multiple devices, software platforms, and networks. Mobile Processing Server (MPS) is an integrated software design and development environment for building mobile solutions that provide a compelling user experience across multiple devices.
- **Number Porting Services.** The Telecommunications Act of 1996 mandates number portability as a means to promote competition for phone service. Number portability means that a subscriber can switch telephone service provider but retain the existing telephone number. Wireline carriers in the largest markets have offered number portability since 1998. After numerous delays and postponements, wireless carriers in the top 100 markets were required to offer WLNP as of November 24, 2003. The implementation of WLNP fundamentally changed the way the wireless industry identifies phone numbers and routes calls. Additionally, porting a number from one carrier to another is an exceedingly complex process that minimally requires eleven "transactions" or exchanges of information between carriers and between carriers and the NPAC. Furthermore, the method for porting a wireline number to a wireless phone is not standardized. We developed the industry's only end-to-end, fully integrated suite of services to enable wireless carriers to meet the FCC-mandated November 2003 deadline for WLNP. Our suite of WLNP services address inter-carrier communication, communication with the NPAC and system and help desk troubleshooting that is necessary when ports fail, known as "fallout." Similarly, we have contracts to provide this same WLNP services to other carriers as they strive to meet the May 2004 deadlines for the secondary and tertiary markets.
- **Technology Interoperability Services.** We address technology interoperability complexities by acting as the primary point of contact for hundreds of wireless carriers for the processing of roaming billing, short message service (SMS), and multi-media messaging (MMS) transactions across substantially all network, signaling, billing and messaging standards.

[Table of Contents](#)

- **Call Processing Services.** We offer telecommunication carriers comprehensive call processing services that employ advanced technologies to provide subscriber verification, call delivery and technical fraud detection and prevention regardless of switch type, billing format or signaling standard.
- **Other Outsourcing Services.** We provide other value-added outsourcing services including a telematics solution that enables trucking and distribution companies to track vehicle location and improve fleet utilization, and outsourced services that enhance carriers' ability to manage and consolidate billing for their enterprise customer accounts.

Our revenues are primarily generated from transaction-based processing fees. These fees are based on the number of roaming calls/events, the number of automatic, periodic electronic signals sent over our network to locate and track subscribers, number portability transactions and database dips, and the number of call detail and billing records cleared. Each time a mobile phone user turns on their phone, a transaction is generated. Further use of the phone to place or receive calls or to use specialized services generates transactions for which we can charge the wireless service provider.

In addition, we earn fixed monthly fees for network connections, principally to our SS7 network, as well as circuit and port fees. To a lesser extent, we also earn implementation fees such as those related to the WLNP implementation services.

Customers

We serve more than 290 customers including telecommunication service providers, wireline carriers, content developers and enterprises worldwide. Our customer base includes all of the top ten wireless carriers in the United States, including AT&T Wireless, Cingular Wireless, Sprint PCS, Verizon Wireless, and Nextel. We also serve wireless companies in Latin America, Asia Pacific and Europe, including, among others, China Unicom, Vodafone Japan, NTT DoCoMo, T-Mobile International, Telstra, Telefónica, and Telcel. In addition, we provide services to wireline providers such as competitive local exchange carriers, local exchange carriers and interexchange carriers. We have a revenue guaranty agreement with respect to revenues from our largest customer, Verizon Wireless. See "Certain Relationships and Related Transactions."

Competitive Strengths

We believe that the following strengths will allow us to continue to enhance our revenues, our operating profitability and cash flow:

- **Market leader in wireless technology interoperability and call processing.** We believe that we offer the most comprehensive and advanced suite of technology interoperability and call processing services to the telecommunication industry. Our technology interoperability services are designed to allow seamless communications between wireless carriers regardless of the communication standards and protocols deployed on their networks. We are the largest wireless clearinghouse in the United States, processing nearly 60% based on wireless subscribers. Wireless clearing and financial settlement support has been a core service offering since our inception and has allowed us to develop trusted third-party relationships with many telecommunication service providers by securely accessing and managing their proprietary subscriber and network data. In addition, we developed many of the wireless industry's first and leading call processing solutions that enable wireless customers to make and receive calls while roaming regionally, nationally or internationally.
- **Market leader in wireless number portability.** We are the leading provider of WLNP in the United States, having developed and launched the wireless industry's only end-to-end solution for wireless carriers. Our full suite of products addresses pre-provisioning of subscribers, intercarrier communication necessary for actual porting to a new carrier, and porting failures, known as fallout. Our solutions are offered as either service bureau or turnkey, providing flexibility for carriers and creating a significant recurring revenue stream for us. We have dominant market share for WLNP based on contracts with five of the top six U.S. carriers, representing 92% of the available intercarrier communications service bureau customers, and 70% of the inter-carrier communications clearinghouse market.
- **Premier SS7 network provider.** We own and operate one of the largest unaffiliated SS7 networks in North America and provide complementary intelligent network and network monitoring services to telecommunication and data network providers. As a single SS7 and intelligent network services source, we provide our customers cost-effective connectivity to the signaling networks of substantially the entire U.S. public-switched telecommunication network, connectivity to international gateways as well as an array of network-enabled services. We believe our SS7 services will continue to grow as carriers as well as enterprise customers increasingly outsource SS7 network connectivity, management and monitoring. We believe this outsourcing trend by carriers is

and will continue to be driven by the significant capital required to build a national SS7 network, the cost of providing the required connectivity to all the major domestic SS7 network providers and the technical expertise required to manage the network. Additionally, demand continues to grow for the ancillary services that the SS7 network supports, such as advanced calling features.

- **Strong customer relationships.** Historically, we have experienced minimal customer turnover with contract renewal rates averaging approximately 88% over the last three years. We serve more than 290 telecommunication service providers worldwide. We currently serve all of the top ten wireless carriers in the United States and provide services to a variety of wireline providers. We also have a highly active and respected customer users' group, which consists of representatives from over 200 customers including AT&T Wireless, Cingular Wireless, Sprint PCS, Verizon Wireless and Nextel. The Syniverse Users' Group allows customers to play a significant role in the development, enhancement and evaluation of our services through regular meetings. Interaction with this group reduces our research and development expenses and speeds new product development, enhancement and market introduction.
- **History of innovative product development.** We have built our business and reputation by continually identifying new opportunities in the telecommunication marketplace and designing comprehensive solutions that meet carriers' evolving technology interoperability, network and call processing needs. Our history includes the development of (i) the first automatic roaming call delivery service (Follow Me Roaming), (ii) the first online roaming subscriber monitoring and support system for the industry (Visibility), (iii) the first commercial fraud profiler (FraudX), (iv) the first seamless international roaming solution (UniRoam), (v) our own proprietary IS-41 call processor and (vi) the first nationwide telematics application (OnStar). Most recently, we developed the industry's only end-to-end integrated WLNP suite of services. In addition, we are recognized as a leader in defining and developing industry standards through our work with organizations such as the CTIA, GSM Association (GSM), CDMA Development Group (CDG) and CIBERNET. For example, we were one of the primary leaders within the GSM in developing its globally deployed uniform billing standard, TAP3. More recent innovations include the development of a comprehensive suite of services to implement and manage WLNP including service order administration, inter-carrier communications, fallout management, work flow management and porting center management and administration.
- **Proven business model.** We offer mission-critical business and network engineering solutions that manage and interconnect voice and data systems in 26 countries throughout North America, Central and Latin America, Asia Pacific and Europe through a service bureau model that provides us with a strong base of recurring revenues and cash flows. We believe that the cost, time and potential disruption incurred by a customer in moving to a competitor's service offering are significant, further strengthening the stability of our revenue base.
- **Positioned to capitalize on emerging communication industry technologies.** We believe the introduction of 2.5G and 3G wireless services (i.e., EDGE, GPRS, wCDMA, CDMA2000 and 1xRTT) will increase the technological complexity of wireless networks and increase the demand for our suite of services. We also believe that our market leadership, strong customer relationships and technical expertise position us well to capitalize both on next generation networks and emerging mobile data technology complexities. In addition, as one of the largest providers of outsourced SS7 and intelligent network services in the United States, we are strategically positioned to provide services to traditional wireless and wireline telecommunication providers, as well as Internet Protocol-based (IP-based) service providers who must access existing public-switched telecommunication networks to serve and expand their customer base. Likewise, we are well positioned to provide consultation and services to new entrants to the telecom market such as Internet content and application developers and wireless local area network (WLAN) providers.

Business Strategy

We intend to continue to strengthen our market leadership position, maximize profitability and enhance cash flow through the following strategies:

- **Further penetrate our existing customer base.** We intend to continue to aggressively market our current suite of services to our existing customers in order to further diversify our revenue stream and increase per customer revenues. We believe there are significant opportunities to cross-sell our services and further penetrate our existing customers. Many of our customers purchase multiple services from us, but they do not currently purchase all of our available services.

- **Enhance existing services suite through continued development.** We intend to continue addressing customer needs and drive industry standards with industry-leading innovations that enhance the technological advantage of our services. One of our strengths is the technological sophistication and functionality of our services. We take a collaborative approach to service development, leveraging our strong customer relationships as well as our central role in information exchange and problem definition within the wireless industry to continue to meet the demands of our customer base.
- **Develop innovative new services.** We are dedicated to understanding the requirements of our customer base and developing innovative new services to meet the industry's evolving network, number portability, technology interoperability, and call processing needs. Throughout our history, we have been successful in identifying and developing mission-critical solutions for carriers. Through our relationships, ongoing dialogue with customers and participation in various industry organizations, we believe we will continue to identify emerging carrier technology complexities. We believe that our proven internal capabilities position us well to develop innovative services to respond to and solve these industry needs.
- **Capitalize on near-term opportunity in the emerging mobile data market.** We are well positioned to capitalize on the emerging mobile data market. Our private IP data service, Inpack, provides connectivity between carriers to allow roaming GSM subscribers to access their home carrier's data services. Our Message Manager and Multi-Media Service interoperability solutions enables network access, protocol translation and conversion, routing and delivery of SMS and MMS across carrier networks. Our Event Manager solution addresses clearing and financial settlement for IP-based events such as messaging, m-commerce, mobile financial information services and transactions and Internet content.

Demand is growing for mobile, high-speed access to the Internet, corporate intranet and other data applications while traveling. "Virtual" workspaces are being deployed in airports, hotels, cafés and home offices by wireless Internet service providers (WISPs) in these venues. To meet the demand for this type of wireless connectivity, operators must supplement their networks with wireless local area network (WLAN) or "Wi-Fi" access. Our suite of Wi-Fi services addresses the interoperability and business needs associated with this rapidly emerging service. We believe all of these services will help carriers solve the complexities that arise from the deployment of new wireless data technologies.

- **Penetrate global markets.** The number of global wireless subscribers is expected to grow from 1.3 billion in 2003 to over 2.2 billion by 2005, according to the market research firm EMC (London). We are pursuing additional expansion opportunities in markets outside of North America that we believe will experience high growth and consequently have physically located sales and technical support personnel in Europe and Asia Pacific and are targeting opportunities in Central and Latin America, Europe and Asia/Pacific. In February 2003, we opened an office in The Netherlands that is headed by a managing director with a sales and business development staff. The acquisition of Softwright in December 2003 provides us with in-region technical support and development capabilities. We have developed customer relationships with China Unicom, NTT DoCoMo, Hutchison, T-Mobile International, Telefónica and Telstra, among others, many of whom own additional properties throughout the world. Demand for our services globally is driven by carriers' needs to interconnect national and regional networks to facilitate international wireless roaming and financial clearing and settlement. In addition, complications arising from geographic variations in switch software, message routing standards, network transport and signaling protocols create opportunities to leverage our strong capabilities.
- **Expand customer base.** We seek to expand our customer base by targeting new telecommunication carriers, as well as customers outside of the traditional wireless and wireline telecommunication services industry. We believe that our separation from Verizon Communications Inc. may allow us to sell additional services to existing customers and to new customers that are Verizon competitors that may have been concerned that using our services would benefit Verizon. In addition, the convergence of traditional telecommunication networks and IP networks has increased communications complexities and expanded the number of market participants, which include Internet service providers (ISPs), WISPs, content providers, enterprises, mobile virtual network operators (MVNOs) and IP telephony providers. We expect that many of these new market participants will use our technology interoperability, network and call processing services.
- **Opportunistically acquire complementary businesses.** We will explore the possibility of acquiring companies that possess complementary service offerings, technologies and/or customer relationships both in the U.S. and internationally. Through these types of acquisitions, we believe we can broaden our market reach, increase our service offering and enhance our ability to continue providing industry-leading solutions to our customers.

Wireless Industry

The first wireless carriers in the United States built out their wireless networks by purchasing licenses for analog spectrum and deploying networks on a regional basis. Since then the number of domestic wireless carriers has grown significantly to include hundreds of domestic wireless carriers. In order to improve the quality and decrease the cost of wireless services, carriers introduced new technologies, including second generation (2G) digital air–interface protocols (e.g., TDMA, CDMA and GSM). The significant growth in wireless subscribers and wireless calls has driven our growth and we believe this trend will continue. The number of U.S. wireless subscribers has grown from 16 million in 1993 to 158 million in 2003, according to the Cellular Telecommunications and Internet Association (CTIA). The U.S. wireless subscriber base is expected to grow to 185 million by 2007 according to the Telecommunications Industry Association (TIA). According to the TIA and Wilkofsky Gruen Associates, wireless is the fastest growing segment of the telecommunications industry. In 2002, the worldwide wireless subscriber base expanded by 6.3 percent to 905 million, with the largest number of subscribers, 417 million, in Asia Pacific, followed by Western Europe at 308 million. The introduction of 3G services over the next four years is expected to push worldwide growth rates into the double digits. (TIA)

With the introduction by carriers of 2.5G and 3G services, we expect that the technological and business complexities of the wireless industry will continue to increase. These complexities will be compounded by the introduction of new technologies (e.g., wCDMA, CDMA2000, EDGE, GPRS and 1xRTT), the inclusion of new industry participants (e.g., MVNOs, content providers, advertisers and enterprises) and the introduction of new and advanced services (e.g., m–commerce, SMS, mobile data, location, security, privacy and gateway functions). Interoperability providers like us will be needed to ensure that legacy systems communicate with emerging technologies. We believe that we are well positioned to continue developing innovative solutions that address these increasing complexities by utilizing our broad base of technological skills and our well–established reputation within the telecommunication industry.

An added complexity to the wireless industry is the federal mandate requiring carriers to offer WLNP. The implementation of WLNP impacts nearly every system within a carrier’s operations, including network signaling and routing, switch upgrades, billing, point of sale and customer service. The Federal Communications Commission (FCC) mandate, which allows customers to change their telecommunications service provider while keeping their existing telephone number, recommends wireless carriers to change or “port” and activate a customer’s service within 2.5 business hours of the initial customer request. Beginning November 24, 2003, wireless operators in the top 100 U.S. markets had to offer full portability throughout their networks, including the ability to support roaming. In order to port numbers, carriers need to exchange information with other carriers and transmit information to the regional NPACs. Second and third tier markets must comply with the mandate beginning on May 24, 2004. The business and technical impacts of this mandate present significant revenue opportunities for us, as the implementation and management of WLNP technical solutions is not a core competency of carriers.

Network Services

SS7 is the telecommunication industry’s standard network signaling protocol used by substantially all telecommunication carriers to enable the setup and delivery of telephone calls. A telephone call has two components: the call content (e.g., voice, video or data), and the signaling information (e.g., caller information, number called and subscriber validation). The signaling information is transmitted through the SS7 network, parallel to the call networks, thereby eliminating the need to tie up bandwidth on the call network. Specifically, an SS7 network, which can be comprised of hundreds of network links, identifies available call network routes and designates the circuits and switches to be used for each call. This allows the SS7 network to identify the best call routes for connections, to efficiently manage the telephone networks and to generate transaction records for billing and measurement. In addition, use of an SS7 network facilitates access to intelligent network services (e.g., LNP, LIDB, toll–free database and Caller ID). By using our Web–based analysis and reporting services, carriers also have access to our proprietary analysis and reporting services which enable real–time monitoring and management of their networks and troubleshooting of customer care issues.

The increasing demand for the transmission of data requires wireless carriers to support packet–switched communications protocols including IP and General Packet Radio Service (GPRS) in addition to their legacy circuit–switched telecommunication networks. GPRS roaming enables subscribers to access their GPRS–based wireless data services (e.g., public Internet, corporate intranets, e–mail and m–commerce) while abroad or beyond the reach of their home network. We believe that we are well positioned, primarily due to our Inpack service offering, to benefit from the growth in the transmission of this type of data traffic.

[Table of Contents](#)

Number Porting Services

The Telecommunications Act of 1996 mandates number portability as a means to promote competition for phone service. Number portability means that a subscriber can switch telephone service provider but retain the existing telephone number. Wireline carriers in the largest markets have offered number portability since 1998. After numerous delays and postponements, wireless carriers were required to offer WLNP as of November 24, 2003. The implementation of WLNP fundamentally changed the way the wireless industry identifies phone numbers and routes calls. Additionally, porting a number from one carrier to another is an exceedingly complex process that minimally requires eleven “transactions” or exchanges of information between carriers and between carriers and the NPAC. Furthermore, the method for porting a wireline number to a wireless phone is not standardized. We developed the industry’s only end-to-end, fully integrated suite of services to enable wireless carriers to meet the FCC-mandated November 2003 deadline for WLNP. Our suite of WLNP services address inter-carrier communication, communication with the NPAC and system and help desk troubleshooting that is necessary when ports fail, known as “fallout.”

Technology Interoperability

Growth in wireless subscribers and wireless calls has been driven by improved wireless service quality, decreased costs of service and increased wireless telephone coverage. Wireless telephone coverage has increased due to the build out of networks in new and existing markets and increased roaming arrangements among carriers. The increasing importance to carriers of roaming revenue, the continuing growth in roaming transactions and the necessity for seamless regional, national and international service coverage have made revenue assurance, cost management and delivery of quality service increasingly important for carriers. In order to minimize these complexities, and due to the proprietary nature of subscriber billing and activity data, carriers require a trusted third party to act as the primary contact for the processing of roaming, billing and SMS transactions across substantially all network, signaling and billing standards. We believe we are well positioned to capitalize on expected continued growth in the number of wireless roaming telephone calls and SMS messages.

Call Processing

Improvements in air interface protocols have been accompanied by increasing complexities associated with varying network architectures, including various mobile switch types (e.g., Lucent, Nortel, Ericsson and Motorola), diverse signaling standards (e.g., CDMA, TDMA and GSM), distinct billing record formats (e.g., CIBER and TAP) and multiple billing applications. This multiplicity of technologies may require wireless carriers to use a trusted third party to manage certain functions such as (i) identifying and validating a subscriber when roaming, (ii) obtaining permission from a host carrier to deliver a call, (iii) detecting and preventing fraudulent calls, (iv) providing seamless regional, national and international roaming capabilities, (v) ensuring roamers have the same services when roaming as they do in their home market and (vi) ensuring the call is billed appropriately. These services require extensive table-driven data management. Market forces, switch upgrades and WLNP are causing carriers in the U.S. to migrate from using a third party for call processing to establishing direct SS7 connectivity. As a result, we are experiencing a migration to SS7 and a decrease in call processing revenues.

Outsourcing

We believe that carriers will continue to outsource to trusted third parties certain operational functions that would require technical expertise and significant capital to implement in-house. We believe that many wireless carriers currently are capital constrained and are focused primarily on operational issues that most directly affect revenue and subscriber growth. These issues include increasing network capacity, integrating recent acquisitions, reducing customer churn, increasing ARPU and introducing data services. Billing system consolidation, technology interoperability and SS7 networks affect a small percentage of a carrier’s total cost base but can cause significant customer service disruption. We believe that carriers will be reluctant to switch providers or concentrate their strategic focus and capital spending in these areas. In addition, due to the proprietary nature of subscriber billing data, carriers will continue to require a trusted third-party intermediary to provide clearinghouse services in a secure and confidential manner.

History

Our company has been a leading provider of technology interoperability, network and call processing services to the telecommunication industry for more than 15 years. Founded in 1987 as GTE Telecommunication Services Inc., a unit of GTE, our business has grown from a set of three roaming facilitation products into a comprehensive suite of services that address the increasing complexities of the telecommunication industry. With our strong technical expertise, we have developed leading solutions to address many of the wireless industry’s most challenging technology issues.

[Table of Contents](#)

As wireless technologies evolved through the early 1990s, we experienced strong revenue growth and increased demand for new services to serve the growing wireless subscriber base. Our services simplify the interconnection and management of complex and rapidly converging voice and data networks. Our proven internal capabilities position us well to continue developing innovative solutions to enhance the technological advantage of our services and meet the industry's evolving requirements.

We began offering our suite of services globally during the late 1990s as demand for international roaming interoperability grew. In addition to developing a GSM to IS-41 interoperability solution, we expanded our presence in Latin America and Asia/Pacific with key customers such as Telcel, Telefónica, NTT DoCoMo and most recently, China Unicom.

In 2000, GTE and Bell Atlantic merged to form Verizon, Inc. As part of that transaction, we became an indirect, wholly owned subsidiary of Verizon. In addition, to further broaden our services suite and expand our wireline customer base, we acquired GTE's Intelligent Network Services business in June of 2000. The integration of this business provided our company with a national SS7 network as well as access to databases for local number portability, toll-free calling and line information database access.

In February 2002, we were acquired by Syniverse Holdings, Inc. (formerly, TSI Telecommunication Holdings, Inc.), a corporation owned by Syniverse Holdings, LLC (formerly TSI Telecommunication Holdings, LLC), whose members include affiliates and co-investors of GTCR Golder Rauner, LLC and members of our senior management. Today, we operate as a business that offers a complete suite of technology interoperability, network and call processing solutions. We believe that we are the largest provider of wireless roaming financial clearing services in the world based on the amount of revenues we receive from wireless carriers. We also operate one of the largest unaffiliated SS7 networks in the United States and provide complementary intelligent network and database services to telecommunication and data network providers. We are also the leading provider of best-in-class subscriber verification, call processing and fraud detection and prevention solutions to the wireless industry.

In February 2003, we opened a European office based in The Netherlands, headed by a managing director for the region. The European team greatly increased exposure for our products and services in the region.

On July 23, 2003, Syniverse Networks, Inc. (formerly TSI Telecommunication Network Services Inc.) acquired Brience, Inc. by merging Brience, Inc. with and into Syniverse Brience, LLC (formerly TSI Brience, LLC), a newly formed wholly owned subsidiary of Syniverse Networks, Inc., with Syniverse Brience, LLC continuing as the surviving entity and a wholly owned subsidiary of Syniverse Networks, Inc. Historically, Brience, Inc. developed and sold information access and integration software products to large enterprises. At the time of the merger, however, Brience, Inc.'s business was limited to selling and servicing its Mobile Processing Server product.

In December 2003, we acquired Softwright Holdings Limited, a United Kingdom-based provider of mobile number portability solutions. The European model for number portability is a call routing system, presenting opportunities for us to secure business by exporting our centralized database and intercarrier communications business model.

Products and Services

We provide a diverse set of network, number porting, technology interoperability, call processing and other outsourcing services to meet the evolving requirements of the telecommunication services industry.

Network Services

Through our diverse network architecture, we provide connectivity to SS7 and other network transport protocols such as X.25, Frame Relay and GPRS. Many of our service capabilities are based on our SS7 network that enables call set up, call delivery and access to intelligent network services such as Caller ID, local number portability and LIDB. SS7 is the industry standard used by almost every switched telephone operator in North America to identify available network routes and to designate the circuit used for each individual telephone call. As a single SS7 and intelligent network services source, we provide our customers cost-effective connectivity to the signaling networks of substantially the entire U.S. public-switched telecommunication network, global connectivity and an array of SS7 network-enabled services. Our SS7 network and related services allow our customers to monitor network performance and subscriber activity on a real-time basis. For our Frame Relay and other network services, the circuits are provided by a variety of global vendors. As a leading independent provider of SS7 network services, we support interoperability through hundreds of network links distributed over six signaling transfer point, or STP, pairs. We have approximately 350 Frame Relay connections (both via public provider or our private Frame Relay backbone). We have 14 customers in North America using our General Packet Radio Service Roaming Exchange, or GRX, network for GPRS service. These customers account for substantially all of the existing domestic traffic for GPRS services.

[Table of Contents](#)

Our primary network service solutions include INLink, Visibility, SS7 Database Access for intelligent network services, Inpack and CCNS. We generate revenues from these service solutions primarily by charging per-transaction processing fees, circuit fees and port fees.

- **INLink**—Our SS7 service, INLink, provides wireless carriers with network connectivity and access to a variety of advanced services and features such as network management, fraud control, call setup, call delivery and intelligent network services (LIDB, LNP and Caller ID). INLink offers seamless connectivity and interoperability regardless of location, switch type, signaling protocol or network protocol.
- **Visibility**—Our Visibility services provide wireless carriers with valuable operational analysis tools for real-time monitoring of subscriber activity both within a carrier's own network and across multiple carrier networks. Visibility allows for timely resolution of customer service issues and for detection and prevention of fraudulent calls. Visibility also enables wireless carriers to view roaming activity in their own markets as well as their subscribers' roaming activity in other markets, in a user-friendly, Web-based reporting environment. As one of the industry's most comprehensive SS7 network monitoring and analysis tools, Visibility combines validation, authentication and call delivery messages sent over SS7 networks with similar information from our other services. SS7 information is collected either at our intelligent network STPs or at the carriers' own STPs. Visibility also gives carriers the ability to reinstate service for subscribers who are experiencing problems while roaming on another carrier's network without involving the other carrier.
- **SS7 Database Access**—Our SS7 network services provide database access for intelligent network services such as local number portability, wireless local number portability, line information database service, toll-free service and Caller ID.
- **Local Number Portability (LNP)**—Local number portability allows a wireline telephone subscriber to switch local service providers while keeping the same telephone number. We manage interactions with number portability databases and provide database queries on a per-call basis, thereby allowing carriers to deploy local number portability without the high cost of building their own infrastructure. In 1996, the FCC mandated that incumbent local exchange carriers implement wireline number portability in all major U.S. markets beginning in 1999.
- **Line Information Database (LIDB) Access and Transport**—We provide access to line information databases which are developed and maintained by telecommunication carriers that provide subscriber information necessary to provide enhanced services such as validating telephone numbers and billing information. The SS7 network then determines the appropriate database to validate the card number, routes the information to the switch that analyzes the response and determines how to treat the call.
- **Toll-Free Database Access and Transport**—Our SS7 network provides access to a database of all toll-free numbers in the United States to provide effective call routing by returning the response to our customer for call routing.
- **Caller Name Database**—We develop and maintain calling name database access, allowing carriers to query many regional Bell operating companies and major independent telephone carriers and reduce the "name not available" messages that customers receive. We also manage and operate a database for storage of incumbent local exchange carrier, competitive local exchange carrier and wireless calling name records.
- **Inpack**—Inpack is a suite of services that enables subscribers to have seamless access to their home carriers' GPRS network while roaming both nationally and internationally. Inpack is a GRX offering for GPRS and serves as a virtual private network, or VPN, for other emerging services, such as signaling solutions, billing, clearing and settlement services. The service offers secure access to home based e-commerce, public Internet, corporate intranets and e-mail systems to roaming subscribers.
- **CCNS**—Our Cellular Carrier Network Services, or CCNS, provide network circuits that interconnect carriers' cell sites or switches to other switches or network elements across local access transport areas, or LATA, or state boundaries. These circuits can be used for transmitting high-speed data, voice or video.

[Table of Contents](#)

- **Mobile Processing Server** —an integrated software design and development environment for building mobile solutions that provides a compelling user experience across multiple device form factors ranging from cell phones to PDAs.

Number Porting Services

The Telecommunications Act of 1996 mandates number portability as a means to promote competition for phone service. Number portability means that a subscriber can switch telephone service provider but retain the existing telephone number. Wireline carriers in the largest markets have offered number portability since 1998. After numerous delays and postponements, wireless carriers were required to offer wireless local number portability as of November 24, 2003. The implementation of WLNP fundamentally changed the way the wireless industry identifies phone numbers and routes calls. Additionally, porting a number from one carrier to another is an exceedingly complex process that minimally requires eleven “transactions” or exchanges of information between carriers and between carriers and NPAC. Furthermore, the method for porting a wireline number to a wireless phone is not standardized. True to our legacy of product innovation and solving industry challenges we developed the industry’s only end-to-end, fully integrated suite of services to enable wireless carriers to meet the FCC-mandated November 2003 deadline for wireless local number portability. Our solutions are offered as either service bureau or turnkey, providing flexibility for carriers and creating a significant recurring revenue stream for us. Our suite of WLNP services address pre-provisions, inter-carrier communication, communication with the NPAC and system and help desk troubleshooting that is necessary when ports fail, known as “fallout.” Our specific services include:

- **Pre-Port Validation** – reduces fallout and improves customer service by validating and obtaining certain information prior to submitting a port request to a trading partner.
- **Inter-carrier Communications (ICC) Service Order Activation (SOA) Service Bureau** – streamlines the ordering and communication process to the regional NPACs and provides the inter-carrier communications required to exchange a subscriber’s service order information with another carrier before the number can be ported.
- **Inter-carrier Communications (ICC) Clearinghouse** – provides a simple way for carriers who have already invested in a service order activation (SOA) application to reach multiple porting partners with a single connection to us. Rather than maintaining dedicated circuits to multiple porting partners, a single connection to our clearinghouse provides a way to exchange porting requests and responses with trading partners.
- **Wireline-to-Wireless Porting** – enables wireless carriers to exchange porting messages with wireline carriers by submitting wireless porting requests and wireless porting request responses to us for conversion to appropriate formatting and delivery to wireline carriers.
- **Fallout Management/Port Center** – provides troubleshooting and help desk services by knowledgeable, dedicated WLNP customer service representatives to restore normal porting message flow through when an error occurs. Processes SOA and ICC system-generated errors, network connectivity related errors, information errors and other WLNP-related problems requiring manual interaction between a carrier and its trading partners or the NPAC.
- **Workflow Management** – organizes, prioritizes, routes, logs and reports required WLNP errors and transactions. This service includes the provision of an automated workflow management tool to support a carrier’s port center operations.
- **LRN Query Service** – enables carriers to query a number portability database to determine if a dialed number has been ported in order to route calls in a ported environment. Our LRN Query service provides access to all U.S. regional NPAC databases. If the number has been ported, the service determines how to route the call to the new carrier.

[Table of Contents](#)

Technology Interoperability Services

We provide the wireless industry with technology interoperability solutions to facilitate the processing of roaming billing and SMS messages and data required for seamless regional, national and international wireless roaming telephone service. To provide ubiquitous service to wireless customers, wireless carriers enter into inter-carrier roaming agreements that govern pricing and business rules associated with one carrier providing service to another carrier's customers. To manage network availability and to properly bill these subscribers for roaming charges, wireless carriers must exchange data across various billing protocols and integrate that data with their existing billing and management information systems. As the wireless industry has evolved, we have developed solutions that address underlying interoperability complexities including the translation of various network, signaling and billing protocols to allow different wireless carriers to communicate. Our clearinghouse services have established us as the trusted third party for the collection, translation and distribution of the information required to initiate, complete, monitor and bill telecommunication services provided by one carrier to numerous other carriers' customers. Our services are also used to clear roaming traffic between multiple billing systems within a single carrier. We are the largest wireless clearinghouse in the United States, processing nearly 60% based on wireless subscribers.

Our primary technology interoperability services that we offer for clearing and financial settlement are ACCESS, ACCESS S&E, UniRoam, Access Revenue Management and Message Manager. These services allow the exchange of proprietary subscriber billing data through a trusted third party on a secure and confidential basis, ensuring the timely exchange of roaming data and compliance with established business rules for roaming activity between carriers. We primarily generate revenues by charging per-transaction processing fees.

- **ACCESS**—Our primary clearing and financial settlement service, ACCESS, enables the timely exchange of billing data between domestic and international wireless service providers, accurately converts and processes multiple billing protocols and manages complex accounting procedures. ACCESS simplifies the exchange of CIBER billing data between IS-41-based carriers (CDMA, TDMA, AMPS) and their roaming partners. This service generates user-friendly, on-line reports with daily and monthly summaries of key data.
- **ACCESS S&E**—ACCESS S&E is our service that provides ACCESS-like functionality to GSM carriers. ACCESS S&E provides for the exchange of billing data between GSM carriers and their GSM and IS-41 roaming partners. ACCESS S&E also has Web-based reporting systems that provide daily and monthly summaries of key data.
- **UniRoam**—UniRoam simplifies interstandard and international roaming (IS-41/GSM) by providing carriers with subscriber call origination, automatic call delivery and home wireless system billing. UniRoam provides interoperability between different cellular network protocols, including ANSI-41/CIBER (used in CDMA, TDMA and AMPS networks) and GSM-MAP/TAP, using our network and infrastructure as a common point of mediation and provides seamless coverage across international borders.
- **Access Revenue Management**—Access Revenue Management, or ARMS, is a secure, end-to-end solution that provides wireline carriers with the data collection, conversion, rating, billing and reporting necessary to assure revenue from carrier access billing and reciprocal compensation. We collect data from various record formats and provide analytical tools, rating and conversion services to enable carriers to optimize revenues from inter-carrier access billing.
- **Message Manager**—Our Message Manager solution enables network access, protocol translation, routing and delivery of short message service (SMS) messages across carrier networks. According to Mobile Lifestream, the number of short messages sent on a world-wide basis via SMS is expected to grow to approximately 79 billion per month in 2005 from approximately 20 billion per month in 2000. As SMS use grows, the demand will increase for interoperability, network and value-added services to enable seamless delivery and receipt of these messages.
- **Event Manager**—Event Manager addresses a variety of wireless Internet events including messaging, m-commerce, mobile financial, Internet content, intranet access, entertainment and location-based applications. It simplifies the management and administration of the business relationships established between content providers and wireless operators, as well as that between wireless operators and their subscribers. This solution facilitates virtual roaming with wireless Internet partners, via data collection, rating, clearing and settlement and reporting of wireless data records for wireless operators and content providers.

[Table of Contents](#)

Call Processing Services

We developed many of the wireless industry's first and leading solutions for wireless subscriber verification, call processing and technical fraud detection and prevention. For a wireless subscriber to make and accept calls, as well as to access custom services while roaming on another operator's network, the host operator must validate with the home operator that the customer is an authorized subscriber on a specified service plan. As the wireless industry has evolved, we have developed subscriber verification and call delivery solutions that address interoperability complexities by translating and converting various network, signaling and billing protocols to facilitate wireless roaming service coverage and telephone call delivery. Our comprehensive, integrated fraud management solutions employ advanced technologies to provide flexible, efficient fraud detection and fraud prevention, regardless of switch type, software release version or industry standard. Our integrated service offerings provide a total authentication solution and comprehensive protection for subscribers.

Our primary call processing services are FraudManager, Follow Me Roaming Plus, Key Management Center and FraudX. We generate revenues from these services primarily by charging per-transaction processing fees and licensing software.

- **FraudManager**—Our FraudManager solution verifies a subscriber's eligibility to receive service while roaming in another carrier's market. This is enabled by our proprietary call processor, which can replicate mobile switching center functionality to serve functions such as the Home Location Register (HLR) or Visited Location Register (VLR). The call processor can also communicate with carriers' switches on a peer-to-peer basis, thereby replicating home, visited or foreign Mobile Switching Center (MSC) functionality. This provides the capability to expeditiously and cost-effectively address industry and customer issues without being dependent upon third-party switch manufacturers (e.g., Lucent, Motorola, Nortel). FraudManager is recognized as one of the industry's premier pre-call validation services that detects and blocks a fraudulent call on an invalid user's first attempt.
- **Follow Me Roaming Plus**—Follow Me Roaming Plus (FMR Plus) is an advanced call delivery system that provides roaming subscribers with seamless activation and call delivery when traveling between IS-41 markets. The service facilitates roaming by creating a temporary identity for roaming subscribers in visited networks and allows them to maintain their custom calling features while roaming. Our FMR Plus solution enables carriers to provide seamless roaming through compatibility with all major switch types and interoperability with non IS-41 environments.
- **Key Management Center**—Our Key Management Center provides carriers with an affordable authentication service to prevent wireless fraud. In the authentication process, the exchange of authentication keys (A-Key) between carriers and multiple wireless equipment manufacturers requires establishing numerous electronic data interchange (EDI) connections. Both wireless carriers and wireless equipment manufacturers can benefit from the increased efficiency and security of using us as a single source to coordinate storage, retrieval and distribution of A-Keys. By doing so, A-Key distribution and management between manufacturers and wireless carriers are greatly simplified. Administrative and network costs are reduced. Wireless carriers also save the costs of developing secure storage and EDI transmission capabilities.
- **FraudX**—FraudX is our technical fraud detection and prevention solution. Our fraud profiling system uses near real-time data from mobile switches to create a unique profile for each subscriber, based upon the subscriber's incoming and outgoing call records. After the subscriber profiles are established, FraudX continually compares each subscriber's calling activity to his or her profile and to known fraudulent profiles, constantly monitoring events and generating alerts in case of usage pattern deviation. FraudX also allows for subtle variations in subscriber activity and updates the subscribers' profiles with new, legitimate calling patterns as they emerge.

Other Outsourcing Services

We also offer several unrelated, value-added outsourcing services that were developed to assist mobile operators in attracting and retaining high value enterprise and corporate accounts, as well as leveraging unique applications such as telematics.

Our primary other outsourcing services include STREAMLINER and Fleet-On-Track.

- **STREAMLINER**—STREAMLINER allows wireless carriers to present their enterprise customers with a single consolidated bill when service is provided by multiple carriers across different markets. This solution also helps enterprise customers to better understand their wireless invoice by providing a tool that analyzes complex business account structures and large volumes of usage data.

[Table of Contents](#)

- **Fleet-On-Track**—Fleet-On-Track is a platform technology that enables trucking and other distribution companies to track their fleets of vehicles throughout the country, providing for better utilization and resource management. This solution was a precursor to our work as the original developer of the OnStar technology that provides wireless access to directions, restaurant guides and emergency roadside assistance.

Customers

We serve more than 290 telecommunication service providers in 26 North American, Latin American, Asia Pacific and European countries with our extensive portfolio of solutions. We maintain strong and collaborative relationships with our customers, which include wireless and wireline carriers such as ALLTEL, AT&T Wireless, Cingular Wireless, Dobson Communications, Nextel, Sprint PCS, U.S. Cellular Corp. and Verizon Wireless as well as wireline carriers such as XO Communications, Allegiance, Mpower and US Lec. We also serve wireless companies in Latin America, Asia Pacific and Europe, including China Unicom, NTT DoCoMo, T-Mobile International and Telefónica, among others. We believe that maintaining strong relationships with our customers is one of our core competencies and that maintaining these relationships is critical to our success.

Our top ten customers accounted for approximately 57.8% of our revenues for the year ended December 31, 2003. Our largest customer is Verizon (Verizon Wireless, Verizon Network Services and other Verizon affiliates), which accounted for approximately 23.3%, 31.0%, and 33.9%, of our revenues in 2003, 2002 and 2001, respectively. We have a revenue guaranty agreement with respect to revenues from Verizon Wireless through December 31, 2005. Our customer base includes wireless companies in the U.S., Latin America, Asia/Pacific and Europe. In addition, we also provide services to wireline providers such as competitive local exchange carriers, local exchange carriers and interexchange carriers.

Historically, we have experienced a low level of customer turnover and have contract renewal rates averaging approximately 88% over the last three years. Our dedication to provide superior solutions and services to our customers is evident in that we currently serve all of the top ten wireless carriers in the U.S., many premier wireline providers and a growing customer base outside the United States.

Sales and Marketing

As of December 31, 2003, our Sales and Marketing organizations include 109 people who work together to identify and address customer needs and concerns, deliver comprehensive services, develop a clear and consistent corporate image and offer a best-in-class customer support system designed to give customers efficient, courteous and expert advice on a timely basis.

- **Sales.** The sales department was reorganized from a centralized sales force to a globally focused sales force in 2002 to better serve the needs of existing customers and to identify new opportunities more quickly. Sales directors are organized geographically with individuals responsible for North America, Central and Latin America, Asia Pacific and Europe/Middle East/Africa. Regional sales managers are located throughout the U.S. to serve top tier customers in the Northeast, Northwest, Midwest and the Southern U.S. Account managers are product specialists and work as a team with the regional sales managers and directors to respond to customer needs. Compensation for our sales force is composed of an industry-competitive base salary and a variable component based on sales quota attainment.
- **Marketing.** Our marketing organization is comprised of channel distribution managers, product managers and marketing services employees. Channel distribution managers are responsible for working with the sales organization to develop specific pricing options, current and future product needs, revenue forecasts and projected market opportunities. Our product managers are responsible for managing the product's positioning through the life cycle as well as managing costs and initial pricing. This includes development of a product plan, product development requirements, resource planning and vendor management if appropriate. Each product manager coordinates a cross-functional product team with participants from several functional areas within our organization including sales, technology and operations. These product team participants are responsible for coordinating the execution of the product plan within their functional teams. Marketing services employees work with channel distribution managers and product managers to determine appropriate allocation of funding for and coordinate advertising, promotions, media relations, speaking opportunities, trade shows and our users' group.

Operations and Customer Support

As of December 31, 2003, we had 183 employees from a number of groups within our organization dedicated to managing our own internal operations and processes and supporting our customers.

[Table of Contents](#)

- **Internal Operations Support.** Our Internal Technology Support group manages our internal hardware and software technology program as well as the LAN, Internet, email and departmental server data centers for our employees. This group is responsible for the Syniverse Solution Gateway, our system for customer problem management, and also provides management information software solutions and support that enable efficient operations within our organization. Other internal operations functions include information security, supplier management, facilities management and disaster recovery. All provide mission-critical support to our employees in achieving strategic objectives and help ensure our ability to continue to serve our customers effectively.
- **Customer Service, Documentation and Training.** Our Customer Service organization provides “front-line” support for our services to our global customers. New support personnel are recruited for their multi-lingual, interpersonal and customer care skills, and are provided intensive product training prior to accepting direct customer interface responsibility. Our Documentation and Training group publishes the technical documentation accompanying our portfolio of services in multiple languages, and also travels nationally and internationally to provide strategic customer training in our services suite. The group has established world-class training facilities in Tampa, where it sponsors regular customer and employee program offerings, and has also developed Web-based real-time training that our customers have successfully utilized as a remote training option.

Technology

As of December 31, 2003, the Technology group was comprised of 223 professionals. This group performs all functions associated with the design, development, testing, implementation and operational support of our services. The Technology group balances technology and business priorities and enhances our ability to deliver timely and cost-effective solutions.

The primary functions of the Technology group include:

- **Product Development and Life Cycle.** These groups deliver new product developments, enhancements and maintenance releases in a timely manner and develops integrated solutions that address customer needs across multiple areas including billing, messaging, decision support and reporting. These groups also constantly monitor technology developments to ensure that we leverage our legacy investments while developing new technologies that provide flexible and cost effective solutions to our customers.
- **Operational Support Services.** These groups provide 24x7 hour operational support for our products to ensure a high level of service and system availability to our customers. These groups work with the other Technology groups to identify and implement proactive measures to meet our customer commitments.
- **Technology Services.** This group is responsible for maintaining the high overall quality of customer service through centralized testing, system/data base administration and configuration management. This group also works with our vendors on system performance management, capacity planning and system tuning.

Network Operations

As of December 31, 2003, we had 69 employees dedicated to network provisioning, monitoring and support.

- **Network Operations Center.** We maintain a state-of-the-art Network Operations Center (NOC) that actively monitors our applications network and our connections to our customers, providing support both domestically and internationally 24 hours a day, seven days a week, 365 days a year. Our NOC proactively identifies potential application, operating system, network, switch connectivity and call processing problems and manages those problems through resolution with customers in conjunction with IXC's, LEC's, field engineering, our internal product support and product development teams, and hardware and software vendors.
- **Network Services.** This group designs, develops and supports our SS7 and IP-based Intelligent Network Service offerings and works closely with our other functional departments and vendors to ensure that we are engineering and monitoring cost effective and reliable network solutions which meet our customers' needs.

Business Development and Strategy

As of December 31, 2003, our Business Development and Strategy organization is composed of 12 people and is responsible for strategy development, new business initiatives, first office applications, technology planning and market planning. This group is responsible for developing integrated and achievable short- and long-term business plans in support of our vision and strategic plan. This responsibility extends from initial concept through first customer implementation, including strategic partnership development and contract negotiations. This group develops strategies that leverage technology evolution and designs solutions to technical problems associated with our core business and new business initiatives.

[Table of Contents](#)

Employees

As of December 31, 2003, we had approximately 672 employees, none of whom are represented by a union. We believe our relations with employees are good.

Competition

We believe we are the only company that offers a full suite of technology interoperability, network and call processing services. However, we compete with a number of U.S. and international companies in specific areas of our business.

- **Network Services.** Our competitors for SS7 network connectivity and intelligent network services include VeriSign, Southern New England Telephone (SNET), Transaction Network Services (TNS) and regional Bell operating companies. Wireless and wireline carriers may also choose to deploy and manage their own in-house SS7 networks. Our Inpack packet data network service competes with a variety of carriers including Sonera and Cable & Wireless in the U.S. and also Global Crossing, France Telecom, KPNQwest, and Comfone (a subsidiary of Swisscom) internationally.
- **Number Porting Services** – Our primary competitors in the United States for WLNP services are VeriSign, NeuStar and Telcordia and to a lesser degree, Evolving Systems. In Europe, Ernst & Young Cap Gemini and Accenture as well as several other companies offer mobile number portability solutions, however the standard mobile number portability processes in Europe are not centralized or automated on the scale of our WLNP systems and processes.
- **Technology Interoperability Services.** Our primary competitors in the U.S. technology interoperability market are EDS and VeriSign. Internationally, our ACCESS and ACCESS S&E services compete with EDS, MACH and Dan Net. In the wireline clearinghouse services marketplace, we encounter Communications Data Group (CDG), INTEC Telecom Systems/CHA Systems, Aptis/EUR Data Center and Daleen Technologies. Certain wireless carriers also choose to deploy in-house interoperability and billing solutions for clearing internal and affiliate traffic.
- **Call Processing Services.** Our call processing services primarily compete with turnkey products from vendors such as Logica and HNC Software/Systems Link. Internationally, we compete primarily with turnkey product vendors such as Logica. Our subscriber verification and key management services compete with CMG Telecommunication Inc., DSC Communications, HNC Software/SystemsLink and others. Our wireless fraud prevention solutions compete primarily with carrier-deployed software solutions from Bassett Telecom Solutions, HNC Software/SystemsLink, Compaq, Dynamics Research Corp (DRC), ECTel, Lightbridge/Corsair and others. Also, certain carriers may choose to deploy in-house call processing and fraud detection and prevention solutions.
- **Other Outsourcing Services.** We compete with Boston Communications Group, Lightbridge/Corsair, HNC Software/SystemsLink and others in the provisioning of prepaid wireless account management services. Certain wireless carriers have developed their own services rather than utilize our STREAMLINER service.

Competitive factors in the market for our services primarily include breadth and quality of services offered, price, development capability and new product innovation.

Governmental Regulation

We are not subject to the direct regulation of the FCC or any state utility regulatory commission. Some of our customers, however, may be subject to federal or state regulation that could have an indirect effect on our business. Because we do not provide voice-grade or data services that are deemed to be common carrier telecommunication services, we do not anticipate that our services will be subject to regulation by the FCC or state public utility commissions.

[Table of Contents](#)

Environmental Regulation

We are subject to a broad range of federal, foreign, state and local laws and regulations relating to the pollution and protection of the environment and health and safety. Among the many environmental requirements applicable to us are laws relating to air emission, wastewater discharges and the handling, disposal and release of solid and hazardous substances and wastes. Based on continuing internal review and advice from independent consultants, we believe that we are currently in substantial compliance with applicable environmental requirements.

We are also subject to laws, such as CERCLA, that may impose liability retroactively and without fault for releases or threatened releases of hazardous substances at on-site or off-site locations. We are not aware of any material releases for which we may be liable under CERCLA or any other environmental or health and safety law.

We do not currently anticipate any material adverse effect on our operations, financial condition or competitive position as a result of our efforts to comply with environmental requirements. Some risk of environmental liability is inherent, however, in the nature of our business, and we cannot assure you that material environmental liabilities will not arise. It is also possible that future developments in environmental regulation could lead to material environmental compliance or cleanup costs.

Intellectual Property Rights

We consider our patents, patent licenses and trademarks, in the aggregate, to be important to our business and seek to protect this proprietary know-how in part through U.S. and foreign patent and trademark registrations. Certain of our patents are also important individually. We currently maintain 50 registered trademarks and 12 patents in the United States and in foreign countries. In addition, we maintain certain trade secrets for which, in order to maintain the confidentiality of such trade secrets, we have not sought patent protection. Concurrent with our purchase from Verizon Communications by Syniverse, we entered into an intellectual property agreement with Verizon Communications and Verizon Information Services pursuant to which:

- we and the Verizon companies each conveyed an undivided joint ownership interest to the other in certain of our respective unregistered intellectual property;
- the Verizon companies and their affiliates granted a limited, royalty-free, non-exclusive, worldwide license of certain of our respective registered intellectual property to us and our affiliates;
- we granted a limited royalty-free, non-exclusive, worldwide license of certain of our registered intellectual property to the Verizon companies and their affiliates;
- the Verizon companies and their affiliates granted a limited, royalty-free, non-exclusive, worldwide license of certain third-party intellectual property to us pursuant to their right to sublicense such materials;
- the Verizon companies conveyed and transferred to us certain of their intellectual property; and
- the Verizon companies and their affiliates generally agreed to be indefinitely prohibited from using any of the intellectual property that we license to them under the intellectual property agreement to offer goods or services that compete with us, whether such goods or services are provided to third parties or used internally.

See “Certain Relationships and Related Transactions—Intellectual Property Agreement.”

ITEM 2. PROPERTIES

As of December 31, 2003, our principal facility was 188,882 square feet of leased office space in Tampa, Florida that we use for headquarters and administration purposes. The lease expires on October 31, 2006, subject to renewal terms. We lease several other small immaterial facilities for office space and STP equipment storage.

We consider our properties to be in good condition generally and believe that our facilities are adequate to meet our anticipated requirements.

ITEM 3. LEGAL PROCEEDINGS

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business. As of December 31, 2003, we have considered all of the claims and disputes of which we are aware and accrued amounts in our analysis of doubtful accounts or probable loss accruals.

The most significant of the claims, in terms of dollars sought, is described below.

[Table of Contents](#)

SBC Communications, Inc. Jibia SBC Ameritech, SBC Southwestern Bell and SBC Pacific Bell (collectively, SBC), have asserted claims against us in the total principal sum of \$7.3 million, based on alleged overcharging for QRS and CNAM hubbing and transport services we provided. They have also declined to pay us an additional \$1.9 million related to these same services. We deny the claims and believe they are unfounded and intend to vigorously defend ourselves. On April 15, 2003, we filed suit against SBC Southwestern Bell and SBC Pacific Bell in Hillsborough County Circuit Court seeking monetary damages and a determination that SBC is not entitled to any sum they claim is owed. Our lawsuit was removed to Federal Court by SBC on the grounds of diversity jurisdiction. We disputed the grounds for removal and moved to remand the action to state court. The Federal Court granted our motion to remand and the action is now pending in state court in Florida. SBC also filed a motion to dismiss on the grounds of a lack of jurisdiction. We dispute this claim. On October 6, 2003 Southwestern Bell Telephone, L.P. filed a breach of contract claim against us in state court in Texas seeking approximately \$2.0 million. We have retained Texas counsel to seek a stay of the Texas proceedings pending disposition of the matter in Florida. We are also denying this claim and intend to vigorously defend ourselves.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of calendar year 2003.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is currently no established public trading market for our no par value common stock, which is owned of record by Syniverse Inc., a company which is wholly owned by Syniverse LLC. Likewise, there is currently no established public trading market for Syniverse LLC securities.

We have not paid any dividends on our common stock during the past fiscal year and do not intend to pay dividends on our common stock in the foreseeable future.

On February 14, 2002, Syniverse Holdings, Inc. (formerly TSI Telecommunication Holdings, Inc.), a wholly owned subsidiary of Syniverse Holdings, LLC (formerly TSI Telecommunication Holdings, LLC), acquired us by merging its wholly owned subsidiary, TSI Merger Sub, Inc., with and into us. Pursuant to the merger agreement, Verizon received merger consideration equal to \$770.0 million in cash. Syniverse LLC is owned by GTCR Fund VII, L.P., certain of its affiliates and co-investors, G. Edward Evans and certain other members of our management, who we collectively refer to as the "equity investors." In connection with this transaction, Syniverse LLC sold to the equity investors approximately \$255.3 million in cash of Syniverse LLC Preferred and Common Units. The sales were nonpublic offerings by Syniverse LLC, and therefore exempt from registration, pursuant to Section 4(2) of the Securities Act of 1933, as amended. Additional information regarding these and other sales is set forth under the heading "Certain Relationships and Related Transactions—Senior Management Agreements" and "Certain Relationships and Related Transactions—Purchase Agreements."

Syniverse Holdings, LLC sold 900,900.9 common units to F. Terry Kremian in December 2003 pursuant to a Senior Management Agreement. Each common unit was sold at a price of \$0.0333 per unit. This sale was exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical financial data for the most recent five years. We have derived the selected historical consolidated financial data as of December 31, 2002 and 2003 and for the fiscal years ended December 31, 2001 and 2003, the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002 from our audited financial statements and the related notes included elsewhere herein. The selected historical consolidated financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 have been derived from our audited consolidated financial statements, which are not included in this filing. The selected historical financial data set forth below are not necessarily indicative of the results of our future operations and should be read in conjunction with the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and accompanying notes included elsewhere in this report.

As a result of applying the required purchase accounting rules, our financial statements were significantly affected. The application of purchase accounting rules result in different accounting bases and hence the financial information for the periods beginning on February 14, 2002 are not comparable to the information prior to this date.

[Table of Contents](#)

The term “successor” refers to Syniverse Holdings, LLC and all of its subsidiaries, including Syniverse Technologies, Inc., following the acquisition of the company on February 14, 2002. The historical financial results of Brence, Inc., from February 14, 2002, which is the date that GTCR Fund VII, L.P. and its affiliates possessed common control of us and Brence, Inc., through July 23, 2003, which is the date that we acquired Brence, Inc., are included in the financial results of the successor because this acquisition is accounted for as a combination of entities under common control, similar to a pooling of interests. The term “predecessor” refers to Syniverse Technologies, Inc. prior to being acquired by Syniverse Holdings, Inc. on February 14, 2002.

[Table of Contents](#)

	Predecessor			Successor		
	Year Ended December 31,			Period from	Period from	Year Ended
	1999	2000	2001	January 1 to February 13, 2002	February 14 to December 31, 2002	December 31, 2003
Statement of Operations Data:						
Revenues	\$ 277,680	\$ 315,936	\$ 361,358	\$ 39,996	\$ 296,044	\$ 271,408
Costs and expenses:						
Cost of operations	141,979	150,156	169,025	20,655	130,364	109,744
Sales and marketing	21,513	24,265	24,348	2,614	22,706	18,631
General and administrative	30,848	45,721	41,245	3,001	42,630	39,881
Provision for (recovery of) uncollectible accounts	200	2,203	2,207	1,340	(693)	466
Depreciation and amortization	8,866	13,061	15,203	1,464	33,285	37,319
Restructuring	—	—	—	—	2,845	2,164
Impairment losses on intangible assets	—	—	—	—	—	53,712
	203,406	235,406	252,028	29,074	231,137	261,917
Operating income	74,274	80,530	109,330	10,922	64,907	9,491
Other income (expense), net:						
Interest income	2,802	3,087	3,903	432	965	768
Interest expense	(2,822)	(22)	—	—	(54,105)	(58,128)
Other, net	6	4	(80)	(19)	(275)	—
	(14)	3,069	3,823	413	(53,415)	(57,360)
Income (loss) from continuing operations before provision for income taxes	74,260	83,599	113,153	11,335	11,492	(47,869)
Provision for income taxes	28,156	32,548	43,895	4,418	9,320	10,057
Income (loss) from continuing operations	46,104	51,051	69,258	6,917	2,172	(57,926)
Discontinued operations:						
Loss from discontinued operations	—	—	—	—	(1,541)	—
Net income (loss)	46,104	51,051	69,258	6,917	631	(57,926)
Preferred unit dividends	—	—	—	—	(22,952)	(28,581)
Net income (loss) attributable to common shareholders'/unitholders'	\$ 46,104	\$ 51,051	\$ 69,258	\$ 6,917	\$ (22,321)	\$ (86,507)
Other Financial Data:						
Revenues (excluding Off-Network Database Query Fees)	\$ 224,664	\$ 257,317	\$ 292,241	\$ 31,408	\$ 234,927	\$ 241,879
Net cash provided by (used in):						
Operating activities	52,985	55,218	131,281	1,185	57,765	48,366
Investing activities	(18,426)	(10,634)	(99,831)	34,781	(12,278)	(18,883)
Financing activities	(34,559)	(42,000)	(33,750)	(11,250)	(44,196)	(63,374)
Capital expenditures	19,778	12,956	10,406	606	12,278	18,280
Ratio of earnings to fixed charges (a)	24.46	197.70	245.39	193.12	1.18	0.19
Balance Sheet Data (at end of period):						
Cash and cash equivalents	\$ —	\$ 2,584	\$ 284	\$ 25,000	\$ 42,190	\$ 8,299
Property and equipment, net	24,881	24,387	23,656	23,306	33,728	33,548
Total assets	126,386	198,380	247,867	159,457	833,068	730,271
Total debt, net of discount	—	—	—	—	505,850	449,375
Shareholders'/unitholders' equity	74,550	117,307	153,104	133,510	270,791	213,776
Reconciliation to adjusted EBITDA (b):						
Net income (loss) as reported	\$ 46,104	\$ 51,051	\$ 69,258	\$ 6,917	\$ 631	\$ (57,926)
Restructuring	—	—	—	—	2,845	2,164
Interest (income) expense, net	20	(3,065)	(3,903)	(432)	53,140	57,360
Depreciation and amortization	8,866	13,061	15,203	1,464	33,285	37,319
Impairment losses on intangible assets	—	—	—	—	—	53,712
Provision for Income taxes	28,156	32,548	43,895	4,418	9,320	10,057
Loss from discontinued operations	—	—	—	—	1,541	—
Pre acquisition	—	—	—	—	—	—
Brience EBITDA loss (gain)	—	—	—	—	11,078	1,815
Adjusted EBITDA	\$ 83,146	\$ 93,595	\$ 124,453	\$ 12,367	\$ 111,840	\$ 104,501

(a)

For the purpose of calculating the ratio of earnings to fixed charges, earnings are defined as pre-tax income from continuing operations. Fixed charges are the sum of (i) interest expense, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness and (iii) an estimate of the interest within rental expense.

[Table of Contents](#)

- (b) Adjusted EBITDA is determined by adding net interest income (expense), income taxes, depreciation, amortization, impairment losses on intangible assets, restructuring charges and (income) loss from discontinued operations to Syniverse's net income (loss), and Brience's pre-acquisition EBITDA loss (gain) from net income (loss). We present adjusted EBITDA because it is generally accepted as providing useful information regarding a company's ability to service and/or incur debt. In addition, it is used in some of our debt covenants and our executive compensation and bonus plans. You should not consider adjusted EBITDA in isolation from or as a substitute for net income, cash flows from operating activities and other consolidated income or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Executive Overview**

On February 14, 2002, Syniverse Holdings, Inc. (formerly TSI Telecommunication Holdings, Inc.) acquired Syniverse Technologies, Inc. (formerly, TSI Telecommunication Services Inc.) by merging its wholly owned subsidiary, TSI Merger Sub, Inc., with and into Syniverse Technologies, Inc. Syniverse Holdings, Inc. is wholly owned by Syniverse Holdings, LLC (formerly TSI Telecommunication Holdings, LLC). Syniverse Holdings, LLC and Syniverse Holdings, Inc. have no operations other than their ownership of their direct and indirect subsidiaries.

As a result of applying the required purchase accounting rules, our financial statements were significantly affected. The application of purchase accounting rules result in different accounting bases and hence the financial information for the periods beginning on February 14, 2002 are not comparable to the information prior to this date. The term "successor" refers to Syniverse LLC and all of its subsidiaries, including Syniverse Technologies, Inc. following the acquisition on February 14, 2002. The term "predecessor" refers to Syniverse Technologies, Inc. prior to being acquired by Syniverse Holdings, Inc.

Prior to February 14, 2002, we operated as a subsidiary of Verizon, and did not operate as a separate, stand-alone entity. As a result, the historical financial information included in this report does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

The acquisition from Verizon was accounted for using the purchase method of accounting. As a result, the acquisition has affected our results of operations in certain significant respects. The aggregate acquisition costs, including the transaction costs, of approximately \$808.6 million have been allocated to the tangible and intangible assets acquired and liabilities assumed by us based upon their respective fair values as of the acquisition date and have resulted in a significant increase in our annual depreciation and amortization expense. Due to the effects of the increased borrowings to finance the acquisition, our interest expense has increased significantly in the periods following the acquisition. In addition, due to the effects of the 10% dividend requirements of the Class B Preferred Units now outstanding, our net income attributable to common unitholders' has been reduced.

On July 23, 2003, Syniverse Networks, Inc. (formerly TSI Telecommunication Network Services Inc.) acquired Brience, Inc. by issuing 100,000 common units of Syniverse Holdings, LLC and merging Brience, Inc. with and into Syniverse Brience, LLC (formerly TSI Brience, LLC), a newly formed wholly owned subsidiary of Syniverse Networks, Inc., with Syniverse Brience, LLC continuing as the surviving entity and a wholly owned subsidiary of Syniverse Networks, Inc.

At the time of the Brience, Inc. merger, funds associated with GTCR Golder Rauner, LLC had a controlling interest in both Brience, Inc. and Syniverse Holdings, LLC. As a result, the transaction is accounted for as a combination of entities under common control, similar to a pooling of interests, whereby the assets and liabilities of Brience, Inc. were combined at their historical amounts as of the date that GTCR Golder Rauner, LLC had control of both entities (February 14, 2002). For historical accounting purposes, the historical financial results of Brience, Inc. have only been combined for the periods during which Syniverse Holdings, LLC and Brience, Inc. were under common control of funds associated with GTCR Golder Rauner, LLC. Accordingly, our historical consolidated financial statements have been restated to include the financial results of Brience, Inc. beginning on the date when funds associated with GTCR Golder Rauner, LLC had common control of both entities (February 14, 2002). For the minority interest of Brience, Inc. not owned by GTCR Golder Rauner, LLC affiliates at the time of the combination, purchase accounting has been applied. However, the effects of the fair value adjustments relating to this purchase accounting were deemed to be insignificant, and therefore, recorded at zero for purposes of our financial statements.

On December 19, 2003, Syniverse Technologies, Inc. acquired all the outstanding shares of Softwright Holdings Limited for \$775 cash and the assumption of liabilities of \$1,268. The acquisition was accounted for using the purchase method of accounting, and hence the results of operations of Softwright have been included since December 19, 2003.

Our consolidated financial statements include the accounts of Syniverse Holdings, LLC (Syniverse LLC, formerly TSI Telecommunication Holdings LLC), Syniverse Holdings, Inc. (Syniverse Inc., formerly TSI Telecommunication Holdings Inc.), Syniverse Technologies, Inc. (Syniverse, formerly TSI Telecommunication Services Inc.), Syniverse Finance, Inc. (Syniverse Finance, formerly TSI Finance Company), Syniverse Networks, Inc. (Syniverse Networks, formerly TSI Telecommunication Networks Inc.), Syniverse Technologies, BV (formerly TSI Telecommunication Services, BV), and for periods beginning on and after February 14, 2002, Syniverse Brience, LLC (Syniverse Brience, formerly TSI Brience, LLC) and Softwright Holdings Limited (Softwright). All significant intercompany balances and transactions have been eliminated.

[Table of Contents](#)

Introduction

We provide a diverse set of services to meet the evolving requirements of the telecommunications industry. Our services are categorized into the following groups:

- **Network Services** – We provide our customers with connectivity to our SS7 network and other widely used communications networks (e.g., X.25, Frame Relay and IP). SS7 is the telecommunication industry’s standard network signaling protocol used by almost every carrier in North America to enable the setup and delivery of wireless and wireline telephone calls. A telephone call has two components: the call content (e.g., voice, video or data) and the signaling information (e.g., caller information, number called and subscriber validation). SS7 is the transport network for this signaling information. We also provide Web-based analysis and reporting services, allowing our customers to access real-time subscriber activity, monitor their networks, troubleshoot customer care issues and handle network management tasks seamlessly. In addition, use of our SS7 network facilitates access to intelligent network services, such as local number portability (LNP), line information database (LIDB), toll-free database and Caller ID. Our primary services in this group are INLink, Visibility, the SS7 Database Access services, Inpack, and CCNS. We also offer software and services that enable secure application and mobile data communication across multiple devices, software platforms, and networks. Mobile Processing Server (MPS) is an integrated software design and development environment for building mobile solutions that provide a compelling user experience across multiple device form factors ranging from cell phones to PDAs.
- **Number Porting Services** – The Telecommunications Act of 1996 mandates number portability as a means to promote competition for phone service. Number portability means that a subscriber can switch telephone service provider but retain the existing telephone number. Wireline carriers in the largest markets have offered number portability since 1998. After numerous delays and postponements, wireless carriers in the top 100 markets were required to offer wireless local number portability as of November 24, 2003. The implementation of WLNP fundamentally changed the way the wireless industry identifies phone numbers and routes calls. Additionally, porting a number from one carrier to another is an exceedingly complex process that minimally requires eleven “transactions” or exchanges of information between carriers and between carriers and the Number Portability Administration Center (NPAC). Furthermore, the method for porting a wireline number to a wireless phone is not standardized. We developed the industry’s only end-to-end, fully integrated suite of services to enable wireless carriers to meet the FCC-mandated November 2003 deadline for WLNP. Our suite of WLNP services address inter-carrier communication, communication with the NPAC and system and help desk troubleshooting that is necessary when ports fail, known as “fallout.” Our specific services include Pre-Port Validation, Inter-carrier Communication (ICC) Service Order Activation (SOA) Service Bureau, Inter-carrier Communications (ICC) Clearinghouse, Wireline-to-Wireless Porting, Fallout Management/Port Center, and Workflow Management.
- **Technology Interoperability Services** – We address technology interoperability complexities by acting as the primary point of contact for hundreds of wireless carriers for the processing of roaming billing and short message service (SMS) transactions across substantially all network, signaling, billing and messaging standards. Our clearinghouse services have established us as the trusted third party for the collection, translation and exchange of proprietary subscriber billing data and messages between carriers on a secure, confidential and timely basis. Our primary services in this group are ACCESS, ACCESS S&E, UniRoam, Access Revenue Management and Message Management.
- **Call Processing Services** – We offer telecommunication carriers comprehensive call processing services that employ advanced technologies to provide subscriber verification, call delivery and technical fraud detection and prevention regardless of switch type, billing format or signaling standard. These services support seamless regional, national and international telephone roaming service for wireless subscribers. Our primary services in this group are FraudManager, Follow Me Roaming Plus, Key Management Center and FraudX.
- **Other Outsourcing Services** – We provide other value-added outsourcing services including a telematics solution that enables trucking and distribution companies to track vehicle location and improve fleet utilization and outsourced services that enhance carriers’ ability to manage and consolidate billing for their enterprise customer accounts. Our primary services in this group are STREAMLINER and Fleet-On-Track.

Revenues

Our revenues are primarily derived from the sale of our Network Services, Number Porting Services, Technology Interoperability Services and Call Processing Services to telecommunication providers throughout the world. To a lesser extent,

[Table of Contents](#)

we also generate revenues from Other Outsourcing Services. In order to encourage greater usage, we negotiate tiered pricing schedules with our customers based on certain established transaction volume levels. As a result, we expect the average price per transaction for many of our products to decline as customers increasingly use our services.

We believe there is minimal seasonality in our business. However, there is generally a slight increase in wireless roaming telephone usage traffic and corresponding revenues in the high-travel months of the second and third fiscal quarters.

- **Network Services** primarily generate revenue by charging per-transaction processing fees, circuit fees and port fees. The monthly SS7 connection fee is based on the number of links as well as the number of switches to which a customer signals. The per-transaction fees are based on the number of subscriber events and database queries made through our network and are recognized as revenues at the time the transactions are performed. Syniverse Brienre's software revenues are generated through license fees, maintenance agreements and professional services. License fee revenues consist principally of revenue from the licensing of our software and are generally recognized when a contract is executed, all delivery obligations have been met, the fee is fixed or determinable, and collectibility is probable. Maintenance agreements call for us to provide technical support and software enhancements to customers. Revenue on technical support and software enhancement rights is recognized ratably over the term of the support agreement. Professional services include consulting, training and installation services to our customers. Revenue from such services is generally recognized on a straight-line basis over the same period as the software license fee.
- **Number Porting Services** primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We defer revenues related to customer implementations, and recognize these fees on a straight-line basis over the life of the initial customer agreements. We recognize processing revenues at the time the transactions and services are performed.
- **Technology Interoperability Services** primarily generate revenues by charging per-transaction processing fees. For our wireless roaming, wireline and SMS clearinghouse services, revenues vary based on the number of data/messaging records provided to us by telecommunications carriers for aggregation, translation and distribution among carriers. These records are based on the number of wireless roaming subscriber telephone calls and messages that take place on our customers' networks. We recognize revenues at the time the transactions are performed.
- **Call Processing Services** primarily generate revenue by charging per-transaction processing fees and software licensing fees. The per-transaction fee is based on the number of validation, authorization, and other call processing messages generated by wireless subscribers. Syniverse also provides turnkey software solutions for which it charges customers a software licensing fee. For turnkey software, we recognize revenue when accepted by the customer.
- **Other Outsourcing Services** primarily generate revenue by charging per-subscriber fees. We recognize revenues at the time the service is performed.

Costs and Expenses

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

- **Cost of operations** includes processing costs, network costs, royalty costs, personnel costs associated with service implementation, training and customer care, and off-network database query charges.
- **Sales and marketing** includes personnel costs, advertising costs, trade show costs and relationship marketing costs.
- **General and administrative** consists primarily of research and development expenses, a portion of the expenses associated with our facilities, internal management expenses, business development expenses, and expenses for finance, legal, human resources and other administrative departments. In addition, we incur significant service development costs. These costs, which are primarily personnel, relate to technology creation, enhancement and maintenance of new and existing services. Historically, most of these costs are expensed and recorded as general and administrative expenses. The capitalized portion, which is recorded as capitalized software costs, relates to costs incurred during the application development stage for the new service offerings and significant service enhancements.

Table of Contents

- **Depreciation and amortization** relates primarily to our property and equipment including SS7 network and our intangible assets including capitalized software and infrastructure facilities related to information management, research and development and customer care. Beginning in 2004, we will also have amortization related to certain intangible assets established in our purchase accounting for Softwright.

Results of Operations

Our results before and after February 14, 2002 are not generally comparable due to the effects of purchase accounting. However, to aid in the comparison to the twelve months ended December 31, 2002, we have combined the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002 and included explanations about the effects of purchase accounting. The full twelve months ended December 31, 2002 are referred to as “combined” herein.

The following table presents an overview of our results of operations for the years ended December 31, 2002 and 2003:

	Predecessor		Successor		Successor		2002 vs. 2003 Change	
	Period from January 1 to February 13, 2002	% of Revenues	Period from February 14 to December 31, 2002	% of Revenues	Year Ended December 31, 2003	% of Revenues	\$	%
Revenues:								
Off-Network Database Query Fees	\$ 8,588	21.5%	\$ 20,117	20.6%	\$ 29,329	10.9%	\$(40,176)	(57.6)%
Other Network Services	14,103	35.2%	99,647	33.7%	111,845	41.2%	(1,905)	(1.7)%
Total Network Services	22,691	56.7%	160,764	54.3%	141,374	52.1%	(42,081)	(22.9)%
Number Porting Services	—	0.0%	860	0.3%	5,469	2.0%	4,609	535.9%
Technology Interoperability Services	8,464	21.2%	70,215	23.7%	66,536	24.5%	(12,143)	(15.4)%
Call Processing Services	6,429	16.1%	46,336	15.7%	42,764	15.8%	(10,001)	(19.0)%
Other Outsourcing Services	2,412	6.0%	17,869	6.0%	15,265	5.6%	(5,016)	(24.7)%
Total revenues	\$39,996	100.0%	\$296,044	100.0%	\$271,408	100.0%	\$(64,632)	(19.2)%
Costs and expenses:								
Cost of operations	20,655	51.6%	130,364	44.0%	109,744	40.4%	(41,275)	(27.3)%
Sales and marketing	2,614	6.5%	22,706	7.7%	18,631	6.9%	(6,689)	(26.4)%
General and administrative	3,001	7.6%	42,630	14.4%	39,881	14.7%	(5,750)	(12.6)%
Provision for (recovery of) uncollectible accounts	1,340	3.3%	(693)	(0.2)%	466	0.2%	(181)	(28.0)%
Depreciation and amortization	1,464	3.7%	33,285	11.2%	37,319	13.8%	2,570	7.4%
Restructuring	—	0.0%	2,845	1.0%	2,164	0.8%	(681)	(23.9)%
Impairment losses on intangible assets	—	0.0%	—	0.0%	53,712	19.7%	53,712	100.0%
	29,074	72.7%	231,137	78.1%	261,917	96.5%	1,706	0.7%
Operating income	10,922	27.3%	64,907	21.9%	9,491	3.5%	(66,338)	(87.5)%
Other income (expense), net:								
Interest income	432	1.1%	965	0.4%	768	0.3%	(629)	(45.0)%
Interest expense	—	0.0%	(54,105)	(18.3)%	(58,128)	(21.4)%	(4,023)	7.4%
Other, net	(19)	0.0%	(275)	(0.1)%	—	0.0%	294	(100.0)%
	413	1.0%	(53,415)	(18.0)%	(57,360)	(21.1)%	(4,358)	8.2%
Income (loss) from continuing operations before provision for income taxes	11,335	28.3%	11,492	3.9%	(47,869)	(17.6)%	(70,696)	(309.7)%
Provision for income taxes	4,418	11.0%	9,320	3.2%	10,057	3.7%	(3,681)	(26.8)%
Income (loss) from continuing operations	6,917	17.3%	2,172	0.7%	(57,926)	(21.3)%	(67,015)	(737.3)%
Loss from discontinued operations	—	0.0%	(1,541)	(0.5)%	—	0.0%	1,541	(100.0)%
Net income (loss)	6,917	17.3%	631	0.2%	(57,926)	(21.3)%	(65,474)	(867.4)%
Preferred unit dividends	—	0.0%	(22,952)	(7.7)%	(28,581)	(10.6)%	(5,629)	24.5%
Net income (loss) attributable to common shareholders/unit holders	\$ 6,917	17.3%	\$ (22,321)	(7.5)%	\$ (86,507)	(31.9)%	\$(71,103)	461.6%

[Table of Contents](#)

Comparison of the year ended December 31, 2003, the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002

As described above, our results before and after February 14, 2002 are not generally comparable due to the effects of purchase accounting.

The historical financial results of Syniverse Brence, from February 14, 2002, which is the date that GTCR Fund VII, L.P. and its affiliates possessed common control of us and Syniverse Brence, through July 23, 2003, which is the date that we acquired Syniverse Brence, are included in our financial results for the applicable periods because this acquisition is accounted for as a combination of entities under common control, similar to a pooling of interests.

Total revenues were \$271.4 million for 2003 as compared to combined revenues of \$336.0 million for 2002, which is the total of the revenues for the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002. The decrease of \$64.6 million was due to declines in each revenue category except Number Porting Services for 2003, as compared to combined 2002.

Network Services revenues were \$141.4 million (including \$29.5 million of Off-Network Database Query Fees) for 2003 as compared to combined revenues of \$183.5 million (including \$69.7 million of Off-Network Database Query Fees) for 2002. The decrease of \$42.1 million was primarily due to \$40.2 million less of lower Off-Network Database Query Fees and lower Visibility Services volumes offset by increases in our network transport product and other SS7 services. The decrease in Off-Network Database Queries was driven by customers moving to direct billing arrangements with third party database providers. As a service to our customers, we have offered the ability to be billed through us for database dips with third party providers. This cost was passed through to our customers with little or no margin.

Number Porting Services revenues were \$5.5 million for 2003, which includes wireless number pooling, porting and amortization of deferred implementation fees. Due to the November 24, 2003 WLNP implementation date, our 2003 results include only five weeks of revenue from the WLNP products.

Technology Interoperability Services revenues were \$66.5 million for 2003 as compared to combined revenues of \$78.7 million for 2002. The decrease of \$12.2 million is primarily due to lower volumes from our Access Revenue Management product due to the termination of an agreement with Adelphia Business Systems in 2003 and to lower revenues due to contract renewals for certain customers at lower rates. This is offset by increases in our Access S&E product, which is used for GSM settlement.

Call Processing Services revenues were \$42.8 million for 2003 as compared to combined revenues of \$52.8 million for 2002. The decrease of \$10.0 million is due to the expected lifecycle migration by carriers who are moving off our call processing platform to implement SS7 connections between their own networks and their roaming partners' networks. We expect this migration to be accelerated by the complexities associated with WLNP, which requires carriers to use more advanced technology.

Other Outsourcing Services revenues were \$15.3 million for 2003 as compared to combined revenues of \$20.3 million for 2002. The decrease of \$5.0 million is primarily due to a customer moving off our prepaid wireless solution. We do not plan to continue offering this prepaid wireless service in 2004 and beyond.

Cost of operations was \$109.7 million for the year ended December 31, 2003. Cost of operations was \$20.7 million in the period from January 1, 2002 to February 13, 2002 and \$130.3 million in the period from February 14, 2002 to December 31, 2002. Combined cost of operations was \$151.0 million for the year ended December 31, 2002. The decrease of \$41.3 million for 2003 as compared to combined 2002 was primarily due to lower Off-Network Database Query Fees and the workforce restructurings that occurred in April and August of 2002 and February and July 2003. Cost of operations as a percentage of revenues were 40.4% in the year ended December 31, 2003, as compared to 51.6% in the period from January 1, 2002 to February 13, 2002, and 44.0% in the period from February 14, 2002 to December 31, 2002 for a combined total of 44.9% in the period from January 1, 2002 to December 31, 2002.

Table of Contents

Sales and marketing expenses were \$18.6 million for the year ended December 31, 2003. Sales and marketing expenses were \$2.6 million in the period from January 1, 2002 to February 13, 2002 and \$22.7 million in the period from February 14, 2002 to December 31, 2002. Combined sales and marketing expenses were \$25.3 million for the year ended December 31, 2002. The decrease of \$6.7 million for 2003 as compared to combined 2002 was due to lower headcount and employee-related expenses within the sales and marketing organization resulting from the reductions in the workforce in April and August of 2002 and February and July 2003. Sales and marketing expenses as a percentage of revenues were 6.9% in the year ended December 31, 2003, as compared to 6.5% in the period from January 1, 2002 to February 13, 2002 and 7.7% in the period from February 14, 2002 to December 31, 2002 for a combined total of 7.5% in the period from January 1, 2002 to December 31, 2002.

General and administrative expenses were \$39.9 million for the year ended December 31, 2003. General and administrative expenses were \$3.0 million in the period from January 1, 2002 to February 13, 2002 and \$42.6 million in the period from February 14, 2002 to December 31, 2002. Combined general and administrative expenses were \$45.6 million for the year ended December 31, 2002. The decrease of \$5.7 million for 2003 as compared to combined 2002 was due to lower development expenses, and reductions in our workforce in April and August of 2002, and February and July 2003. General and administrative expenses as a percentage of revenue were 14.7% in the year ended December 31, 2003, as compared to 7.6% in the period from January 1, 2002 to February 13, 2002 and 14.4% in the period from February 14, 2002 to December 31, 2002 for a combined total of 13.6% in the period from January 1, 2002 to December 31, 2002.

Provision for (recovery of) uncollectible accounts was \$0.4 million for the year ended December 31, 2003. Provision for (recovery of) uncollectible accounts was \$1.3 million in the period from January 1, 2002 to February 13, 2002 and (\$0.7) million in the period from February 14, 2002 to December 31, 2002. Combined provision for (recovery of) uncollectible accounts was \$0.6 million for the year ended December 31, 2002. The decrease of \$0.2 million for 2003 as compared to combined 2002 was due to decreases for certain accounts and decreases in the general reserve due to a lower number of bankruptcies. Provision for (recovery of) uncollectible accounts as a percentage of revenue were 0.2% in the year ended December 31, 2003, as compared to 3.3% in the period from January 1, 2002 to February 13, 2002 and (0.2)% in the period from February 14, 2002 to December 31, 2002 for a combined total of 0.2% in the period from January 1, 2002 to December 31, 2002.

Depreciation and amortization expenses were \$37.3 million for the year ended December 31, 2003. Depreciation and amortization expenses were \$1.4 million in the period from January 1, 2002 to February 13, 2002 and \$33.3 million in the period from February 14, 2002 to December 31, 2002. Combined depreciation and amortization expense were \$34.7 million for the year ended December 31, 2002. The increase of \$2.6 million for 2003 as compared to combined 2002 was due to higher depreciation and amortization expenses related to the February 14, 2002 asset revaluation to fair values as a result of purchase accounting associated with the GTCR acquisition of Syniverse. Depreciation and amortization expenses as a percentage of revenue were 13.8% in the year ended December 31, 2003, as compared to 3.7% in the period from January 1, 2002 to February 13, 2002 and 11.2% in the period from February 14, 2002 to December 31, 2002 for a combined total of 10.3% in the period from January 1, 2002 to December 31, 2002.

Restructuring expenses were \$2.1 million in the year ended December 31, 2003. Restructuring expenses were \$2.8 million in the period from February 14, 2002 to December 31, 2002. This resulted in a decrease of \$0.7 million for 2003 as compared to combined 2002. On February 28, 2003, we completed a restructuring plan, resulting in the termination of 71 employees or approximately 10.6% of our workforce. As a result, we accrued \$1.8 million in severance related costs in February 2003. In July 2003, we recorded an additional restructuring expense of \$0.6 million related to terminations made at the time of our acquisition of Brience. Restructuring expenses as a percentage of revenue were 0.8% in the year ended December 31, 2003, as compared to 0.0% in the period from January 1, 2002 to February 13, 2002 and 1.0% in the period from February 14, 2002 to December 31, 2002 for a combined total of 0.8% in the period from January 1, 2002 to December 31, 2002.

Impairment losses on intangible assets. Due to the re-branding and re-naming of Syniverse Technologies effective March 1, 2004, we recognized impairment losses of \$51.0 million related to the TSI Telecommunication Services Inc. trademark and \$2.7 million related to capitalized software write-offs arising primarily due to the discontinuation of prepaid wireless services. Impairment losses on intangible assets as a percentage of revenues were 19.7% for 2003. There were no impairment losses in combined 2002.

Interest income was \$0.8 million for the year ended December 31, 2003. Interest income was \$0.4 million in the period from January 1, 2002 to February 13, 2002 and \$1.0 million in the period from February 14, 2002 to December 31, 2002. Combined interest income was \$1.4 million for the year ended December 31, 2002. The decrease of \$0.6 million for 2003 as compared to combined 2002 was due to the extinguishment of the note receivable from Verizon in February 2002, offset by improved collections from our customers in 2003 increasing our cash balances. Interest income as a percentage of revenue was 0.3% for the year ended December 31, 2003, as compared to 1.1% in the period from January 1, 2002 to February 13, 2002 and 0.4% in the period from February 14, 2002 to December 31, 2002, for a combined total interest income of 0.4% of revenue in the period from January 1, 2002 to December 31, 2002.

Interest expense was \$58.1 million for the year ended December 31, 2003. There was no interest expense in the period from January 1, 2002 to February 13, 2002. Interest expense was \$54.1 million in the period from February 14, 2002 to December 31, 2002. The decrease of \$4.0 million for 2003 as compared to combined 2002 was primarily due to a lower principal balance on the senior credit facility. Interest expense as a percentage of revenue was 21.4% in the year ended December 31, 2003, as compared to 0.0% in the period from January 1, 2002 to February 13, 2002 and 18.3% in the period from February 14, 2002 to December 30, 2002 for a combined total interest expense of 16.1% of revenue in the period from January 1, 2002 to December 31, 2002.

Provision for income taxes was \$10.1 million for the year ended December 31, 2003. Provision for income taxes was \$4.4 million in the period from January 1, 2002 to February 13, 2002 and \$9.3 million in the period from February 14, 2002 to December 31, 2002. Combined provision for income taxes was \$13.7 million for the year ended December 31, 2002. The decrease of \$3.6 million for 2003 as compared to combined 2002 was primarily due to the large book loss in 2003, primarily attributable to the impairment losses. SFAS No. 109, "Accounting for Income Taxes", requires a valuation allowance to reduce the deferred tax assets reported if, based upon the weight of evidence, it's more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences and NOLs (net operating losses) become deductible or are utilized. Primarily as a result of our impairment loss in the fourth quarter of 2003, we concluded that it was appropriate to establish a full valuation allowance against our net deferred tax assets, excluding goodwill, resulting in a net tax expense of \$10.1 million. The deferred tax assets arise primarily from accumulated federal and state net operating losses of approximately \$113,413 and \$230,042, respectively, which expire between 2006 and 2022. These losses relate primarily to Brience's operations in periods prior to the February 14, 2002 date when those results have been included in our financial statements. In addition, because we do not amortize goodwill for financial reporting purposes, we are unable to consider the associated deferred tax liabilities of approximately \$19.3 million in this analysis. Provision for income taxes as a percentage of revenue was 3.7% in the year ended December 31, 2003, as compared to 11.0% in the period from January 1, 2002 to February 13, 2002 and 3.2% in the period from February 14, 2002 to December 30, 2002, for a combined total of 4.1% in the period from January 1, 2002 to December 31, 2002.

Loss on discontinued operations was \$1.5 million for the period from February 14, 2002 to December 31, 2002. This loss is due to Brience's decision to divest the Hello Asia subsidiary in July 2001. Loss on discontinued operations as a percentage of revenues was 0.5% for 2002. There were no discontinued operations in 2003.

Undeclared and unpaid preferred unit dividends were \$23.0 million in the period from February 14, 2002 to December 31, 2002. Undeclared and unpaid preferred unit dividends were \$28.6 million for the year ended December 31, 2003. The preferred unit dividends relate to the 10% preferred yield on the Class B preferred units issued on February 14, 2002. These dividends compound quarterly. The amounts are not recorded as liabilities until declared.

[Table of Contents](#)

The following table presents an overview of our results of operations for the years ended December 31, 2001 and 2002:

	Predecessor				Successor		2001 vs. 2002 Change	
	Year Ended December 31, 2001	% of Revenues	Period from January 1 to February 13, 2002	% of Revenues	Period from February 14 to December 31, 2002	% of Revenues	\$	%
Revenues:								
Off-Network Database Query Fees	\$ 69,117	19.1%	\$ 8,588	21.5%	\$ 61,117	20.6%	\$ 588	0.9%
Other Network Services	105,369	29.2%	14,103	35.2%	99,647	33.7%	8,381	8.0%
Total Network Services	174,486	48.3%	22,691	56.7%	160,764	54.3%	8,969	5.1%
Number Porting Services	—	0.0%	—	0.0%	860	0.3%	860	100.0%
Technology Interoperability Services	82,312	22.7%	8,464	21.2%	70,215	23.7%	(3,633)	(4.4)%
Call Processing Services	65,241	18.1%	6,429	16.1%	46,336	15.7%	(12,476)	(19.1)%
Other Outsourcing Services	39,319	10.9%	2,412	6.0%	17,869	6.0%	(19,038)	(48.4)%
Total revenues	\$361,358	100.0%	\$ 39,996	100.0%	\$296,044	100.0%	\$(25,318)	(7.0)%
Costs and expenses:								
Cost of operations	169,025	46.8%	20,655	51.6%	130,364	44.0%	(18,006)	(10.7)%
Sales and marketing	24,348	6.7%	2,614	6.5%	22,706	7.7%	972	4.0%
General and administrative	41,245	11.4%	3,001	7.6%	42,630	14.4%	4,386	10.6%
Provision for (recovery of) uncollectible accounts	2,207	0.6%	1,340	3.3%	(693)	(0.2)%	(1,560)	(70.7)%
Depreciation and amortization	15,203	4.2%	1,464	3.7%	33,285	11.2%	19,546	128.6%
Restructuring	—	0.0%	—	0.0%	2,845	1.0%	2,845	100.0%
	252,028	69.7%	29,074	72.7%	231,137	78.1%	8,183	3.2%
Operating income	109,330	30.3%	10,922	27.3%	64,907	21.9%	(33,501)	(30.6)%
Other income (expense), net:								
Interest income	3,903	1.1%	432	1.1%	965	0.4%	(2,506)	(64.2)%
Interest expense	—	0.0%	—	0.0%	(54,105)	(18.3)%	(54,105)	100.0%
Other, net	(80)	0.0%	(19)	(0.0)%	(275)	(0.1)%	(214)	267.5%
	3,823	1.1%	413	1.0%	(53,415)	(18.0)%	(56,825)	(1486.4)%
Income from continuing operations before provision for income taxes								
	113,153	31.4%	11,335	28.3%	11,492	3.9%	(90,326)	(79.8)%
Provision for income taxes	43,895	12.2%	4,418	11.0%	9,320	3.2%	(30,157)	(68.7)%
Income from continuing operations	69,258	19.2%	6,917	17.3%	2,172	0.7%	(60,169)	(86.9)%
Loss from discontinued operations	—	0.0%	—	0.0%	(1,541)	(0.5)%	(1,541)	100.0%
Net income	69,258	19.2%	6,917	17.3%	631	0.2%	(61,710)	(89.1)%
Preferred unit dividends	—	0.0%	—	0.0%	(22,952)	(7.7)%	(22,952)	100.0%
Net income (loss) attributable to common shareholders/unitholders	\$ 69,258	19.2%	\$ 6,917	17.3%	\$ (22,321)	(7.5)%	\$(84,662)	(122.2)%

Comparison of the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002

As described above, our results before and after February 14, 2002 are not generally comparable due to the effects of our purchase accounting on this date.

The historical financial results of Syniverse Briece, from February 14, 2002, which is the date that GTCR Fund VII, L.P. and its affiliates possessed common control of us and Syniverse Briece, through July 23, 2003, which is the date that we acquired Syniverse Briece, are included in our financial results for the applicable periods because this acquisition was accounted for as a combination of entities under common control, similar to a pooling of interests.

[Table of Contents](#)

Total combined revenues were \$336.0 million for 2002, which is the total of the revenues for the period from January 1, 2002 to February 13, 2002 and the period from February 14, 2002 to December 31, 2002, as compared to revenues of \$361.4 million for 2001. The decrease of \$25.4 million was due to increases in combined Network Services revenues for 2002 compared to the 2001, offset by decreases in Call Processing Services, Technology Interoperability and Other Outsourcing Services revenues.

Network Services revenues were \$183.5 million (including \$69.7 million of Off-Network Database Query Fees) for combined 2002 as compared to revenues of \$174.5 million (including \$69.1 million of Off-Network Database Query Fees) for 2001. The increase of \$9.0 million was primarily due increases in our network transport product and other SS7 services.

Technology Interoperability Services revenues were \$78.7 million for combined 2002 as compared to revenues of \$82.3 million for 2001. The decrease of \$3.6 million is primarily due to decreased volumes resulting from the loss of Cingular Wireless as a major customer for ACCESS. This decline was partially offset by increases in our ARM and ACCESS S&E products.

Call Processing Services revenues were \$52.8 million for combined 2002 as compared to revenues of \$65.2 million for 2001. The decrease of \$12.4 million is due to the expected lifecycle migration by carriers who are moving off our call processing platform to implement SS7 connections between their own networks and their roaming partners' networks.

Other Outsourcing Services revenues were \$20.3 million for combined 2002 as compared to revenues of \$39.3 million for 2001. The decrease of \$19.0 million is primarily due to the transition of our telematic services to Verizon, which was developed exclusively as an interim solution for Verizon, and lower prepaid wireless revenues due to a one-time sale in 2001.

Number Porting Services revenues were \$0.9 million for combined 2002 and relate to wireless number porting.

Cost of operations was \$20.7 million in the period from January 1, 2002 to February 13, 2002 and \$130.3 million in the period from February 14, 2002 to December 31, 2002. Combined cost of operations was \$151.0 million for the year ended December 31, 2002. Cost of operations was \$169.0 million for the year ended December 31, 2001. The decrease of \$18.0 million for combined 2002 as compared to 2001 was primarily due to reduced pricing for data processing services and the workforce reductions that occurred in April and August of 2002. Cost of operations as a percentage of revenues were 51.6% in the period from January 1, 2002 to February 13, 2002, and 44.0% in the period from February 14, 2002 to December 31, 2002 for a combined total of 44.9% in the twelve month period ended December 31, 2002, as compared to 46.8% in the year ended December 31, 2001.

Sales and marketing expenses were \$2.6 million in the period from January 1, 2002 to February 13, 2002 and \$22.7 million in the period from February 14, 2002 to December 31, 2002. Combined sales and marketing expenses were \$25.3 million for the year ended December 31, 2002. Sales and marketing expenses were \$24.3 million for the year ended December 31, 2001. The increase of \$1.0 million for combined 2002 as compared to 2001 is primarily due to the inclusion of historical Brience results offset by lower headcount and employee-related expenses within the sales organization resulting from the reductions in workforce. Sales and marketing expenses as a percentage of revenues were 6.5% in the period from January 1, 2002 to February 13, 2002 and 7.7% in the period from February 14, 2002 to December 31, 2002 for a combined total of 7.6% in the period from January 1, 2002 to December 31, 2002, as compared to 6.7% in the period from January 1, 2001 to December 31, 2001.

General and administrative expenses were \$3.0 million in the period from January 1, 2002 to February 13, 2002 and \$42.6 million in the period from February 14, 2002 to December 31, 2002. Combined general and administrative expenses were \$45.6 million for the year ended December 31, 2002. General and administrative expenses were \$41.2 million for the year ended December 31, 2001. The increase of \$4.4 million for combined 2002 as compared to 2001 is primarily due to the inclusion of historical Brience results offset by lower development expenses in addition to the reductions in workforce in April and August of 2002. General and administrative expenses as a percentage of revenue were 7.6% in the period from January 1, 2002 to February 13, 2002 and 14.4% in the period from February 14, 2002 to December 31, 2002 for a combined total of 13.6% in the period from January 1, 2002 to December 31, 2002, as compared to 11.4% in the period from January 1, 2001 to December 31, 2001.

Provision for (recovery of) uncollectible account was \$1.3 million in the period from January 1, 2002 to February 13, 2002 and (\$0.7) million in the period from February 14, 2002 to December 31, 2002. Combined provision for (recovery of) uncollectible accounts was \$0.6 million for the year ended December 31, 2002. Provision for (recovery of) uncollectible accounts was \$2.2 million for the year ended December 31, 2001. The decrease of \$1.6 million for combined 2002 as compared to 2001 is primarily due to lowered risk with our CLEC customers. Provision for (recovery of) uncollectible accounts as a percentage of revenue were 3.3% in the period from January 1, 2002 to February 13, 2002 and (0.2%) in the period from February 14, 2002 to December 31, 2002 for a combined total of 0.2% in the period from January 1, 2002 to December 31, 2002, as compared to 0.6% in the period from January 1, 2001 to December 31, 2001.

Depreciation and amortization expenses were \$1.4 million in the period from January 1, 2002 to February 13, 2002 and \$33.3 million in the period from February 14, 2002 to December 31, 2002. Combined depreciation and amortization expense were \$34.7 million for the year ended December 31, 2002. Depreciation and amortization expenses were \$15.2 million for the year ended December 31, 2001. The increase of \$19.5 for combined 2002 as compared to 2001 is primarily due to higher depreciation and amortization expenses related to the asset revaluation to fair values as a result of purchase accounting associated with the acquisition of Syniverse. Depreciation and amortization expenses as a percentage of revenue were 3.7% in the period from January 1, 2002 to February 13, 2002 and 11.2% in the period from February 14, 2002 to December 31, 2002 for a combined total of 10.3% in the period from January 1, 2002 to December 31, 2002, as compared to 4.2% in the period from January 1, 2001 to December 31, 2001.

Restructuring. On August 29, 2002, we completed an additional restructuring resulting in the termination of 73 employees, or approximately 10% of the workforce at that time. As a result, we accrued \$2.8 million in severance related costs in August 2002. Restructuring expense as a percentage of revenue was 1.0% in the period from February 14, 2002 to December 31, 2002 for a combined total restructuring expense of 0.8% of revenue in the period from January 1, 2002 to December 31, 2002.

Interest income was \$0.4 million in the period from January 1, 2002 to February 13, 2002 and \$1.0 million in the period from February 14, 2002 to December 31, 2002. Combined interest income was \$1.4 million for the year ended December 31, 2002. Interest income was \$3.9 million for the year ended December 31, 2001. The decrease of \$2.5 million for combined 2002 as compared to 2001 is primarily due to the extinguishment of the note receivable from Verizon in February 2002. Interest income as a percentage of revenue was 1.1% in the period from January 1, 2002 to February 13, 2002 and 0.4% in the period from February 14, 2002 to December 31, 2002, for a combined total interest income of 0.4% of revenue in the period from January 1, 2002 to December 31, 2002, down from 1.1% of revenue in the period from January 1, 2001 to December 31, 2001.

Interest expense. There was no interest expense in the period from January 1, 2002 to February 13, 2002. Interest expense was \$54.1 million in the period from February 14, 2002 to December 31, 2002. There was no interest expense in the year ended December 31, 2001. The increase of \$54.1 million for combined 2002 as compared to 2001 is due to the issuance of debt in connection with the acquisition of Syniverse. Interest expense as a percentage of revenue was 18.3% in the period from February 14, 2002 to December 31, 2002 for a combined total interest expense of 16.1% of revenue in the period from January 1, 2002 to December 31, 2002.

Provision for income taxes was \$4.4 million in the period from January 1, 2002 to February 13, 2002 and \$9.3 million in the period from February 14, 2002 to December 31, 2002. Combined provision for income taxes was \$13.7 million for the year ended December 31, 2002. Provision for income taxes was \$43.9 million for the year ended December 31, 2001. The decrease of \$30.2 million for combined 2002 as compared to 2001 is primarily due to our lower net income

due to higher net interest expense associated with the debt incurred in 2002 and higher depreciation and amortization expense in connection with our acquisition. Provision for income taxes as a percentage of revenue was 11.0% in the period from January 1, 2002 to February 13, 2002 and 3.2% in the period from February 14, 2002 to December 31, 2002, for a combined total of 4.1% in the period from January 1, 2002 to December 31, 2002, as compared to 12.2% in the period from January 1, 2001 to December 31, 2001.

The \$23.0 million of undeclared and unpaid preferred unit dividends in the period from February 14, 2002 to December 31, 2002 relate to the 10% preferred yield on the Class B preferred units issued on February 14, 2002. These dividends compound quarterly. The amounts are not recorded as liabilities until declared.

Restructurings

As part of our acquisition in February 2002, we developed a restructuring plan to react to competitive pressures and to increase operational efficiency. The plan included the termination of approximately 78 employees in Tampa and Dallas,

[Table of Contents](#)

approximately 6% of our workforce, and closure of the Dallas office. As a result, we accrued \$3.3 million of expenses in relation to this plan as of February 14, 2002, including \$2.9 million for severance related to the reduction in workforce and \$0.4 million for costs to relocate existing employees. The payments related to this plan were incurred through the third quarter of 2003. At the time of this announcement, we expected this plan to result in reduced annual expenses of approximately \$10.3 million.

On August 29, 2002, we completed a restructuring plan resulting in the termination of 73 employees, approximately 10% of our workforce. As a result, we accrued \$2.8 million in severance-related costs in August 2002. The payments related to this restructuring were completed in May 2003. At the time of this announcement, we expected this reorganization to result in reduced annual expenses of approximately \$9.5 million.

On February 28, 2003, we completed a restructuring plan resulting in the termination of 71 employees, approximately 10.6% of our workforce. As a result, we accrued \$1.8 million in severance-related costs in February 2003. The payments related to this restructuring were completed in November 2003. At the time of this announcement, we expected this reorganization to result in reduced annual expenses of approximately \$5.8 million.

On July 23, 2003, we completed a restructuring plan related to our acquisition of Brience resulting in the termination of five employees. As a result, we incurred \$0.6 million in severance-related costs in July 2003. The payments related to this restructuring were incurred through September 2003. At the time of this announcement, we expected this reorganization to result in reduced annual expenses of approximately \$0.8 million.

As of December 31, 2003, all payments for these four restructuring plans' costs had been completed. Further restructuring may be necessary in light of current economic conditions.

Liquidity and Capital Resources

During the year ended December 31, 2003, our operations generated \$48.4 million of cash compared to \$61.0 million for the comparable period in 2002. The decrease is primarily attributable to increased interest payments made in the year ended December 31, 2003. Cash and cash equivalents were \$8.3 million at December 31, 2003 as compared to \$42.2 million at December 31, 2002. This decrease was due primarily to the payment of our \$37.3 million excess cash sweep required under our credit facility in March of 2003. A similar excess cash sweep payment of \$3.0 will be required in March of 2004. Our working capital decreased \$8.7 million, from \$7.2 million at December 31, 2002 to \$(1.5) million at December 31, 2003. This decrease in working capital is primarily due to the increase in scheduled debt amortizations required by our credit facility in 2004. Capital expenditures for property and equipment, including capitalized software costs, increased from \$12.9 million for the year ended December 31, 2002 to \$18.3 million for the year ended December 31, 2003. Dividends paid to Verizon, excluding non-cash distributions, were \$11.3 million in 2002.

During the combined year ended December 31, 2002, our operations generated \$61.0 million of cash compared to \$131.3 million for the comparable period in 2001. The decrease is primarily attributable to income tax payments made during the period from January 1, 2002 to February 13, 2002, the payment of closing costs related to the Syniverse acquisition, the inclusion of historical Syniverse Brience results and interest payments and debt service payments made during the period February 14, 2002 to December 31, 2002. Cash and cash equivalents were \$42.2 million at December 31, 2002 as compared to \$0.3 million at December 31, 2001, since we participated in a cash sweep program with Verizon prior to the acquisition. Our working capital decreased \$99.4 million, from \$106.7 million at December 31, 2001 to \$7.2 million at December 31, 2002, primarily due to the elimination of the note receivable from Verizon at the acquisition date, the current portion of term note B and higher transition-related expense accruals. Capital expenditures for property and equipment, including capitalized software costs, increased from \$10.4 million for the year ended December 31, 2001 to \$12.9 million for the combined year ended December 31, 2002. Dividends paid to Verizon, excluding non-cash distributions, were \$11.3 million in 2002 and \$33.8 million in 2001.

We have also used off-balance sheet financing in recent years primarily in the form of operating leases for facility space and some equipment leasing and we expect this will continue.

For fiscal 2003, we spent approximately \$18.3 million for capital expenditures, primarily for investment in Wireless Local Number Portability (WLNP) and our SS7 network expansion. We expect that capital expenditures for fiscal 2004 will be approximately the same amount.

In February 2002, we sold Syniverse LLC Preferred and Common Units for approximately \$255.3 million. The sales were nonpublic offerings by Syniverse LLC, and therefore exempt from registration, pursuant to Section 4(2) of the Securities Act of 1933, as amended. The proceeds of the offering were used to finance the purchase of the company from Verizon.

Table of Contents

In February 2002, we sold \$245 million principal amount of our 12.75% Senior Subordinated Notes due 2009 in a private placement. Net proceeds from this offering were approximately \$239.6 million. The proceeds of the offering were used to finance the purchase of Syniverse from Verizon.

In February 2002, we entered into a senior credit facility, which provides for aggregate borrowings by Syniverse of up to \$328.3 million maturing December 2006. The facility is comprised of a revolving credit facility of up to \$35.0 million in revolving credit loans and letters of credit with the funds available for general corporate purposes including working capital, capital expenditures, acquisitions and a term loan B facility of \$293.3 million in term loans. The revolving line of credit and the term note each bear interest at variable rates either on a LIBOR or an alternative base rate option. We received net proceeds of \$275.0 million on \$293.3 million principal amount of term loan B facility and drew \$5.4 million from the revolving credit facility. These proceeds were used to finance the purchase of the company from Verizon.

In May 2002, we repaid \$5.4 million of the outstanding revolving credit facility. Draws and repayments are made against the revolving credit facility as needed. As of December 31, 2003 there was \$35.0 million available under the revolving credit facility.

We have significant debt service payment obligations, including interest, in future years. Total cash interest payments related to our revolving credit facility, term B loan and our senior notes were \$30.2 million in 2002 and \$46.2 million in the year ended December 31, 2003. During 2002, we made \$15.0 million in scheduled principal payments on term loan B. In the year ended December 31, 2003, we made a \$37.3 million excess cash flow payment and \$19.8 million in scheduled principal payment obligations on this indebtedness, and a \$5.0 million prepayment on the term loan B. Our outstanding debt has principal payment schedules requiring payments over a five and seven-year period for the term loan B and the senior notes, respectively. The following are the combined principal payment obligations on this indebtedness: \$37.2 million in 2004, \$44.0 million in 2005 and \$135.1 million in 2006. In addition, we are required to prepay amounts outstanding under the senior credit facility in an amount equal to 75% of the excess cash flow, as defined in the senior credit facility, for each fiscal year.

The senior credit facility contains various restrictive covenants which we amended in September 2003. It prohibits us from prepaying other indebtedness, including the senior notes, and it requires us to maintain specified financial ratios, such as a minimum ratio of pro forma EBITDA to interest expense, a minimum fixed charge coverage ratio, a maximum ratio of senior debt to pro forma EBITDA and a maximum ratio of total debt to pro forma EBITDA, and satisfy other financial condition tests including limitations on capital expenditures. In addition, the senior credit facility prohibits us from declaring or paying any dividends and prohibits us from making any payments with respect to the senior notes if we fail to perform our obligations under, or fail to meet the conditions of, the senior credit facility or if payment creates a default under the senior credit facility. We are in compliance with all covenants as of December 31, 2003.

On September 25, 2003, we entered into the First Amendment to Credit Agreement (the "First Amendment") with our term note B and revolving credit lenders signatory thereto and Lehman Commercial Paper Inc., as administrative agent for the lenders (the "Agent"). The First Amendment amends our senior credit facility. The First Amendment provides for changes in the financial covenants that (i) increase the maximum consolidated leverage and consolidated senior debt ratios, (ii) reduce the minimum consolidated interest coverage ratios beginning with the third and fourth fiscal quarters of 2003 and the four fiscal quarters of 2004, 2005 and beyond and (iii) reduce the minimum consolidated fixed charge coverage ratio. In addition, the First Amendment increases the permitted level of capital expenditures for fiscal years 2004 and 2005. The First Amendment also evidences the agreement of the lenders that, notwithstanding any contrary accounting treatment under GAAP necessitated by the acquisition of Brience on July 23, 2003, the consolidated net income and consolidated EBITDA of Brience prior to July 23, 2003 will be excluded from any determination of consolidated net income or consolidated EBITDA of Syniverse LLC and its subsidiaries for purposes of our senior credit facility.

On March 11, 2004, we entered into the Second Amendment to Credit Agreement (the "Second Amendment") with our lenders (Term Loan B and Revolving Credit) signatory thereto and Lehman Commercial Paper Inc., as administrative agent for the lenders (the "Agent"). The Second Amendment is effective March 11, 2004 and amends our senior credit facility by (i) providing for the incurrence under our senior credit facility of new Additional Tranche B Term Loans, which will refinance, in full, all remaining outstanding Tranche B Term Loans and (ii) reduces the percentage of Excess Cash Flow which must be applied to prepay the loans to 75%. The Applicable Margin with respect to Additional Tranche B Term Loans is 2.5% for Base Rate Loans and 3.5% for Eurodollar Loans.

The indenture governing the senior notes, among other things: (i) restricts our ability and the ability of our subsidiaries to incur additional indebtedness, issue shares of preferred stock, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates; (ii) prohibits certain restrictions on the ability of certain of our subsidiaries to pay dividends or make certain payments to us; and (iii) places restrictions on our ability and the ability of our subsidiaries to merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. The indenture related to these notes and the senior credit facility also contains various covenants which limit our discretion in the operation of our businesses.

[Table of Contents](#)

Our principal source of liquidity will be cash flow generated from operations and borrowings under our senior credit facility. Our principal use of cash will be to meet debt service requirements, finance our capital expenditures, make acquisitions and provide working capital. We expect that cash available from operations combined with the availability of \$35.0 million under our revolving line of credit will be sufficient to fund our operations, debt service and capital expenditures for at least the next 12 months.

Our ability to make payments on and to refinance our debt and to fund planned capital expenditures will depend on our ability to generate sufficient cash in the future. This, to some extent, is subject to general economic, financial, competitive and other factors that are beyond our control. We believe that, based upon current levels of operations, we will be able to meet our debt service obligations when due. Significant assumptions underlie this belief, including, among other things, that we will continue to be successful in implementing our business strategy and that there will be no material adverse developments in our business, liquidity or capital requirements. If our future cash flow from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, obtain additional debt or equity capital or restructure or refinance all or a portion of our debt on or before maturity. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing and future indebtedness, including the senior notes and our senior credit facility, may limit our ability to pursue any of these alternatives.

Effect of Inflation

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had any material effect on our results of operations during the years ended December 31, 2002 and 2003.

Non-GAAP Financial Measures

Adjusted EBITDA

We determine adjusted EBITDA by adding net interest income (expense), income taxes, depreciation, amortization, impairment losses on intangible assets, restructuring charges and (income) loss from discontinued operations to Syniverse's net income (loss), and Brience's pre-acquisition EBITDA loss (gain) from net income (loss). A reconciliation of adjusted EBITDA to net income (loss) is presented in the financial tables contained herein.

We believe that adjusted EBITDA provides meaningful additional information concerning a company's operating results and its ability to service its long-term debt and other fixed obligations and to fund its continued growth. Many financial analysts consider adjusted EBITDA to be a meaningful indicator of future profitability. In addition, it is used in some of our debt covenants and our executive compensation and bonus plans. The presentation of adjusted EBITDA is not intended to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. You should not construe adjusted EBITDA as an alternative to net income (loss) as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity. Because all companies do not calculate adjusted EBITDA in the same manner, it may not be comparable to other similarly titled measures of other companies.

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes herein, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on a continual basis, including those related to revenue recognition, allowance for doubtful accounts, property and equipment, and intangible assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

[Table of Contents](#)

Revenue Recognition

We derive revenues from five primary categories: Network Services, Number Porting Services, Technology Interoperability Services, Call Processing Services and Other Outsourcing Services. The revenue recognition policy for each of these areas is as follows:

- **Network Services** primarily generate revenue by charging per-transaction processing fees, circuit fees and port fees. The monthly SS7 connection fee is based on the number of links as well as the number of switches to which a customer signals and is recognized in the period when the service is rendered. The per-transaction fees are based on the number of subscriber events and database queries made through our network and are recognized as revenues at the time the transactions are performed. Software revenues are generated through license fees, maintenance agreements and professional services. License fee revenues consist principally of revenue from the licensing of our software and are generally recognized when a contract is executed, all delivery obligations have been met, the fee is fixed or determinable, and collectibility is probable. Generally, these policies have resulted in our recognition of revenue from the software license fee on a straight-line basis over the period beginning with the completion of implementation and customer acceptance and ending with conclusion of the first maintenance period. Maintenance agreements call for us to provide technical support and software enhancements to customers. Revenue on technical support and software enhancement rights is recognized ratably over the term of the support agreement. Professional services include consulting, training and installation services to our customers. Revenue from such services is generally recognized as the services are performed.
- **Number Porting Services** primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We defer revenues related to customer implementations, and recognize these fees on a straight-line basis over the life of the initial customer agreements. We recognize processing revenues at the time the transactions and services are performed.
- **Technology Interoperability Services** primarily generate revenues by charging per-transaction processing fees. For our wireless roaming, wireline and SMS clearinghouse services, revenues vary based on the number of data/messaging records provided to us by telecommunications carriers for aggregation, translation and distribution among carriers. These revenues are based on the number of wireless roaming subscriber telephone calls and messages that take place on our customers' networks. We recognize revenues at the time the transactions are performed.
- **Call Processing Services** primarily generate revenue by charging per-transaction processing fees and software licensing fees. The per-transaction fee is based on the number of validation, authorization, and other call processing messages generated by wireless subscribers. These revenues are recognized at the time the transactions are performed. Syniverse provides turn-key software solutions for which it charges customers a software licensing fee. For turnkey software, we recognize revenue when accepted by the customer.
- **Other Outsourcing Services** primarily generate revenue by charging per-subscriber fees. We recognize revenues at the time the service is performed.

Due to our billing cycles, for which some of our products lag as much as 60 days after services are rendered, we estimate the amounts of unbilled revenue each reporting period. Our estimates are based on recent volume and pricing trends adjusted for material changes in contracted service. Historically, our estimates have correlated well with our actual billed revenue. Unanticipated changes in volume and pricing trends or material changes in contracted service could adversely affect our estimates of unbilled revenue.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to pay their invoices to us in full. We regularly review the adequacy of our accounts receivable allowance after considering the size of the accounts receivable balance, each customer's expected ability to pay and our collection history with each customer. We review significant invoices that are past due to determine if an allowance is necessary based on the risk category using the factors described above. In addition, we maintain a general allowance for doubtful accounts by applying a percentage based on the aging category. Our estimates for allowances for doubtful accounts have tracked well with our actual experience of customers who are unable to pay their invoices in full. If our customers' financial conditions or the economy in general deteriorates, we may need to increase these allowances for doubtful accounts.

Impairment Losses

We review our long-lived assets including intangibles with definite lives for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. We review goodwill at least annually for impairment. We also evaluate the useful life of assets periodically. The review consists of a comparison of the carrying value of the assets with the assets' expected future undiscounted cash flows without interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, asset write-downs may be required. Management will continue to evaluate overall industry and company specific circumstances and conditions as necessary.

[Table of Contents](#)

Allowance for Credit Memos

We maintain a general reserve based on our historical credit memo activity. In addition, we establish credit memo reserves resulting from specific customer matters. This allowance is recorded as a direct reduction of accounts receivable. Since our allowances for credit memos are derived in large part from specific customer matters, our estimates have tracked well with our actual credit memo experience. If our billing errors or discrepancies are not resolved satisfactorily, or our customers' disputes over billing are not resolved satisfactorily, increases to the allowance would be required.

Restructuring

We have made estimates of the costs to be incurred as a part of our initial restructuring plan in February 2002 arising from our acquisition. These amounts were accrued as a part of our purchase accounting adjustments. We will review these estimates until fully paid. We have also made estimates of the costs to be incurred as a part of our August 2002, February 2003, and July 2003 restructurings. If our original estimates of the costs of restructuring change, we will need to adjust our reserve amounts.

Loss Contingencies

We are involved in asserted and unasserted claims, which arise in the ordinary course of our business. We routinely evaluate whether a loss is probable, and if so, whether it can be estimated. Accruals for probable losses are recorded in accrued expenses, or in our allowance for credit memos if the dispute relates to a customer matter. If our assessment of the probability is inaccurate, we may need to record additional accruals or reduce recorded accruals later. In addition, we may need to adjust our estimates of the probable loss amounts as further information is obtained or we consider settlements.

Purchase Accounting

We have made estimates of the fair values of the assets acquired as of February 14, 2002 based on appraisals from third parties and also based on certain internally generated information. In addition, we have estimated the economic lives of certain of these assets and these lives were used to calculate depreciation and amortization expense.

Income Taxes

We review our deferred tax assets on a regular basis to evaluate their recoverability based on projections of the turnaround timing of our deferred tax liabilities, projections of future taxable income, and tax planning strategies that we might employ to utilize such assets, including net operating loss carryforwards. Unless it is "more likely than not" that we will recover such assets through the above means, we establish a valuation allowance. The effective tax rate differs from the statutory tax rate due primarily to the pooling of Brience's results, impairment losses on intangible assets, and to a lesser extent to state and local taxes. Brience had incurred net operating losses since inception and hence was unable to recognize the benefit of these losses in its financial statements' tax provision. As a result of a review undertaken at December 31, 2003, we concluded that it was appropriate to establish a full valuation allowance for our deferred tax assets.

Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 *Consolidation of Variable Interest Entities*. This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* addresses consolidation by business enterprises of variable interest entities. Under current practice, two enterprises generally have been included in consolidated financial statements because one enterprise controls the other through voting interests. This interpretation defines the concept of "variable interests" and requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks among the parties involved. This interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. Nonpublic entities with an interest in an entity that is subject to this Interpretation and that is created after December 31, 2003, shall apply this Interpretation to that entity immediately. Nonpublic enterprises shall apply this Interpretation to all entities that are subject to this Interpretation by the beginning of the first annual period beginning after December 15, 2004. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when this interpretation becomes effective, the enterprise shall disclose information about those entities in all financial statements issued after January 31, 2003. The interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. We do not believe that FIN 46 has any impact on our financial statements currently. However, if we enter into certain types of transactions in the future, including special purpose entities, then consolidation of that entity with us might be required.

[Table of Contents](#)

In April 2003, the FASB issued Statement No. 149, *Accounting for Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, or SFAS 149. The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This Statement was effective for contracts entered into or modified after June 30, 2003. The adoption of this statement has not had a material impact on our financial statements.

In May 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, or SFAS 150. This statement establishes standards for how an issuer classifies and measures financial instruments with characteristics of both liabilities and equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of this statement has not had a material impact on our financial statements.

Contractual Obligations and Commitments

As of December 31, 2003, our contractual obligations consist only of our debt and operating leases. We do not have a pension plan or other long-term employee benefit plan. In addition, the terms of our preferred units require a 10% annual dividend, however there is no fixed payment date, and none of these dividends have been declared. As of December 31, 2003, our undeclared and unpaid dividends total \$51.6 million. Our contracts with certain of our technology service providers, which range in length from 12 months to 60 months, have no minimum payment requirements.

Contractual Obligations	Total	Less Than 1 Year	2 to 3 Years	4 to 5 Years	More Than 5 Years
Long-term debt obligations including interest(1)	\$ 656,945	\$78,098	\$ 255,662	\$62,566	\$ 260,619
Operating lease obligations	18,748	5,722	10,196	2,568	262
Purchase obligations(2)	3,000	500	1,000	1,000	500
Total	\$ 678,693	\$84,320	\$ 266,858	\$66,134	\$ 261,381

- (1) The interest rate on Term Note B is at LIBOR plus 3.5%, with LIBOR increasing from 1.1% in 2004 to 3.3% in 2006.
- (2) Amounts due under professional services agreement with GTCR. For further information, please refer to Item 13. Certain Relationships and Related Transactions.

Forward-Looking Statements

We have made forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 in this report. The words “believes,” “anticipates,” “plans,” “expects,” “intends,” “estimates” and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Below are risks that may have a material impact to our business:

- System failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to customer liability.
- We depend on a small number of customers for a significant portion of our revenues and the loss of any of our major customers would harm us.
- Our reliance on third-party communications software, hardware and infrastructure providers exposes us to a variety of risks we cannot control.

[Table of Contents](#)

- Our business depends on the acceptance and continued use of our technology interoperability, network and call processing services by the telecommunication industry to facilitate wireless and wireline communications.
- If we do not adapt to rapid technological change in the telecommunication industry, we could lose customers or market share.
- The market for technology interoperability, network and call processing services is intensely competitive and many of our competitors have significant advantages that could adversely affect our business.
- Our failure to achieve or sustain market acceptance at desired pricing levels could impact our ability to maintain profitability or positive cash flow.
- The inability of our customers to successfully implement our services with their existing systems could adversely affect our business.
- Capacity limits on our technology interoperability, network and call processing services software and hardware may be difficult to project and we may not be able to expand and upgrade our systems to meet increased use.
- We have significant debt service including interest in future years which may limit our ability to finance future growth of our business.
- We may need additional capital in the future and it may not be available on acceptable terms.
- Regulations affecting our customers and future regulations to which we may be subject may adversely affect our business.
- We may not be able to receive or retain licenses or authorizations that may be required for us to sell our services overseas.
- We could be adversely affected by environmental and safety requirements.
- The addition of new senior management members into the company could have a material adverse effect on our business, financial condition and results of operations.
- The loss of key personnel could have a material adverse effect on our business, financial condition and results of operations.
- The costs and difficulties of acquiring and integrating complementary businesses and technologies could impede our future growth and adversely affect our competitiveness.
- Our potential expansion into international markets may be subject to uncertainties which could affect our operating results.
- Continued terrorist attacks, war or other civil disturbances could lead to further economic instability and could have a material adverse effect on our business, financial condition and results of operations.
- We may have difficulty attracting and retaining employees with the requisite skills to execute our growth plans.

- Our intellectual property may be misappropriated or subject to claims of infringement.

All forward-looking statements in this report are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this report.

[Table of Contents](#)

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Market Risk

We are exposed to changes in interest rates on our senior credit facility. Our senior credit facility is variable rate debt. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of December 31, 2003, we had variable rate debt of approximately \$216.3 million (\$208.3 million net of discount). Holding other variables constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have had an estimated impact on pre-tax earnings and cash flows for the next year of approximately \$2.2 million. Under the terms of the senior credit facility at least 45% of our funded debt must bear interest that is effectively fixed. As a result, we may from time to time be required to enter into interest rate protection agreements establishing a fixed maximum interest rate with respect to a portion of our total indebtedness.

In March 2003, we entered into an interest rate protection agreement that effectively caps the LIBOR exposure of \$100 million of our senior credit facility at 3.0% for a period of two years. As a result of this interest rate protection agreement, approximately 75% of funded debt now bears interest that is effectively fixed as to rate.

Foreign Currency Market Risk

We are exposed to foreign currency risk in certain circumstances. Prior to our opening of the office in the Netherlands in February 2003 and the acquisition of Softwright in late December 2003, we conducted all of our business in US dollars. These two items had an immaterial impact on our 2003 financial position and results of operations, however this could change in future periods. At this time, we have not entered into any arrangements to hedge our risks from foreign currency.

In addition, many of our customers are based outside of the United States. In 2003, certain countries (primarily Venezuela) experienced instability causing these customers to have difficulty in exchanging their local currencies for U.S. dollars to satisfy their invoices due to us. As a result, we may be required to explore other techniques to protect against such issues in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements required by this item are set forth as a separate section of this Annual Report on Form 10-K. See page 62 for a listing of financial statements provided in the section titled "Financial Statements."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in rule 13a-15(e) under the Securities and Exchange Act of 1934, as required by rule 13a-15(b). Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Our executive officers and directors are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
G. Edward Evans	43	Chief Executive Officer, Director
Raymond L. Lawless	48	Chief Financial Officer, Director
F. Terry Kremian	56	Chief Operating Officer
Paul A. Wilcock	56	Chief Technology Officer
Michael J. O'Brien	38	Vice President—Marketing
Wayne Nelson	42	Vice President—Controller
Gilbert L. Mosher	56	Vice President—Operations/Customer Support
Robert F. Garcia, Jr.	42	General Counsel
Charles A. Drexler	48	Vice President—Sales
Linda Hermansen	38	Vice President—Business Development & Strategy
Eugene Bergen Henegouwen	44	Managing Director – European Operations
Paul Corrao	49	Vice President – Network Operations
David A. Donnini	38	Director
Collin E. Roche	33	Director
Odie C. Donald	54	Director
Tony G. Holcombe	48	Director
Robert J. Marino	56	Director

G. Edward Evans became our Chief Executive Officer and Director in February 2002. From January 1997 until January 2002, Mr. Evans was employed by Dobson Communications Corporation, serving as the President of its cellular subsidiaries and then as the President and Chief Operating Officer of Dobson Communications Corporation itself. Mr. Evans was employed by BellSouth Mobility, Inc. from 1993 to 1996, serving as General Manager—Kentucky, Director of Field Operations at BellSouth's corporate office in Atlanta and Director of Marketing—Alabama. He was an Area Manager and a Market Manager of U.S. Cellular from 1990 to 1993 and was Sales Manager of GTE Mobilnet from 1989 to 1990. Mr. Evans serves on the boards of the CTIA and Carolina West Wireless. He holds an MBA from Georgia State University.

Raymond L. Lawless became our Chief Financial Officer in February 2002 and a Director as of March 2003. From October 2001 to February 2002, Mr. Lawless provided financial consulting services to telecommunication companies. Mr. Lawless worked for Intermedia Communications Inc. from April 1997 to September 2001 serving as Vice President Finance and Treasurer. During his tenure at Intermedia, Mr. Lawless was responsible for capital formation, treasury operations, risk management, corporate development, forecasting, strategic planning, budgeting, management reporting and investor relations support. Prior to that, Mr. Lawless spent 18 years at Bell Atlantic Corporation in various finance positions. Mr. Lawless holds a BS in Business Administration from West Chester University and an MBA from the University of Arkansas.

F. Terry Kremian became our Chief Operating Officer in December 2003. Mr. Kremian most recently served as executive vice president and general manager, Telecommunication Services Group for VeriSign, a position he held since VeriSign's acquisition of Illuminet Holdings in December 2001. From September 1998 to December 2001, Mr. Kremian served as president, executive vice president and Chief Operating Officer of Illuminet Holdings. Prior to that, he was vice president – marketing and sales from November 1997. Mr. Kremian joined Illuminet Holdings from MCI where he was employed since 1982, most recently as director of carrier sales. Mr. Kremian holds a B.S. degree from the U.S. Naval Academy and a J.D. degree from the University of Maryland School of Law.

Paul A. Wilcock has served as Chief Technology Officer since March 2004. From September 2002 to March 2004 he served as Vice President – Technology. Prior to that he served as Vice President—Business Development and Strategy from August 2001 to September 2002. Having joined us in 1992, Mr. Wilcock previously served as Assistant Vice President—Business Development and Strategy, Assistant Vice President—Marketing, Director—Product Development and Support Services and Director—Enterprise Technology. Mr. Wilcock began his GTE career in 1975 and has held numerous positions of increasing responsibility in engineering, operations, marketing and strategy development. Mr. Wilcock graduated in Telecommunications from Leeds College of Engineering and Science (England) and holds an MBA from Wake Forest University.

Michael J. O'Brien has served as Vice President—Marketing since January 2003. Prior to that, he served as Vice President—Marketing/Business Development from September 2002 to January 2003 and Vice President—Marketing from August 2001 to September 2002. Previously he served as Assistant Vice President—Marketing from November of 2000 to August 2001 and Marketing Director—North American Wireless from June of 1999 to November of 2000. From January of 1999 to June of that same year, Mr. O'Brien worked as an independent consultant. From August of 1997 to January of 1999, Mr. O'Brien held the position of Director of Operations at GE LogistiCom, a satellite communications business. Prior to his employment with GE LogistiCom, Mr. O'Brien served as a Product Manager with us from March of 1996 to August of 1997. He has over 10 years experience with us in various marketing and operations positions. Mr. O'Brien holds a BS in Computer Science from the University of Virginia.

[Table of Contents](#)

Wayne Nelson has served as Vice President—Controller since August 2002. From September 2000 to August 2002 Mr. Nelson served as Director—Finance and previously he served as Director—Customer Support. Mr. Nelson began his GTE career as a Finance Associate in 1987. He has over 12 years experience with us in various marketing, operations and finance positions. Mr. Nelson holds a BA in Economics from the University of Rochester and an MBA in Finance/Statistics from Rutgers University.

Gilbert L. Mosher has served as Vice President—Operations/Customer Support since August 2001 and previously served as Assistant Vice President—Information Technology, responsible for overseeing our software development. Prior to that, Mr. Mosher held various positions with increasing responsibility in the technical and management areas beginning with a position as a Programmer Analyst with GTE in 1979. Mr. Mosher joined us in January 1996 as Assistant Vice President—Information Technology. He earned a BS in Professional Management from Nova Southeastern University and was elected as a member of Alpha Chi, National College Honor Scholarship Society. He also holds an MBA from Nova Southeastern University.

Robert F. Garcia, Jr. became our General Counsel in February 2002. Prior to being appointed to General Counsel, he served as Associate General Counsel since September 2000. Mr. Garcia joined us in 1995 as in-house legal counsel. Prior to that, he was in private practice in Washington, D.C. Mr. Garcia received his law degree from the National Law Center, George Washington University and has a BA in Political Science from the University of South Florida.

Charles A. Drexler became our Vice President—Sales in June 2002. Prior to joining us, Mr. Drexler served as director—project development for MetroPCS from March 2002 to June 2002. Mr. Drexler provided consulting services to telecommunications companies from August 2001 to March of 2002. From 1989 to July 2001, Mr. Drexler held positions of increasing responsibility at Lucent/AT&T. During his tenure at Lucent/AT&T he was responsible for managing and developing domestic and international sales territories. Mr. Drexler holds BA in education from the University of Texas—El Paso.

Linda Hermansen became our Vice President—Business Development and Strategy in January 2003. From November 1997 to January 2003, she served as Director—Marketing and Business Development. Ms. Hermansen began her GTE career in 1989 with the GTE Telephone Operations finance department where she held various positions of increasing responsibility within business analysis. Ms. Hermansen holds a bachelor of science degree in economics from the University of Illinois and an MBA from Butler University.

Eugene Bergen Henegouwen became our Managing Director – European Operations in May 2003. Mr. Bergen Henegouwen, a Dutch native, has held a variety of high tech executive level positions in the United States and The Netherlands. Prior to joining us, he was CEO and Chairman of Invention Machine Corporation from January 2001 to November 2002. From January 1999 to December 2000 he was CEO and president of AVIO Digital Inc. and from April 1995 to December 1998 he was CEO of Philips Creative Display Solutions in The Netherlands. Mr. Bergen Henegouwen has also held senior level management positions with Philips Consumer Electronics, Business Electronics, Monitors and Philips Telecommunications and Data Systems. He holds a master of science degree and a bachelor of science degree in electrical engineering from Delft University of Technology in The Netherlands.

Paul Corrao became our Vice President – Network Operations in July 2003. He has held several senior level customer care and operations positions throughout his 29-year career. From February 2002 to July 2003 he was Vice President – Operations for EPIX and from August 1999 to October 2001 he was Vice President – Service Delivery for Intermedia Communications. Mr. Corrao spent 26 years with AT&T where he managed such areas as switching quality control, VTNS operations, 800 and business application services, ISDN installations and customer care. He also worked with Bell Atlantic's Global Network division. He holds a master of science degree from the Stevens Institute of Technology and a BA in computer science from the City University of New York (CUNY).

David A. Donnini has served as a Director since February 2002. Mr. Donnini is currently a Senior Principal of GTCR Golder Rauner, LLC, which he joined in 1991. Prior to joining GTCR, he earned a BA in economics summa cum laude from Yale University and an MBA from Stanford University where he was an Arjay Miller Scholar and the Robichek Finance Award

[Table of Contents](#)

winner. He also worked as an associate consultant with Bain & Company. . Mr. Donnini's directorships include American Sanitary, Inc., Cardinal Logistics Management, InfoHighway Communications Corporation, InteCap, Coinmach, Synagro Technologies, Keystone Group Holdings, Fairmount Food Group, LLC and Polypore Inc.

Collin E. Roche has served as a Director since February 2002. Mr. Roche is a Principal of GTCR Golder Rauner, LLC, which he joined in 1996. Previously, Mr. Roche worked as an investment banking analyst at Goldman, Sachs & Co. and as an associate at Everen Securities. He received a BA in Political Economy from Williams College. He also holds an MBA from Harvard Business School. Mr. Roche serves on the board of directors of Transaction Network Services, InfoHighway Communications Corporation, TransFirst Holdings, Skylight Financial and Verifone.

Odie C. Donald has served as a Director since August 2002. Mr. Donald was a consultant to DIRECTV, Inc., a direct broadcast satellite television service and a unit of Hughes Electronics Corporation, from July 2001 to December 2002. From April 2000 to July 2001, Mr. Donald was President of DIRECTV. From March 1999 to April 2000 he was Chief Executive Officer of Cable & Wireless Caribbean and Atlantic Islands Plc. Prior to that, Mr. Donald spent 25 years with BellSouth Corporation, where he held various positions, including Group President—Customer Operations from 1998 to 1999 and President of BellSouth Mobility from 1992 to 1998. Mr. Donald serves on the board of directors of Darden Restaurants Inc.

Tony G. Holcombe has served as a Director since March 2003. Mr. Holcombe is currently President of Web MD Envoy, which he joined in December 2003. From September 2002 to December 2003 Mr. Holcombe was chief executive officer of Valutec Card Solutions. From May 1997 to September 2002, Mr. Holcombe served in various executive positions at Ceridian Corporation and its subsidiaries. From November 1999 to September 2002, Mr. Holcombe served as Executive Vice President of Ceridian Corporation. In addition, Mr. Holcombe held the following positions at subsidiaries of Ceridian Corporation including President of Ceridian Employer Employee Services from November 1999 to September 2002 and President of Comdata from May 1997 to November 1999. Prior to this, Mr. Holcombe was President and Chief Executive Officer of National Processing, Inc., which provides transaction-processing services and customized processing solutions, from October 1994 to March 1997. Mr. Holcombe serves on the board of directors of TALX Corporation.

Robert J. Marino has served as a Director since February 2004. From August 1998 to February 2003 Mr. Marino served as Group President of Convergys Information Management Group, at which time he retired. Convergys Corporation was formed by spinning off Cincinnati Bell Information Systems Inc. (CBIS) and MATRIXX Marketing Inc. from Cincinnati Bell Inc. Prior to this, Mr. Marino served as president and chief executive officer of CBIS from October 1996 to August 1998 and chief operating officer of CBIS from November 1995 to October 1996. Prior to joining CBIS Mr. Marino served as president of the northeast region at Nextel Communications from November 1993 to October 1995. Mr. Marino also held senior management positions at Houston Cellular Telephone Company, Compania de Radiocomunicaciones Moviles in Argentina and Sprint Corporation.

Except as described herein, there are no arrangements or understandings between any member of the management committee or executive officer and any other person pursuant to which that person was elected or appointed to his position. There are no family relationships between our executive officers or directors.

Our Board of Directors has the power to appoint officers. Each officer will hold office for the term determined by our Board of Directors and until such person's successor is chosen and qualified or until such person's death, resignation or removal.

Board Committees

During 2003, we had two active Board committees, the compensation committee and audit committee. The compensation committee administers our benefit plans and makes recommendations concerning compensation of our employees. The compensation committee consists of Messrs. Evans, Donnini and Roche. The audit committee reviews and reports to the Board with respect to various auditing and accounting matters, including the recommendation to the Board as to the selection of the independent auditors, the scope of the annual audit procedures, general accounting policy matters and the performance of the independent auditors. During 2003, the audit committee was comprised of Messrs. Roche, Donald, and Holcombe, of which Messrs. Donald and Holcombe are independent as determined by the NASDAQ National Market rules and regulations, and is subject to an audit committee charter.

We currently do not have a designated financial expert on our audit committee, but we plan to designate a financial expert in the future.

The Board may create additional committees in the future.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our directors, officers and employees. Our Code of Ethics is included as Exhibit 14.1 to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION
Compensation of Directors

Non-employee and non-equity investor directors receive \$2,500 in fees per board meeting. Beginning January 1, 2004, non-employee and non-equity investor directors will receive \$15,000 annual compensation for board participation. Under the Syniverse Holdings, Inc. Non-Employee Directors Stock Option Plan, non-employee directors of Syniverse Inc. who do not otherwise have an equity interest in Syniverse LLC are entitled to receive options to purchase 50,000 shares of Syniverse Inc.'s non-voting common stock upon joining Syniverse Inc.'s board of directors. See "Non-Employee Directors Stock Option Plan." Three of our directors, Mr. Donald, Mr. Holcombe and Mr. Marino, currently are eligible to receive options under this plan. Options to purchase 50,000 shares of Syniverse, Inc.'s non-voting common stock pursuant to this plan were granted to Mr. Donald in 2002, Mr. Holcombe in 2003 and Mr. Marino in 2004. All of our directors are reimbursed for out-of-pocket expenses related to their service as directors.

Summary Compensation Table

The following table summarizes compensation awarded or paid by us during 2003, 2002, and 2001 to our Chief Executive Officer and our four next highly compensated executive officers (our "named executive officers").

Name and Principal Position	Year	Annual Compensation		
		Salary	Bonus	All Other Compensation
G. Edward Evans (1) Chief Executive Officer	2003	\$ 401,950	\$ 175,000	\$ 191,427
	2002	342,026	100,000	10,550
	2001	—	—	—
Raymond L. Lawless (2) Chief Financial Officer	2003	226,950	122,854	10,797
	2002	192,603	56,700	9,896
	2001	—	—	—
Paul A. Wilcock Chief Technology Officer	2003	177,800	91,526	9,550
	2002	176,400	44,800	9,480
	2001	169,046	264,750(3)	8,267
Linda Hermansen Vice President – Business Development & Strategy	2003	149,985	118,745	7,984
	2002	137,285	16,500	7,364
	2001	130,773	99,675(4)	5,944
Eugene Bergen Henegouwen (5) Managing Director – European Operations	2003	173,888	67,168	13,295
	2002	—	—	—
	2001	—	—	—

(1) Mr. Evans began his employment with Syniverse on February 14, 2002.

(2) Mr. Lawless began his employment with Syniverse on February 14, 2002.

(3) Mr. Wilcock's 2001 bonus is comprised of an incentive bonus of \$52,000 and a retention bonus of \$212,750.

(4) Ms. Hermansen's 2001 bonus is comprised of an incentive bonus of \$33,225 and a retention bonus of \$66,450.

(5) Mr. Henegouwen began his employment with Syniverse on May 14, 2003.

[Table of Contents](#)

The following table identifies and quantifies the individual amounts included in of All Other Compensation for each person listed:

Name and Principal Position	Year	Parking Reimb	401K Employer Match/ Pension	Relocation	Car Allowance
G. Edward Evans Chief Executive Officer	2003	\$ 660	\$ 10,692	\$ 180,075	\$ —
	2002	550	10,000	—	—
	2001	—	—	—	—
Raymond L. Lawless Chief Financial Officer	2003	660	10,137	—	—
	2002	550	9,346	—	—
	2001	—	—	—	—
Paul A. Wilcock Chief Technology Officer	2003	660	8,890	—	—
	2002	660	8,820	—	—
	2001	660	7,607	—	—
Linda Hermansen Vice President – Business Development & Strategy	2003	660	7,324	—	—
	2002	660	6,704	—	—
	2001	660	5,284	—	—
Eugene Bergen Henegouwen Managing Director – European Operations	2003	—	— (1)	—	13,295
	2002	—	—	—	—
	2001	—	—	—	—

(1) Syniverse contribution for 2003 for Mr. Henegouwen has not been calculated.

Option Grants in Last Fiscal Year

None of our named executive officers were granted options in our last fiscal year under Syniverse Inc.'s Founders' Stock Option Plan or Non-Employee Directors Stock Option Plan.

Option Exercises in Last Fiscal and Fiscal Year-End Option Values

Our named executive officers did not exercise any options during the last fiscal year and did not hold any unexercised options as of December 31, 2003.

Compensation Committee Interlocks and Insider Participation

The compensation arrangements for our chief executive officer and each of our other executive officers are established pursuant to the terms of the respective employment agreements between Syniverse Inc. and each executive officer. The terms of the employment agreements were established pursuant to arms-length negotiations between representatives of our largest stockholder and each executive officer in connection with our acquisition from Verizon. While Mr. Evans is on our compensation committee, he does not participate in setting his own compensation.

Employment Agreements

In his senior management agreement, Mr. Evans agrees to serve as our chief executive officer until he resigns or until we terminate his employment. While employed by us, Mr. Evans receives an annual base salary of \$400,000, subject to increase by our board of directors. For each fiscal year of employment, Mr. Evans will be eligible for an annual bonus of up to 50% of his annual base salary and will be entitled to any other benefits approved by our board of directors. During Mr. Evans' employment, Evans Motor Sports LLC, an entity owned by Mr. Evans, is entitled to use an aircraft leased by us. Mr. Evans or Evans Motor Sports LLC pays that percentage of the monthly lease and other fixed costs for such aircraft based on Mr. Evans' actual use of the aircraft on behalf of or in furtherance of business for Evans Motor Sports LLC, and reimburses us for all operating costs of the aircraft in connection with such use. Commencing in 2004, Mr. Evans or Evans Motor Sports LLC shall make such payments on a quarterly basis within the thirty (30) days immediately following the end of such quarter.

Mr. Evans' employment will continue until (i) he resigns without good reason, disability or death, (ii) our board of directors decides to terminate his employment with cause, (iii) our board of directors decides to terminate his employment without cause, or (iv) he terminates his employment for good reason. If his employment is terminated by us without cause or by Mr. Evans for good reason, then we will be obligated to pay Mr. Evans one-twelfth of his annual base salary per month for a six-month period.

Table of Contents

commencing on the date of termination. Mr. Evans may then elect to receive these same severance payments for up to three additional six-month periods. However, any severance payments made to Mr. Evans will be reduced by the amount of any cash compensation he earns or receives with respect to any other employment during the period in which he is receiving severance.

Mr. Evans agrees to limitations on his ability to disclose any of our confidential information, and acknowledges that all inventions relating to his employment belong to us. Mr. Evans also agrees not to compete with us anywhere in the world or to solicit our employees for either the period during which he receives severance (if he is terminated without cause or if he resigns for good reason) or for two years after his termination (if he resigns without good reason or if we terminate his employment for cause).

Other members of our senior management team also entered into senior management agreements pursuant to which they agreed to be employed by us under terms generally no less favorable to us than Mr. Evans' terms.

Consulting Agreement

In February 2002, Michael Hartman entered into a Consulting Agreement with us pursuant to which Mr. Hartman agreed to provide consulting services to us and retain the title of President for a period of one year until February 14, 2003. Mr. Hartman received consulting payments totaling \$215,500 in two installments in January and February of 2003, but was not entitled to any fringe benefits from us.

Mr. Hartman agreed to limitations on his ability to disclose any of our confidential information, and acknowledged that all inventions relating to his service to us belong to us. Mr. Hartman also agreed not to compete with us anywhere in the world or to solicit our employees for a period of one year following the closing of the acquisition.

Management Equity Arrangements

We have a senior management agreement with G. Edward Evans pursuant to which he:

- acquired a strip of 1,979.35 Class B Preferred Units and 620,031.79 Common Units, which are referred to as "Co-Invest Units," at a price of \$1,000 per Class B Preferred Unit and \$.0333 per Common Unit, which are the same prices as other equity investors paid;
- acquired 5,855,855.86 additional Common Units which were available only for issuance to management investors and which are referred to as "Carried Units," at a price of \$.0333 per Carried Unit, which is the same price other equity investors paid for Common Units; and
- committed to acquire up to approximately \$196,000 of additional equity securities of Syniverse LLC under certain circumstances at the same price as other equity investors participating in any such purchase.

GTCR Fund VII, L.P. loaned Mr. Evans approximately \$1,000,000 to fund a portion of the purchase price for his purchase of Co-Invest Units and Carried Units. This loan bears interest at a rate of 10.0% per annum.

Other members of our senior management team, including Messrs. Lawless, Kremian, Wilcock, O'Brien, Nelson, Garcia, Drexler, Mosher, Bergen Henegouwen, Corrao and Ms. Hermansen, also entered into senior management agreements pursuant to which they acquired an aggregate of 5,405,405.41 Carried Units at the same price as Mr. Evans. As a result of these purchases, 13% of our common equity is held by, or reserved for issuance to, our senior management team. See "Certain Agreements and Related Transactions—Senior Management Agreements."

Founders' Stock Option Plan

Syniverse Inc. adopted the Syniverse Holdings, Inc. Founders' Stock Option Plan (the "Founders' Option Plan") on May 16, 2002. Non-employee directors, executives and other key employees of Syniverse Inc. or its subsidiaries are eligible for grants of stock options under the plan. The purpose of the stock option plan is to provide those persons who have a substantial responsibility for the management and growth of Syniverse Inc. and its subsidiaries with additional incentives by allowing them to acquire an ownership interest in Syniverse Inc.

A total of 1,000,000 shares of Syniverse Inc. non-voting common stock, representing approximately 1.0% of Syniverse Inc.'s currently outstanding common stock on a fully-diluted basis, are available for issuance under the Founders' Option Plan, subject to adjustment in the event of a reorganization, recapitalization, stock dividend, stock split, merger or similar change in the outstanding shares of common stock. These shares may be, in whole or in part, authorized and unissued or held as treasury shares.

The compensation committee of Syniverse Inc.'s board of directors administers the Founders' Option Plan. Grants will be awarded under the Founders' Option Plan entirely at the discretion of the compensation committee. As a result, Syniverse Inc. is

[Table of Contents](#)

unable to determine at this time the recipients, amounts and values of future benefits to be received under the Founders' Option Plan. As of December 31, 2003, there were options to purchase 293,750 shares of Syniverse Inc.'s non-voting common stock granted and outstanding under this plan and 706,250 shares remained available for future grants under the plan.

Eligibility

Non-employee directors, executives and key employees of Syniverse Inc. and its subsidiaries who do not have an equity interest in Syniverse LLC will be eligible to receive grants under the Founders' Option Plan. However, only employees may receive grants of incentive stock options. In each case, the compensation committee will select the actual grantees.

Stock Options

Under the Founders' Option Plan, stock options granted will be presumed to be nonqualified stock options and are not intended to be incentive stock options within the meaning of Section 422A of the Internal Revenue Code unless clearly indicated by the compensation committee in the underlying stock option agreement, in which case such stock options will be consistent with and contain all provisions required under Section 422 of the Internal Revenue Code.

The compensation committee will determine the exercise price of any stock option at its discretion subject to prohibition by applicable securities laws. The exercise price of any stock option may be paid in any of the following ways:

- in cash;
- by delivery of a promissory note, in the discretion of the compensation committee;
- if there is a public market for the common stock, by delivery of outstanding shares of common stock that have been owned by the grantee for a minimum of six months and one day with a fair market value on the date of exercise equal to the exercise price payable with respect to the stock options' exercise;
- if there is a public market for the common stock, through a "same day sale" commitment from a grantee and a broker-dealer that is a member of the National Association of Securities Dealers, Inc. (a "NASD Dealer") reasonably acceptable to the compensation committee, in which the grantee irrevocably elects to exercise the stock option and sell a portion of the common stock so purchased to pay for the exercise price and in which the NASD Dealer irrevocably commits upon receipt of such common stock to forward the exercise price directly to Syniverse Inc.;
- if there is a public market for the common stock, through a "margin" commitment from a grantee and a NASD Dealer in which the grantee irrevocably elects to exercise the stock option and to pledge the common stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and in which the NASD Dealer irrevocably commits upon receipt of the common stock to forward the exercise price to Syniverse Inc.; or
- any combination of the foregoing.

The compensation committee will determine the term of each stock option in its discretion. However, no term may exceed ten years from the date of grant or, in the case of an incentive stock option granted to a person who owns stock constituting more than 10% of the voting power of all classes of stock of Syniverse Inc. or any of its subsidiaries, five years from the date of grant. In addition, all stock options awarded under the Founders' Option Plan, whether or not then exercisable, generally cease vesting when a grantee ceases to be a non-employee director, executive or employee of, or to otherwise perform services for, Syniverse Inc. or its subsidiaries.

There are, however, exceptions for stock options vested and exercisable on the date of termination depending upon the circumstances of cessation. In the case of a grantee's death or disability, such stock options will expire 180 days after the date of the grantee's death or long-term disability. In the event of retirement approved by the board of directors of Syniverse Inc., the grantee's stock options will expire 90 days after the date of the grantee's retirement. In addition, if a grantee is discharged other than for good cause, the grantee's stock options will expire 90 days after the date of the grantee's discharge.

Vesting, Withholding Taxes and Transferability of Stock Options

The terms and conditions of each award made under the Founders' Option Plan, including vesting requirements, will be set forth, consistent with the plan, in a written agreement with the grantee.

[Table of Contents](#)

The grantees under the Founders' Option Plan are liable for any withholding taxes required to be withheld upon exercise of the grantee's stock options. Syniverse Inc. is entitled under the Founders' Option Plan to withhold from any grantee the amount of any withholding or other tax due from Syniverse Inc. with respect to any common stock issuable under the stock options, and Syniverse Inc. may defer the exercise of the stock options or the issuance of the common stock following exercise unless indemnified to its satisfaction.

No award made under the Founders' Option Plan will be transferable other than by will or the laws of descent and distribution, and each award may be exercised only by the grantee or his or her legal guardian or legal representative.

Amendment, Suspension and Termination of Founders' Option Plan

The board of directors of Syniverse Inc. or the compensation committee may suspend or terminate the Founders' Option Plan or any portion of the plan at any time and may amend it from time to time in such respects as the board of directors or the compensation committee may deem advisable, except that no amendment will become effective without prior approval of Syniverse Inc.'s shareholders if such approval is necessary for continued compliance with laws, agreements, or stock exchange listing requirements. Furthermore, any termination may not impair the rights of participants under outstanding stock options without the affected participant's consent. No stock options will be granted under the Founders' Option Plan after five years from the date the stock option plan is adopted or the date the stock option plan is approved by Syniverse Inc.'s shareholders, whichever is earlier.

Non-Employee Directors Stock Option Plan

The board of directors of Syniverse Inc. adopted the Syniverse Holdings, Inc. Non-Employee Directors Stock Option Plan (the "Non-Employee Directors Plan") on August 2, 2002. The purpose of the Non-Employee Directors Plan is to provide inducement to obtain and retain the services of qualified persons as members of Syniverse Inc.'s board of directors and to align more closely the interests of such persons with the interests of Syniverse Inc.'s stockholders.

A total of 300,000 shares of Syniverse Inc. non-voting common stock, representing approximately 0.3% of Syniverse Inc.'s currently outstanding common stock on a fully-diluted basis, are available for issuance under the Non-Employee Directors Plan, subject to adjustment in the event of a reorganization, recapitalization, stock dividend, stock split, combination or other reclassification in the outstanding shares of common stock. These shares may be, in whole or in part, authorized and unissued or held as treasury shares. As of December 31, 2003, options to purchase 100,000 shares were issued and outstanding under this plan.

Syniverse Inc.'s compensation committee administers the Non-Employee Directors Plan. Each eligible participant under the Non-Employee Directors Plan will be granted options to purchase 50,000 shares of common stock of Syniverse Inc. on the later to occur of (i) the election of such participant as a director of Syniverse Inc. or (ii) the establishment of the Non-Employee Directors Plan.

Eligibility

Non-employee directors of Syniverse Inc. who do not have an equity interest in Syniverse LLC will be eligible to receive grants under the Non-Employee Directors Plan.

Stock Options

Stock options granted under the Non-Employee Directors Plan will be nonqualified stock options.

The exercise price per share of common stock will be 100% of the fair market value of a share of common stock of Syniverse Inc. on the date of grant, taking into account for so long as the shares of Syniverse Inc. are not listed on the Nasdaq National Market all relevant factors determinative of value as solely determined by the compensation committee and subject to adjustment in the event of a reorganization, recapitalization, stock dividend, stock split, combination or other reclassification affecting the shares of common stock of Syniverse Inc.

Any option granted under the Non-Employee Directors Plan will be exercisable only during the grantee's term as a director of Syniverse Inc., except that an option may be exercisable by a holder for a period of 180 days after such grantee fails to be re-elected as a director of Syniverse Inc. and an option may be exercisable for up to one year after the death of a grantee while a director of Syniverse Inc., except that such option will be exercisable only to the extent that the grantee was entitled to exercise on the date of such grantee's death or failure to be re-elected and only to the extent that the option would not have expired had the grantee continued to be a director of Syniverse Inc.

In the event of a change in control of Syniverse Inc. other than as a result of an initial public offering, the options granted under the Non-Employee Directors Plan will immediately vest and become exercisable and such options will terminate if not exercised as of the date of the change in control or other prescribed period of time. Further, in the event of the liquidation or dissolution of Syniverse Inc., the options will terminate immediately prior to the liquidation or dissolution.

[Table of Contents](#)

Subject to prohibition by applicable securities laws, the exercise price of any stock option may be paid in any of the following ways:

- in cash;
- by delivery of a promissory note, in the discretion of the designated committee;
- by delivery of outstanding shares of common stock that have been owned by the grantee for a minimum of six months and one day with a fair market value on the date of exercise equal to the exercise price payable with respect to the stock option's exercise;
- if there is a public market for the common stock, through a "same day sale" commitment from a grantee and an NASD reasonably acceptable to the designated committee, in which the grantee irrevocably elects to exercise the stock option and sell a portion of the common stock so purchased to pay for the exercise price and in which the NASD Dealer irrevocably commits upon receipt of such common stock to forward the exercise price directly to Syniverse Inc.;
- if there is a public market for the common stock, through a "margin" commitment from a grantee and a NASD Dealer in which the grantee irrevocably elects to exercise the stock option and to pledge the common stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and in which the NASD Dealer irrevocably commits upon receipt of the common stock to forward the exercise price to Syniverse Inc.; or
- any combination of the foregoing, except that the designated committee may require that the exercise price be paid in cash.

The compensation committee will determine the term of each stock option in its discretion. However, no term may exceed ten years from the date of grant. The compensation committee will determine the date or the conditions on which each option will become exercisable and may provide that an option will become exercisable in installments. Each grantee will consult with Syniverse Inc.'s compliance office to confirm that no blackout period with respect to Syniverse Inc.'s shares of common stock is then in effect. The shares of common stock constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be imposed by the compensation committee. Unless otherwise provided under the Non-Employee Directors Plan or in the terms of the underlying stock option grant, a grantee may exercise an option only if such grantee has been a director of Syniverse Inc. or a subsidiary of Syniverse Inc. continuously since the date the option was granted.

Withholding Taxes and Transferability of Stock Options

Syniverse Inc. is entitled under the Non-Employee Directors Plan to withhold from any grantee the amount of any withholding or other tax due from Syniverse Inc. with respect to any shares of common stock issuable under the stock options, and Syniverse Inc. may defer the exercise of the stock options or the issuance of the common stock following exercise unless indemnified to its satisfaction.

No award made under the Non-Employee Directors Plan will be transferable other than by will or the laws of descent and distribution, and each award may be exercised only by the grantee or such grantee's legal guardian or legal representative. In the event of the death of the grantee, exercise of stock options granted under the Non-Employee Directors Plan will be made only (i) by the executor or administrator of the estate of the deceased grantee or persons to whom the deceased grantee's rights under the stock option pass by will or by the laws of descent and distribution, and (ii) to the extent that the deceased grantee was entitled to so exercise at the date of his death, unless otherwise provided by the compensation committee in such grantee's underlying option agreement. In connection with the transfer of an option, the grantee will remain liable for any withholding taxes required to be withheld upon exercise of the option by the transferee.

Amendment, Suspension and Termination of Non-Employee Directors Plan and Outstanding Options

The board of directors of Syniverse Inc. or the compensation committee may suspend or terminate the Non-Employee Directors Plan or any portion of the plan at any time and may amend it from time to time in such respects as the board of directors or the compensation committee may deem advisable, except that no amendment will become effective without prior approval of

[Table of Contents](#)

Syniverse Inc.'s shareholders if such approval is necessary for continued compliance with laws, agreements, or stock exchange listing requirements. Furthermore, any termination may not impair the rights of participants under outstanding stock options without the affected grantee's consent. No stock options will be granted under the Non-Employee Directors Plan after five years from the date the stock option plan is adopted or the date the stock option plan is approved by Syniverse Inc.'s shareholders, whichever is earlier.

The compensation committee may amend or modify any option granted under the Non-Employee Directors Plan in any manner to the extent that the committee would have had authority initially to grant such option except that no such amendment or modification will impair the rights of any grantee without the consent of such adversely affected grantee. With the grantee's consent, the compensation committee may cancel any option and issue a new option to such grantee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

All of the Syniverse Technologies common stock is owned by Syniverse Inc., a corporation owned by Syniverse LLC, whose members include affiliates and co-investors of GTCR Golder Rauner, LLC and certain members of our management.

The ownership interests in Syniverse LLC consist of Class A Preferred Units, Class B Preferred Units and Common Units. Holders of Class A Preferred Units and Class B Preferred Units have no voting rights except as required by law. The holders of Common Units are entitled to one vote per unit on all matters to be voted upon by the members of Syniverse LLC.

Class A Preferred Units are entitled to a preferred yield of 10.0% per annum, compounded quarterly. On any liquidation or other distribution by Syniverse LLC, holders of Class A Preferred Units are entitled to an amount equal to the original investment in such preferred units, net of any prior returns of capital with respect to such preferred units, plus any accrued and unpaid preferred yield, which we refer to as the "Class A Preference Amount," before any payments may be made to holders of Class B Preferred Units or Common Units. Class A Preferred Units may be used as consideration for the repurchase by Syniverse LLC of Class B Preferred Units and Common Units held by members of our management team who cease to be employed by Syniverse LLC, Syniverse Inc. or their respective subsidiaries. Class B Preferred Units are also entitled to a preferred yield of 10.0%, compounded quarterly. On any liquidation or other distribution by Syniverse LLC and after payment of the Class A Preference Amount, holders of Class B Preferred Units are entitled to an amount equal to the original investment in such preferred units, net of any prior returns of capital with respect to such preferred units, plus any accrued and unpaid preferred yield, which we refer to as the "Class B Preference Amount," before any payments may be made to holders of Common Units. The Common Units represent the common equity of Syniverse LLC. After payment of the Class A Preference Amount and the Class B Preference Amount, Common Unit holders are entitled to any remaining proceeds of any liquidation or other distribution by Syniverse LLC pro rata according to the number of Common Units held by such holder.

Both our senior credit facility and the indenture relating to the notes generally limit the ability of Syniverse LLC's operating subsidiaries to pay cash distributions to their respective equityholders other than distributions in amounts approximately equal to the tax liability of the members of Syniverse LLC unless certain conditions are satisfied. Because Syniverse LLC's only significant assets are the stock of its subsidiaries, Syniverse LLC likely will not have sufficient funds to make distributions to its members, other than tax distributions. Such tax distributions will be made quarterly and will be based on the approximate highest combined tax rate that applies to any of Syniverse LLC's members.

Table of Contents

The following table sets forth certain information regarding the beneficial ownership of Syniverse LLC as of March 15, 2004 by: (i) each person or entity known to us to own more than 5% of any class of Syniverse LLC's outstanding securities and (ii) each member of our board of managers, each of our named executive officers and all members of the board of managers and executive officers as a group. Syniverse LLC's outstanding securities consisted of approximately 90,640,541 Common Units, 252,367.50 Class B Preferred Units and no Class A Preferred Units as of March 15, 2004. The following table sets forth information regarding the beneficial ownership of Syniverse LLC rather than us because Syniverse LLC owns 100% of Syniverse Inc.'s outstanding capital stock and Syniverse Inc. owns 100% of our capital stock. To our knowledge, each of such securityholders has sole voting and investment power as to the units shown unless otherwise noted. Beneficial ownership of the securities listed in the table has been determined in accordance with the applicable rules and regulations promulgated under the Exchange Act.

Name	Securities Beneficially Owned(1)			
	Number of Common Units	Percentage of Common Units	Number of Preferred Units	Percentage of Preferred Units
Principal Securityholders:				
GTCR Fund VII, L.P.(2)(3)	69,299,335.43	76.5%	220,971.00	87.6%
GTCR Fund VII/A, L.P.(2)(3)	69,299,335.43	76.5	220,971.00	87.6
GTCR Co-Invest, L.P.(2)(3)	69,299,335.43	76.5	220,971.00	87.6
GTCR Capital Partners, L.P.(2)(3)	69,299,335.43	76.5	220,971.00	87.6
Snowlake Investment Pte. Ltd.(4)	9,165,309.28	10.1	29,258.79	11.6
Managers and Executive Officers:				
G. Edward Evans(5)	6,475,887.65	7.1	1,979.35	*
David A. Donnini(2)(3)	69,299,335.43	76.5	220,971.00	87.6
Collin E. Roche(2)(3)	69,299,335.43	76.5	220,971.00	87.6
Raymond L. Lawless(5)	900,900.90	1.0	—	—
Paul A. Wilcock (5)	585,585.59	*	—	—
Linda Hermansen(5)	405,405.41	*	—	—
Eugene Bergen Henegouwen(6)	270,270.27	*	—	—
Odie C. Donald(7)	—	—	—	—
Tony G. Holcombe(8)	—	—	—	—
Robert J. Marino(9)	—	—	—	—
All managers and executive officers as a group (17 persons)	81,180,628.49	89.6%	222,950.35	88.3%

* Less than 1%

- (1) Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power and as to which such person has the right to acquire such voting and/or investment power within 60 days. Percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of shares as to which such person has the right to acquire voting and/or investment power within 60 days.
- (2) The address of each of GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest, L.P., GTCR Capital Partners, L.P. and Messrs. Donnini and Roche is c/o GTCR Golder Rauner, LLC, 6100 Sears Tower, Chicago, Illinois 60606.
- (3) Includes 45,054,361.36 Common Units and 143,575.10 Class B Preferred Units held by GTCR Fund VII, L.P., 22,487,432.10 Common Units and 71,787.55 Class B Preferred Units held by GTCR Fund VII/A, L.P., 618,348.83 Common Units and 1,971.66 Class B Preferred Units held by GTCR Co-Invest, L.P. and 1,139,193.14 Common Units and 3,636.69 Class B Preferred Units held by GTCR Capital Partners, L.P. Mr. Donnini is a principal in GTCR Golder Rauner, LLC, which is the general partner of the general partner of GTCR Fund VII, L.P. and GTCR Fund VII/A, L.P. and which is the general partner of GTCR Co-Invest, L.P. Mr. Roche is a Principal in GTCR Golder Rauner, LLC. Mr. Donnini and Mr. Roche each disclaim the beneficial ownership of the Units held by such entities except to the extent of his proportionate ownership interests therein.
- (4) The address of Snowlake Investment Pte. Ltd. is c/o GIC Special Investment Pte Ltd, 255 Shoreline Drive, Suite 600, Redwood City, California 94065.
- (5) The address of each of Messrs. Evans, Lawless, Wilcock, and Ms. Hermansen is c/o Syniverse Technologies Inc., One Tampa City Center, Suite 700, Tampa, Florida 33602.
- (6) The address of Mr. Henegouwen is Graatd Van Roggenweg 328-334 Utrecht, Netherlands
- (7) The address of Mr. Donald is 35 Kenmare Hall NE, Atlanta, Georgia 30324.
- (8) The address of Mr. Holcombe is 201 Lake Ridge Court, Franklin, Tennessee 37069.
- (9) The address of Mr. Marino is 3032 Castalain Ct. Naples, Florida 34105

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity plans approved by security holders	393,750	\$ 5.00	906,250
Equity compensation plan not approved by security holders	—	—	—
Total	393,750	\$ 5.00	906,250

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Limited Liability Company Agreement

The limited liability company agreement of Syniverse LLC authorizes Syniverse LLC to issue Class B Preferred Units and Common Units. Syniverse LLC also has the authority to create and issue Class A Preferred Units, with the terms and provisions more fully described in the senior management agreements described below, in connection with certain repurchases by Syniverse LLC of Class B Preferred Units and Common Units held by former executives in the event they cease to be employed by Syniverse LLC, Syniverse Technologies Inc. or our respective subsidiaries.

Pursuant to the limited liability company agreement, distributions of property of Syniverse LLC shall be made in the following order:

- First, holders of Class A Preferred Units, if any, will receive a preferred yield on their invested capital of 10% per annum, compounded quarterly;
- Second, holders of Class A Preferred Units, if any, will receive return of their invested capital;
- Third, holders of Class B Preferred Units will receive a preferred yield on their invested capital of 10% per annum, compounded quarterly;
- Fourth, holders of Class B Preferred Units will receive return of their invested capital; and
- Thereafter, holders of the Common Units will receive all remaining distributions.

A Board of Managers generally has the exclusive authority to manage and control the business and affairs of Syniverse LLC. The composition of the Board of Managers is determined in accordance with the provisions of the securityholders agreement described below.

Securityholders Agreement

Pursuant to the securityholders agreement entered into in connection with our acquisition from Verizon, units of Syniverse LLC (or common stock following a change in corporate form) beneficially owned by the securityholders of Syniverse LLC and its subsidiaries are subject to certain restrictions on transfer, other than certain exempt transfers as defined in the securityholders

Table of Contents

agreement, as well as the other provisions described below. When reference is made to “units” of Syniverse LLC in the discussion that follows, such reference shall be deemed to include common stock of Syniverse LLC following a change in corporate form, whether in preparation for an initial public offering or otherwise.

The securityholders agreement provides that GTCR Fund VII, L.P., GTCR Fund VII/A, L.P. and GTCR Co-Invest, L.P., which we refer to as the “GTCR investors,” and our executives or other executive officers of our subsidiaries who acquire securities of Syniverse LLC, which we refer to as the “management investors,” and all other parties to the agreement, which we refer to as the “other investors,” will vote all of their units to elect and continue in office, boards of managers or boards of directors of Syniverse LLC and each of its subsidiaries, consisting of up to seven members composed of:

- three persons designated by GTCR Fund VII;
- our chief executive officer;
- one other employee of ours or our subsidiaries designated by the chief executive officer; and
- two representatives designated jointly by GTCR Fund VII and the chief executive officer, or, if GTCR Fund VII and the chief executive officer are unable to agree upon such representatives, designated by GTCR Fund VII.

The securityholders agreement also provides:

- the management investors and the other investors with customary tag-along rights with respect to transfers of Syniverse LLC units beneficially owned by the GTCR investors;
- preemptive rights to management investors and other investors in connection with certain authorizations of sales to the GTCR investors of Common Units or securities convertible into Common Units;
- in connection with certain sales of interests in Syniverse LLC by investors other than the GTCR investors, rights of first refusal with respect to such sales, first to Syniverse LLC, then to the remaining investors; and
- the GTCR investors with drag along rights with respect to Syniverse LLC units owned by the management investors and the other investors.

Registration Agreement

Under the registration agreement entered into in connection with our acquisition from Verizon, the holders of a majority of the GTCR investors’ registrable Syniverse LLC securities have the right at any time, subject to certain conditions, to require Syniverse LLC, any corporate successor thereto or any subsidiary thereof, to register any or all of their securities under the Securities Act on Form S-1, which we refer to as a “long-form registration” at Syniverse LLC’s expense or on Form S-2 or Form S-3, which we refer to as a “short-form registration” at Syniverse LLC’s expense. Syniverse LLC is not required, however, to effect any such long-form registration within 90 days after the effective date of a previous long-form registration. In addition, all holders of registrable securities are entitled to request the inclusion of such securities in any registration statement at Syniverse LLC’s expense whenever Syniverse LLC proposes to register any offering of its equity securities (other than pursuant to an initial public offering of Syniverse LLC’s equity securities or a registration on Form S-4 or Form S-8).

Senior Management Agreements

Provisions Regarding Units

Mr. Evans

We have entered into a senior management agreement with G. Edward Evans pursuant to which he:

- acquired a strip of 1,979.35 Class B Preferred Units and 620,031.79 Common Units, which are referred to as “Co-Invest Units,” at a price of \$1,000 per Class B Preferred Unit and \$.0333 per Common Unit;
- acquired 5,855,855.86 additional Common Units which were available only for issuance to management investors and which are referred to as “Carried Units,” at a price of \$.0333 per Carried Unit, and

[Table of Contents](#)

- committed to acquire up to approximately \$196,000 of additional equity securities of Syniverse LLC under certain circumstances.

Co-Invest Units were fully vested when purchased but Carried Units are subject to vesting and will vest quarterly over a period of five years, subject to acceleration in the event of an initial public offering of the equity of Syniverse LLC, or any corporate successor thereto or a sale of Syniverse LLC.

Syniverse LLC may be required to purchase a portion of Mr. Evans' units in the event of his termination of employment due to death or disability. In addition, Syniverse LLC and the other investors will have the right to purchase all or a portion of Mr. Evans' units if his employment is terminated. If Syniverse LLC elects or is required to purchase any units pursuant to the call and put options described in the preceding sentences, up to 50% of the purchase price of any such units may be paid by issuing Class A Preferred Units to Mr. Evans. Each Class A Preferred Unit has a liquidation preference equal to the purchase price of the units being purchased with such Class A Preferred Unit. In addition, if any repurchase would result in a violation of law applicable to Syniverse LLC or its subsidiaries or a default under their financing arrangements, Syniverse LLC may defer such purchase until it is permitted, with the deferred purchase price accruing interest at the rate of 10% per annum, compounded quarterly.

The purchase price for securities purchased pursuant to the call and put options described above shall be:

- the original cost in the case of unvested Carried Units;
- the fair market value of such unit in the case of vested Carried Units and Co-Invest Units which are Common Units; and
- the unreturned capital plus unpaid yield in the case of Co-Invest Units that are Class B Preferred Units.

GTCR Fund VII, L.P. loaned Mr. Evans approximately \$1,000,000 to fund a portion of the purchase price for his purchase of Co-Invest Units and Carried Units. This loan bears interest at a rate of 10% per annum.

The senior management agreement also prohibits Mr. Evans from transferring any of his Co-Invest Units or Carried Units, subject to certain exceptions. This transfer restriction terminates with respect to particular securities upon such securities being transferred in a public sale and terminates with respect to all securities upon the sale of Syniverse LLC.

Others

Other members of our senior management team, including Messrs. Lawless, Kremian, Wilcock, O'Brien, Nelson, Garcia, Drexler, Mosher, Bergen Henegouwen, Corrao and Ms. Hermansen, also entered into senior management agreements pursuant to which they acquired an aggregate of 5,405,405.41 Carried Units at the same price and under terms generally no less favorable to the company than Mr. Evans' terms.

Employment Provisions

Mr. Evans

Our senior management agreement with Mr. Evans also contains provisions relating to employment. Mr. Evans agrees to serve as our chief executive officer until he resigns or until we terminate his employment. While employed by us, Mr. Evans will receive an annual base salary of \$400,000, subject to increase by our board of directors. For each fiscal year of employment, Mr. Evans is eligible for an annual bonus of up to 50% of his annual base salary and is entitled to any other benefits approved by our board of directors. During Mr. Evans' employment, Evans Motor Sports LLC, an entity owned by Mr. Evans, will be entitled to use an aircraft leased by us. Mr. Evans or Evans Motor Sports LLC pays that percentage of the monthly lease and other fixed costs for such aircraft based on Mr. Evans' actual use of the aircraft on behalf of or in furtherance of business for Evans Motor Sports LLC, and reimburses us for all operating costs of the aircraft in connection with such use. Commencing in 2004, Mr. Evans or Evans Motor Sports LLC shall make such payments on a quarterly basis within the thirty (30) days immediately following the end of such quarter.

Mr. Evans' employment will continue until (i) he resigns without good reason, disability or death, (ii) our board of directors decides to terminate his employment with cause, (iii) our board of directors decides to terminate his employment without cause, or (iv) he terminates his employment for good reason. If his employment is terminated by us without cause or by Mr. Evans for good reason, then we will be obligated to pay Mr. Evans one-twelfth of his annual base salary per month for a six-month period commencing on the date of termination. We have an option to extend the severance payment period (and the corresponding non-compete period described below) for up to three additional six-month periods. Any severance payments made to Mr. Evans will be reduced by the amount of any cash compensation he earns or receives with respect to any other employment during the period in which he is receiving severance.

[Table of Contents](#)

Mr. Evans agreed to limitations on his ability to disclose any of our confidential information, and acknowledged that all inventions relating to his employment belong to us. Mr. Evans also agreed not to compete with us anywhere in the world or to solicit our employees for either the period during which he receives severance (if he is terminated without cause or if he resigns for good reason) or for two years after his termination (if he resigns without good reason or if we terminate his employment for cause).

The senior management agreement also contains customary representations, warranties and covenants.

Others

Other members of our senior management team, including Messrs. Lawless, Kremian, Wilcock, O'Brien, Nelson, Garcia, Drexler, Mosher, Bergen Henegouwen, Corrao and Ms. Hermansen, also entered into senior management agreements pursuant to which they agreed to be employed by us under terms generally no less favorable to us than Mr. Evans' terms.

Consulting Agreement

At the time of our acquisition from Verizon, we entered into a Consulting Agreement with Michael Hartmen pursuant to which Mr. Hartman agreed to provide consulting services to us and retain the title of President for a period of one year until February 14, 2003. Mr. Hartman received consulting payments totaling \$215,500 in two installments in January and February of 2003, but was not entitled to any fringe benefits.

Mr. Hartman agreed to limitations on his ability to disclose any of our confidential information, and acknowledges that all inventions relating to his service to us belong to us. Mr. Hartman also agreed not to compete with us anywhere in the world or to solicit our employees for a period of one year following the closing of the acquisition.

Purchase Agreements

At the time of our acquisition from Verizon, the GTCR investors and certain co-investors acquired a strip of Class B Preferred Units and Common Units for an aggregate purchase price of \$252,367,500 and \$2,632,500, respectively and committed to purchase up to an additional \$25,000,000 of equity securities of Syniverse LLC. The investment of the additional \$25,000,000 is conditioned upon the GTCR investors and the board of managers of Syniverse LLC approving the terms of the investment and the proposed use of the proceeds from the investment, as well as the satisfaction of certain other conditions.

Professional Services Agreement

At the time of our acquisition from Verizon, we engaged GTCR Golder Rauner, LLC ("GTCR") as a financial and management consultant, and GTCR agreed to provide financial and management consulting services to us and our subsidiaries, all on the terms and subject to the conditions set forth in the professional services agreement.

GTCR agreed during the term of such engagement to consult with our board, the boards of directors (or similar governing body) of our affiliates and our management and management of our affiliates in such manner and on such business and financial matters as may be reasonably requested from time to time by the Board, including but not limited to: (i) corporate strategy; (ii) budgeting of future corporate investments; (iii) acquisition and divestiture strategies and (iv) debt and equity financings.

GTCR will provide and devote to the performance of the professional services agreement such partners, employees and agents of GTCR as GTCR deems appropriate for the furnishing of the services required by the professional services agreement.

At the time of any purchase of equity by the Investors and/or their Affiliates pursuant to Section 1B of the unit purchase agreement, we will pay to GTCR a placement fee in immediately available funds equal to one percent of the amount paid to Syniverse LLC in connection with such purchase. At the time of any other equity or debt financing of Syniverse LLC, Syniverse Inc., us or any of our respective subsidiaries prior to a Public Offering (as defined in Syniverse LLC's limited liability company agreement) (other than (i) the purchase of securities of Syniverse LLC by any executive pursuant to any senior management agreement (as entered into from time to time among Syniverse LLC, us and our executives) and (ii) any debt or equity financing provided by the seller or sellers of a target company or business in connection with the acquisition thereof), we will pay to GTCR a placement fee in immediately available funds equal to one percent of the gross amount of such financing (including the committed amount of any revolving credit facility). If any individual payment to GTCR pursuant to this paragraph would be less than \$10,000, then such payment will be held by us until such time as the aggregate of such payments equals or exceeds \$10,000.

We pay to GTCR an annual management fee of \$500,000. Such management fee is payable in equal monthly installments.

We are obligated to promptly reimburse GTCR for such reasonable travel expenses, legal fees and other out-of-pocket fees and expenses as have been or may be incurred by GTCR, its directors, officers and employees in connection with our purchase

[Table of Contents](#)

from Verizon, in connection with any financing of Syniverse LLC, us or any of our respective subsidiaries, and in connection with the rendering of any other services hereunder (including, but not limited to, fees and expenses incurred in attending company-related meetings).

The professional services agreement will continue until the earlier to occur of (i) a sale in a public offering registered under the Securities Act of 1933, as amended, of equity securities of Syniverse LLC or a corporate successor to Syniverse LLC and (ii) the Investors and their Affiliates ceasing to own at least 50% of the Investor Securities (as defined in the unit purchase agreement). No termination of the professional services agreement, whether pursuant to this paragraph or otherwise, will affect our obligations with respect to the fees, costs and expenses incurred by GTCR in rendering services hereunder and not reimbursed by us as of the effective date of such termination.

Neither GTCR nor any of its affiliates, partners, employees or agents shall be liable to us, Syniverse LLC, or their subsidiaries or affiliates for any loss, liability, damage or expense arising out of or in connection with the performance of services contemplated by the professional services agreement, unless such loss, liability, damage or expense is proven to result directly from the gross negligence or willful misconduct of GTCR.

We have agreed to indemnify and hold harmless GTCR, its partners, affiliates, officers, agents and employees against and from any and all loss, liability, suits, claims, costs, damages and expenses (including attorneys' fees) arising from their performance under the professional services agreement, except as a result of their gross negligence or intentional wrongdoing.

Neither GTCR nor we may assign our rights or obligations under the professional services agreement without the express written consent of the other, except that GTCR may assign its rights and obligations to an affiliate of GTCR. The professional services agreement is governed by the internal laws of the State of Delaware.

For purposes of the professional services agreement, the following terms have the following definitions:

"Affiliate" of any person means any other person controlling, controlled by or under common control with such particular person or entity.

"Investors" means GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., and GTCR Co-Invest, L.P.

Revenue Guaranty Agreement

We have entered into an agreement with Verizon Information Services Inc. (VIS) in which VIS has agreed, through December 31, 2005, to make quarterly payments to us if the amount of wireless revenues, as defined, for a given period is less than the revenue target for such period. In general the revenue guaranty payments will be due if wireless revenues during each of the years in the period from February 14, 2002 to December 31, 2005 are less than 82.5% of the agreed-upon targets.

Payments due under the agreement would be calculated quarterly as equal to 61.875% of the shortfall for the each first three quarters and 82.5% of the cumulative shortfall for each of the years covered under the agreement. The quarterly and full year targets covered under the agreement are:

- \$12.9 million for each fiscal quarter in 2002, \$45.4 million for the period February 14, 2002 to December 31, 2002;
- \$8.7 million for each fiscal quarter in 2003, \$34.9 million for full year 2003;
- \$8.4 million for each fiscal quarter in 2004, \$33.5 million for full year 2004;
- \$8.3 million for each fiscal quarter in 2005, \$33.2 million for full year 2005.

No payments from Verizon are due under the guaranty agreement for the period from February 14, 2002 to December 31, 2003.

Intellectual Property Agreement

Under the intellectual property agreement entered into in connection with our acquisition from Verizon, Verizon Information Services Inc., Verizon Communications Inc. and we agreed to the following:

- We and the Verizon companies each conveyed an undivided joint ownership interest to the other in certain of our respective unregistered intellectual property;
- the Verizon companies and their affiliates granted a limited, royalty-free, non-exclusive, worldwide license of certain of their respective registered intellectual property to us and our affiliates;

Table of Contents

- We granted a limited royalty-free, non-exclusive, worldwide license of certain of our registered intellectual property to the Verizon companies and their affiliates;
- the Verizon companies and their affiliates granted a limited, royalty-free, non-exclusive, worldwide license of certain third-party intellectual property to us pursuant to their right to sublicense such materials;
- the Verizon companies conveyed and transferred to us certain of their intellectual property; and
- the Verizon companies and their affiliates are generally indefinitely prohibited from using any of the intellectual property that we license to them under the intellectual property agreement to offer goods or services that compete with us, whether such goods or services are provided to third parties or used internally.

Taken together, these licenses and joint-ownership grants generally provide us and the Verizon companies the right to continue our respective use of the other's intellectual property in existence as of the closing of the acquisition to the extent that we rely upon such intellectual property to operate our respective businesses prior to the closing of the acquisition. We also agreed that, except as required by applicable law, we will not divulge or otherwise make available to any person the intellectual property that is the subject of the agreement.

Distributed Processing Services Agreement

We entered into a Distributed Processing Services Agreement with Verizon Information Technologies Inc. ("VITI") whereby VITI agreed to provide us with data center infrastructure and technical support services in support of our distributed systems processing, including a data center network infrastructure. Furthermore, for a period not to exceed sixty (60) days from the effective date of the Distributed Processing Services Agreement, VITI provides the six circuits that we receive from NTN on a pass-through cost basis. VITI also continued to provide us access to SAP, AP and Intranet applications for a period of sixty (60) days from the effective date of the Distributed Processing Services Agreement.

VITI is responsible for monitoring the company-provided telecommunications network between our location and VITI's location, as well as for the purchase and maintenance of the network hardware and software at VITI's demarcation point. We are responsible for the purchase and maintenance of any network hardware or software necessary to allow us to connect to the network at a mutually satisfactory company demarcation point.

We pay both monthly labor fees (capped at approximately \$240,667 per month) and maintenance fees. The contract rate of the maintenance fees is \$3.6 million annually with \$300,000 of that charge billed to us on a monthly basis. If new hardware, software or maintenance is added or service levels are increased, VITI will charge us at rates that are consistent with those described above in this paragraph. To the extent we request VITI to transfer any third party licenses used specifically for us and not under Verizon's enterprise license, VITI will transfer such licenses, provided that we have paid all consent, license and maintenance fees.

The agreement is for 18 months. We have the right to terminate the agreement (or any services relating to specific hardware or software that we may want to remove from the environment) for convenience, in whole or in part, by providing three months prior written notice. Appropriate adjustments to the fees will be made with respect to any termination in part. Provided that we have not been terminated for default, VITI will, upon request, provide termination assistance to us sufficient to transfer us to another service provider. This assistance shall be provided at \$125 per hour.

We have the right to purchase certain hardware from VITI upon termination or expiration of the agreement for either one dollar or book value, depending on the type of hardware. We and VITI also entered into service level agreements, attached as an exhibit to the agreement, for existing applications and hardware and for existing hardware platforms. The parties are also obligated to negotiate new service levels for added hardware and software within 90 days of the implementation of such additional hardware or software.

On July 8, 2003, the Distributed Processing Services Agreement with VITI was renewed for an additional 3 years. Amounts incurred under this agreement total \$4.6 million for the year ended December 31, 2003.

Equity Sponsor's Investment in Transaction Network Services, Inc.

Certain investment funds affiliated with GTCR Golder Rauner, LLC are collectively the controlling equityholder of Transaction Network Services, Inc. ("TNS"). We have done business with TNS in the past, and expect to continue to do business with TNS in the future. Collin Roche, who serves as one of our directors, also serves on the board of directors of TNS. For the

[Table of Contents](#)

period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, we recognized revenues in the amount of \$1,617 and \$2,313, respectively. For the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, we recognized expenses in the amount of \$687 and \$457, respectively.

Acquisition of Brience Inc.

Effective July 23, 2003, pursuant to an agreement and plan of merger dated as of July 15, 2003, among Syniverse Networks, Syniverse Brience, LLC (“Syniverse Brience”), Brience, Inc. (“Brience”) and certain holders (the “seller parties”) of Series C Preferred Stock, par value \$.01 per share, of Brience, Brience was merged with and into Syniverse Brience with Syniverse Brience continuing as the surviving entity and a wholly owned subsidiary of Syniverse Networks. Historically, Brience developed and sold information access and integration software products to large enterprises. At the time of the merger, however, Brience’s business was limited to selling and servicing its Mobile Processing Server product.

As a result of the merger, each share of Series C Preferred Stock of Brience outstanding as of the effective time of the merger was converted into a right to receive a pro rata share of 1.67 shares of Class B Common Stock, par value \$.01 per share, of Syniverse Networks, under the terms and subject to the conditions set forth in the merger agreement. All other outstanding classes of stock of Brience were canceled and retired with no right to payment under the terms of the merger agreement. Concurrent with the merger, the seller parties other than GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. entered into an exchange agreement, dated as of July 23, 2003, with Syniverse LLC pursuant to which such seller parties (the “exchange parties”) exchanged all of the merger consideration received by the exchanging parties in the merger in exchange for a pro rata portion of 19,775.01 common units of Syniverse LLC. Also concurrent with the merger, GTCR Fund VII, L.P. and GTCR Co-Invest L.P. (the “investors”) entered into a contribution agreement, dated as of July 23, 2003, with Syniverse LLC pursuant to which the Investors agreed to contribute to Syniverse LLC all of the merger consideration received by the investors in the merger in exchange for a pro rata position of 80,224.99 common units of Syniverse LLC.

The consideration paid to holders of Series C Preferred Stock was determined through arms-length negotiations between (i) the board of managers and officers of Syniverse LLC and the boards of directors and officers of Syniverse Networks and us and (ii) the board of directors and officers of Brience, which included representatives of the exchanging parties. Messrs. Donnini and Roche recused themselves from all discussions by the board of managers of Syniverse LLC and the boards of directors of Syniverse Networks and us with respect to the merger. The merger agreement was approved and adopted by the stockholders of Brience pursuant to written consents, which included a majority of the minority owners of Brience.

ITEM 14. Principal Accountant Fees and Services

The following table summarizes the aggregate fees billed to us by our independent auditor Ernst & Young LLP:

	Year Ended December 31, 2002	Year Ended December 31, 2003
Audit fees(1)	718,598	732,787
Audit-related fees(2)	193,518	109,269
Tax fees(3)	77,018	—
All other	—	—
Total fees	989,134	842,056

- 1) Audit fees include fees for our fiscal year-end audit, interim quarterly reviews, other SEC filings, comfort letters, consents acquisitions, and accounting consultations.
- 2) Audit-related fees include fees for due diligence in connection with proposed acquisitions.
- 3) Tax fees include fees for consultation on state tax and international tax matters.

Our Board of Directors pre-approved all of the services by Ernst & Young LLP.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

	<u>Page</u>
(a) 1. Index to Financial Statements	59
Report of Independent Certified Public Accountants	60
Consolidated Balance Sheets	61
Consolidated Statements of Operations	62
Consolidated Statements of Changes in Shareholder's/Unitholders' Equity	63
Consolidated Statements of Cash Flows	64
Notes to Consolidated Financial Statements	65
(a) 2. Financial Statement Schedule	
Schedule II – Valuation and Qualifying Accounts	98

All other schedules have been omitted since the required information is not present in amounts sufficient to require submission of the schedule, or because the information required is included in our consolidated financial statements or note thereto.

(b) The following reports on Form 8-K were filed during the fourth quarter of 2003:

- The registrant filed a Current Report on Form 8-K on October 30, 2003, under “Item 9. Regulation FD Disclosure” and “Item 12. Disclosure of Results of Operations and Financial Condition” reporting on Syniverse Technologies Inc.’s results for the third quarter of 2003.
- The registrant filed a Current Report on Form 8-K/A on November 14, 2003, under “Item 5. Other Events and Regulation FD Disclosure” and “Item 7. Financial Statements, Pro Forma Financial Information and Exhibits” reporting the restated audited consolidated financial statements of the Ultimate Parent as of December 31, 2002 and for the period from February 14, 2002 to December 31, 2002 in lieu of the audited pre-acquisition financial statements of Brience.

Table of Contents

(c) The following is a list of exhibits required by Item 601 of Regulation S-K to be filed as part of this Report. Where so indicated by footnote, exhibits that were previously filed are incorporated by reference.

EXHIBITS REQUIRED TO BE FILED BY ITEM 601 OF REGULATION S-K

Exhibit No.	Description
2.1	Stock Purchase Agreement, dated December 7, 2001, by and between TSI Telecommunication Holdings, Inc. and Verizon Information Services Inc.(1)
2.2	Amended and Restated Agreement of Merger, dated December 7, 2001, as amended and restated as of January 14, 2002, by and among TSI Telecommunication Holdings, Inc., TSI Merger Sub, Inc., Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
2.3	Asset Transfer Agreement, dated February 14, 2002, between TSI Telecommunication Services Inc. and TSI Network Services Inc.(1)
3.1	Restated Certificate of Incorporation of TSI Telecommunication Services Inc.(1)
*3.1.1	Restated Certificate of Incorporation of Syniverse Technologies, Inc.
3.2	Bylaws of TSI Telecommunication Services Inc.(1)
3.3	Amended and Restated Certificate of Incorporation of TSI Telecommunication Holdings, Inc.(1)
3.4	Bylaws of TSI Telecommunication Holdings, Inc.(1)
3.5	Amended and Restated Certificate of Incorporation of TSI Network Services Inc.(1)
3.6	Bylaws of TSI Network Services Inc.(1)
3.7	Certificate of Formation of TSI Telecommunication Holdings, LLC.(1)
*3.7.1	Restated Certificate of Formation of Syniverse Holdings, LLC
3.8	Limited Liability Company Agreement of TSI Telecommunication Holdings, LLC.(1)
3.9	Certificate of Incorporation of TSI Finance Inc.(1)
3.10	Bylaws of TSI Finance Inc.(1)
3.11	Amendment No. 1 to Amended and Restated Certificate of Incorporation of TSI Telecommunication Network Services, Inc.(6)
3.12	Limited Liability Company Operating Agreement of TSI Brience, LLC.(6)
4.1	Purchase Agreement, dated February 5, 2002, among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and Lehman Brothers Inc.(1)
4.2	Indenture, dated February 14, 2002, among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and The Bank of New York, as trustee.(1)
4.3	Exchange and Registration Rights Agreement, dated March 27, 2001, by and among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and Lehman Brothers Inc.(1)
4.4	Notation of Guarantee, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc. and TSI Finance Inc.(1)
4.5	Form of Rule 144A Global Note.(1)
4.6	Form of Regulation S Global Note.(1)
4.7	Form of Exchange Note.(1)
10.1	Credit Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, Inc., TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc., as Borrower, the several Lenders from time to time parties thereto, Lehman Brothers Inc., as Lead Arranger and Book Manager and Lehman Commercial Paper Inc., as Administrative Agent.(1)

[Table of Contents](#)

Exhibit No.	Description
10.2	Guarantee and Collateral Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Telecommunication Services Inc. and certain of their respective Subsidiaries, and Lehman Commercial Paper Inc., as Administrative Agent.(1)
10.3	Intellectual Property Security Agreement, dated February 14, 2002, between TSI Telecommunication Services Inc. and Lehman Commercial Paper Inc., as administrative agent.(1)
10.4	Guaranty of Wireless Revenue, dated February 14, 2002, between Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
†10.5	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and G. Edward Evans.(1) as amended by that certain Amendment to Senior Management Agreement, dated April 1, 2003, by and among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and G. Edward Evans (2).
†10.6	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Raymond L. Lawless.(1)
†10.7	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Michael O' Brien.(1)
†10.8	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Paul A. Wilcock.(1)
†10.9	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Wayne Nelson.(1)
†10.10	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Robert Clark.(1)
†10.11	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Douglas Meyn.(1)
†10.12	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Gilbert Mosher.(1)
†10.13	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Christine Wilson Strom.(1)
†10.14	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Robert Garcia, Jr.(1)
†10.15	Consulting Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Michael Hartman.(1)
10.16	Securityholders Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest, L.P., G. Edward Evans, Raymond L. Lawless, Robert Clark, Robert Garcia, Jr., Douglas Meyn, Gilbert Mosher, Wayne Nelson, Michael O'Brien, Christine Wilson Strom, Paul Wilcock, Rajesh Shah, Christian Schiller, Arnis Kins, John Kins and Snowlake Investment Pte Ltd.(1)
10.17	Unit Purchase Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P. and GTCR Co-Invest, L.P.(1)
10.18	Stock Purchase Agreement, dated February 14, 2002, by and between TSI Communication Holdings, Inc. and TSI Communication Holdings, LLC.(1)
10.19	Purchase Agreement, dated February 14, 2002, between TSI Telecommunication Holdings, LLC and Snowlake Investment Pte Ltd.(1)
10.20	Co-Interest Purchase Agreement, dated February 14, 2002, between TSI Telecommunication Holdings, LLC and Project Networks Partners LLC.(1)

Table of Contents

Exhibit No.	Description
10.21	Purchase Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, Christian Schiller, Arnis Kins and John Kins.(1)
10.22	Professional Services Agreement, dated February 14, 2002, between GTCR Golder Rauner, L.L.C. and TSI Merger Sub, Inc.(1)
10.23	Transition Services Agreement, dated February 14, 2002, between Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
10.24	Registration Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest L.P., G. Edward Evans, Raymond L. Lawless, Robert Clark, Robert Garcia, Jr., Douglas Meyn, Gilbert Mosher, Wayne Nelson, Michael O'Brien, Christine Wilson Strom, Paul Wilcock, Rajesh Shah, Christian Schiller, Arnis Kins, John Kins and Snowlake Investment Pte Ltd.(1)
10.25	Inducement Agreement, dated February 14, 2002, among GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest, L.P., Snowlake Investment Pte Ltd, GTCR Capital Partners, L.P. and TSI Telecommunication Holdings, LLC.(1)
10.26	Termination Agreement and Release (Verizon Data Services), dated February 14, 2002, between Verizon Data Services, Inc. and TSI Telecommunication Services Inc.(1)
10.27	Intellectual Property Agreement, dated February 14, 2002, among Verizon Information Services, Inc., Verizon Communications Inc. and TSI Telecommunication Services Inc.(1)
10.28	Intellectual Property Letter Agreement, dated February 14, 2002, among Verizon Information Services, Inc., TSI Telecommunication Services Inc. and TSI Telecommunication Holdings, Inc.(1)
10.29	Mainframe Computing Services Agreement, dated February 14, 2002, between Verizon Information Technologies Inc. and TSI Telecommunication Services Inc.(1)
10.30	Distributed Processing Services Agreement, dated February 14, 2002, by and between Verizon Information Technologies Inc. and TSI Telecommunications Services Inc.(1)
†10.31	TSI Telecommunication Holdings, Inc. Founders' Stock Option Plan.(1)
†10.32	Form of Nonqualified Stock Option Plan Stock Option Agreement for Management.(1)
†10.33	Form of Nonqualified Stock Option Agreement for Non-Management.(1)
†10.34	TSI Telecommunication Holdings, Inc. Non-employee Directors Stock Option Plan (9)
†10.35	Form of Nonqualified Stock Option Agreement for Non-employee Directors (9)
†10.36	Senior Management Agreement, dated June 3, 2002 among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Charles A. Drexler.(9)
†10.37	Senior Management Agreement, dated February 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Linda Hermansen (3).
†10.38	Senior Management Agreement, dated February 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Gilbert Mosher (3).
†10.39	Senior Management Agreement, dated May 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Eugene Bergen Henegouwen.(2)
†10.40	Senior Management Agreement, dated August 14, 2003, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc, and Paul Corrao(7)
10.41	First Amendment to Credit Agreement, dated as of September 25, 2003, by and among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Telecommunication Services Inc., the lenders signatory thereto, and Lehman Commercial Paper Inc. (4)

Table of Contents

Exhibit No.	Description
10.42	Agreement and Plan of Merger, dated as of July 15, 2003, by and among TSI Telecommunication Network Services Inc., TSI Brience, LLC, Brience, Inc., and the Seller Parties named therein. (5)
10.43	Exchange Agreement, dated as of July 23, 2003, by and among the Parent and the persons listed on the signature page thereto under the heading "Exchanging Parities". (5)
10.44	Contribution Agreement, dated as of July 23, 2003, by and among GTCR Fund VII, L.P., GTCR Co-Invest, L.P., and TSI Telecommunication Holdings, LLC. (5)
10.45	Second Amendment to Credit Agreement, dated as of March 11, 2004, by and among Syniverse Holdings, LLC, Syniverse Holdings, Inc., Syniverse Technologies, Inc., the lenders signatory thereto, and Lehman Commercial Paper Inc. (8)
*10.46	Agreement relating to the sale and purchase of the entire issued share capital of Softwright Holdings Limited, dated as of December 19, 2003, by and among TSI Telecommunication Services Inc. and the Vendors named therein.
†10.47	Senior Management Agreement, dated December 8, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and F. Terry Kremian.
*12.1	Computation of ratio of earnings to fixed charges.
*14.1	Code of Ethics of Syniverse Technologies, Inc.
*21.1	Subsidiaries of Syniverse Holdings, LLC.
*31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
*31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) by the Chief Executive Officer.
*32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) by the Chief Financial Officer.
(1)	Incorporated by reference to the Registrants' Registration Statement on Form S-4 (Registration No. 333-88168).
(2)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 (File No. 333-88168-1).
(3)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 333-88168-1).
(4)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K dated September 25, 2003 (File No. 333-88168-1).
(5)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K dated July 23, 2003 (File No. 33-88168-1).
(6)	Incorporated by reference to the Registrant's Post Effective Amendment No. 2 (Registration No. 333-99293).
(7)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 (File No. 333-88168-1).
(8)	Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K filed on March 16, 2004 (File No. 333-88168).
(9)	Incorporated by reference to the Registrants' Registration Statement on Form S-1 filed September 6, 2002 (Registration No. 333-99293).
*	Filed herewith.
†	Compensatory plan or agreement.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, LLC AND PREDECESSOR

Report of Independent Certified Public Accountants	63
Consolidated Balance Sheets at December 31, 2002 and 2003	64
Consolidated Statements of Operations for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003	65
Consolidated Statements of Changes in Shareholder's/Unitholders' Equity for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003	66
Consolidated Statements of Cash Flows for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003	67
Notes to Consolidated Financial Statements	68

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Syniverse Holdings, LLC

We have audited the accompanying consolidated balance sheets of Syniverse Holdings, LLC (formerly TSI Telecommunication Holdings, LLC) and predecessor as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in shareholders'/unitholders' equity and cash flows for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Syniverse Holdings, LLC and predecessor as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Tampa, Florida
March 25, 2004

[Table of Contents](#)

**SYNIVERSE HOLDINGS, LLC AND PREDECESSOR
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)**

	December 31, 2002	December 31, 2003
ASSETS		
Current assets:		
Cash	\$ 42,190	\$ 8,299
Accounts receivable, net of allowances of \$2,424 and \$2,535, respectively	55,193	61,611
Deferred tax assets	2,110	369
Prepaid and other current assets	5,811	6,284
Total current assets	105,304	76,563
Property and equipment, net	33,728	33,548
Capitalized software, net of accumulated amortization	73,914	67,653
Deferred costs, net	16,015	14,584
Goodwill	330,559	331,263
Identifiable intangibles:		
Customer contract, net	13,594	9,705
Trademark	51,700	685
Customer base, net	207,124	196,270
Other assets	1,130	—
Total assets	\$ 833,068	\$ 730,271
LIABILITIES AND UNITHOLDERS'/SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,204	\$ 4,029
Accrued payroll and related benefits	6,672	8,881
Accrued interest	14,608	14,136
Other accrued liabilities	15,841	17,419
Current portion of Term Note B, net of discount	52,736	33,589
Total current liabilities	98,061	78,054
Long-term liabilities:		
Deferred taxes	10,983	19,700
Subordinated Notes, net of discount	240,257	241,037
Term Note B, net of discount—less current portion	211,607	174,749
Other liabilities	1,250	2,955
Total long-term liabilities	464,097	438,441
Redeemable preferred stock of Brence	119	—
Commitments and contingencies		
Unitholders'/shareholders' equity:		
Class A Preferred Units—an unlimited number authorized, none issued or or outstanding	—	—
Class B Preferred Units—an unlimited number authorized, 252,367.50 units issued and outstanding at December 31, 2002 and December 31, 2003; liquidation preference of \$252,367	252,367	252,367
Common Units—an unlimited number authorized, 89,099,099 and 90,505,405 units issued at December 31, 2002 and December 31, 2003, respectively and 88,828,859 and 90,505,405 outstanding at December 31, 2002 and December 31, 2003, respectively	2,967	120,351
Common stock of Brence—\$.01 par value, 30,000,000 shares authorized and 72,266 issued and outstanding at December 31, 2002	1	—
Additional paid-in capital of Brence	117,219	—
Notes receivable from stockholders of Brence	(312)	—
Accumulated deficit	(101,442)	(159,368)
Accumulated other comprehensive income—unrealized gains on investments	—	426
Less cost of treasury units (270,270 and 0 common units at December 31, 2002 and December 31, 2003, respectively)	(9)	—
Total unitholders'/shareholders' equity	270,791	213,776
Total liabilities and unitholders'/shareholders' equity	\$ 833,068	\$ 730,271

See Notes to Consolidated Financial Statements

**SYNIVERSE HOLDINGS, LLC AND PREDECESSOR
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)**

	Predecessor		Successor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002	Period from February 14 to December 31, 2002	Year Ended December 31, 2003
Revenues (including \$122,397, \$15,838, \$1,617 and \$2,313 from affiliates, respectively)	\$ 361,358	\$ 39,996	\$ 296,044	\$ 271,408
Costs and expenses:				
Cost of operations (including \$34,460, \$4,419, \$687 and \$457 from affiliates, respectively)	169,025	20,655	130,364	109,744
Sales and marketing	24,348	2,614	22,706	18,631
General and administrative (including \$4,511, \$443, \$0 and \$0 from affiliates, respectively)	41,245	3,001	42,630	39,881
Provision for (recovery of) uncollectible accounts	2,207	1,340	(693)	466
Depreciation and amortization	15,203	1,464	33,285	37,319
Restructuring	—	—	2,845	2,164
Impairment losses on intangible assets	—	—	—	53,712
	252,028	29,074	231,137	261,917
Operating income	109,330	10,922	64,907	9,491
Other income (expense), net:				
Interest income (including \$2,472, \$221, \$0 and \$0 from affiliates, respectively)	3,903	432	965	768
Interest expense	—	—	(54,105)	(58,128)
Other, net	(80)	(19)	(275)	—
	3,823	413	(53,415)	(57,360)
Income (loss) from continuing operations before provision for income taxes	113,153	11,335	11,492	(47,869)
Provision for income taxes	43,895	4,418	9,320	10,057
Income (loss) from continuing operations	69,258	6,917	2,172	(57,926)
Discontinued operations:				
Loss from discontinued operations (including loss on disposal of \$312, net of income taxes of \$0)	—	—	(1,541)	—
Net income (loss)	69,258	6,917	631	(57,926)
Preferred unit dividends	—	—	(22,952)	(28,581)
Net income (loss) attributable to common shareholders/unitholders	\$ 69,258	\$ 6,917	\$ (22,321)	\$ (86,507)

See Notes to Consolidated Financial Statements

SYNIVERSE HOLDINGS, LLC AND PREDECESSOR
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS'/SHAREHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)

	Class A Preferred Units	Class B Preferred Units	Common Units	Common Stock	Additional Paid-In Capital	Retained Earnings/ (Accumulated Deficit)	Treasury Units	Notes Receivable from Brience Stockholders	Accumulated Other Comprehensive Income (Loss)	Total
PREDECESSOR										
Balance at December 31, 2000	\$ —	\$ —	\$ —	\$ 1	\$ 100,614	\$ 17,038	\$ —	\$ —	\$ (346)	\$ 117,307
Net income	—	—	—	—	—	69,258	—	—	—	69,258
Dividends declared	—	—	—	—	—	(33,750)	—	—	—	(33,750)
Tax benefit from exercise of stock options	—	—	—	—	289	—	—	—	—	289
Balance at December 31, 2001	—	—	—	1	100,903	52,546	—	—	(346)	153,104
Net income	—	—	—	—	—	6,917	—	—	—	6,917
Dividends declared	—	—	—	—	—	(26,514)	—	—	—	(26,514)
Tax benefit from exercise of stock options	—	—	—	—	3	—	—	—	—	3
Balance at February 13, 2002	\$ —	\$ —	\$ —	\$ 1	\$ 100,906	\$ 32,949	\$ —	\$ —	\$ (346)	\$ 133,510
SUCCESSOR										
Balance at February 14, 2002	\$ —	\$ 252,367	\$ 2,967	\$ 1	\$ 117,219	\$ (102,073)	\$ —	\$ (312)	\$ —	\$ 270,169
Net income	—	—	—	—	—	631	—	—	—	631
Cost of treasury units (270,270 common units)	—	—	—	—	—	—	(9)	—	—	(9)
Balance, December 31, 2002	—	252,367	2,967	1	117,219	(101,442)	(9)	(312)	—	270,791
Net loss	—	—	—	—	—	(57,926)	—	—	—	(57,926)
Other comprehensive income – unrealized gains on investments	—	—	—	—	—	—	—	—	426	426
Comprehensive income	—	—	—	—	—	—	—	—	—	(57,500)
Issuance of common units	—	—	47	—	—	—	—	—	—	47
Acquisition of Brience, Inc. in common control merger	—	—	117,337	(1)	(117,219)	—	—	312	—	429
Cost of treasury units (270,270 common units)	—	—	—	—	—	—	9	—	—	9
Balance, December 31, 2003	\$ —	\$ 252,367	\$ 120,351	\$ —	\$ —	\$ (159,368)	\$ —	\$ —	\$ 426	\$ 213,776

See Notes to Consolidated Financial Statements

**SYNIVERSE HOLDINGS, LLC AND PREDECESSOR
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)**

	Predecessor		Successor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002	Period from February 14 to December 31, 2002	Year Ended December 31, 2003
Cash flows from operating activities				
Net income (loss)	\$ 69,258	\$ 6,917	\$ 631	\$ (57,926)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	15,203	1,464	41,962	49,265
Provision for (recovery of) uncollectible accounts	2,207	1,340	(693)	466
Deferred income tax benefit (expense)	(4,748)	(586)	8,873	10,458
Pension and other employee retirement benefits	3,861	546	—	—
Deferred charges	—	—	—	(2,000)
Gain on forgiveness of debt	—	—	—	(1,250)
Loss on disposition of property	—	—	1,472	327
Impairment losses on intangible assets	—	—	—	53,712
Changes in operating assets and liabilities:				
Accounts receivable	30,498	14,682	7,475	(6,644)
Other current assets	3,912	(1,641)	(1,814)	1
Accounts payable	(7,146)	2,732	(4,350)	(1,874)
Other current liabilities	18,236	(24,269)	6,602	(254)
Other assets	—	—	(393)	1,130
Other liabilities	—	—	—	2,955
Net cash provided by operating activities	131,281	1,185	59,765	48,366
Cash flows from investing activities				
Capital expenditures	(10,406)	(606)	(12,278)	(18,280)
Acquisition of Softwright Holdings Limited net of cash acquired	—	—	—	(603)
(Increase) decrease in note receivable—affiliate	(89,425)	35,387	—	—
Net cash provided by (used in) investing activities	(99,831)	34,781	(12,278)	(18,883)
Cash flows from financing activities				
Dividends paid	(33,750)	(11,250)	—	—
Debt issue fees paid	—	—	—	(1,683)
Excess cash received at purchase date	—	—	1,884	—
Principal payments on long-term debt	—	—	(15,641)	(62,059)
Retirement of short-term debt	—	—	(30,430)	—
Issuance of common units	—	—	—	65
Repurchase of common units	—	—	(9)	(9)
Notes receivable from stockholders of Briençe	—	—	—	312
Net cash used in financing activities	(33,750)	(11,250)	(44,196)	(63,374)
Net increase (decrease) in cash	(2,300)	24,716	3,291	(33,891)
Cash at beginning of period	2,584	284	38,899	42,190
Cash at end of period	\$ 284	\$ 25,000	\$ 42,190	\$ 8,299
Supplemental cash flow information				
Interest paid	\$ —	\$ —	\$ 30,187	\$ 46,152
Income taxes paid	24,019	22,554	1,605	—
Supplemental non-cash transactions				
Note receivable of \$63,525 and accrued liabilities of \$48,261 distributed as dividend to stockholder	—	15,264	—	—
Reduction of goodwill and restructuring reserve accrual	—	—	666	284
Acquisition of Briençe with 100,000 common units of LLC	—	—	—	3

See Notes to Consolidated Financial Statements

**SYNIVERSE HOLDINGS, LLC AND PREDECESSOR
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)**

1. Description of Business

We are a global communications technology company specializing in innovative business and network engineering solutions that manage and interconnect voice and data systems throughout the world. Our services include transaction-based technology interoperability, network, number portability and call processing services that simplify the interconnection and management of complex voice and data networks. We address technology interoperability complexities as the largest clearinghouse in the United States for the billing and settlement of wireless roaming telephone calls, with an estimated market share of approximately 60% in 2003 based on wireless subscribers. We also own one of the largest unaffiliated Signaling System 7 (SS7) networks in the United States. SS7 is the telecommunication industry's standard network signaling protocol used by nearly all carriers to enable the setup and delivery of wireless and wireline telephone calls. Our network services also allow our customers to access intelligent network services and monitor network performance and subscriber activity on a real-time basis. In addition, we are the industry's leading developer and provider of call processing solutions that enable seamless regional, national and international wireless roaming telephone service.

On March 1, 2004, we changed our corporate name from TSI Telecommunication Holdings, LLC to Syniverse Holdings, LLC. In addition, we changed the names of each of our subsidiaries, as detailed in Note 2 below.

2. Summary of Significant Accounting Policies

Basix of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Syniverse Holdings, LLC (Syniverse LLC, formerly TSI Telecommunication Holdings LLC), Syniverse Holdings, Inc. (Syniverse Inc., formerly TSI Telecommunication Holdings Inc.), Syniverse Technologies, Inc. (Syniverse, formerly TSI Telecommunication Services Inc.), Syniverse Finance, Inc. (Syniverse Finance, formerly TSI Finance Company), Syniverse Networks, Inc. (Syniverse Networks, formerly TSI Telecommunication Networks Inc.), Syniverse Technologies, BV (formerly TSI Telecommunication Services, BV), for periods beginning on and after February 14, 2002, Syniverse Brence, LLC (Syniverse Brence, formerly TSI Brence, LLC) and Softwright Holdings Limited (Softwright). References to "the Company" or "we" include all of the consolidated companies. All significant intercompany balances and transactions have been eliminated.

Syniverse, previously known as GTE Telecommunication Services, Inc., was incorporated in 1987, as an indirect wholly owned subsidiary of GTE Corporation (GTE). As a result of the merger of Bell Atlantic Corporation (Bell Atlantic) and GTE in June 2000, Syniverse became an indirect wholly owned subsidiary of Verizon Communications Inc. (Verizon). The merger of Bell Atlantic and GTE was accounted for as a pooling of interests business combination. Accordingly, references to affiliates and related parties include Verizon and its predecessor companies for all periods presented.

On February 14, 2002, Syniverse Inc. acquired all of the outstanding stock of Syniverse from Verizon Information Services Inc, a subsidiary of Verizon Communications Inc. (collectively, Verizon). A majority of the common and preferred units issued by Syniverse LLC at the acquisition date and outstanding at December 31, 2002 and 2003 are owned by certain funds or individuals affiliated with GTCR Golder Rauner, LLC (GTCR), a private equity investment fund. As of February 14, 2002, Verizon is no longer an affiliate or related party.

As described more fully in Note 5, Syniverse LLC acquired Brence, Inc. (Brence) in July 2003. Due to common control of both Syniverse LLC and Brence since February 14, 2002 by funds associated with GTCR, the acquisition was accounted for in a manner similar to a pooling of interests. Therefore, all historical financial statements of Syniverse LLC since that date have been restated herein to include Brence's historical financial results.

As described more fully in Note 6, Syniverse LLC acquired Softwright Holdings Limited on December 19, 2003. The acquisition was accounted for using the purchase method of accounting.

The term "successor" refers to Syniverse Holdings, LLC (Syniverse LLC) and all of its subsidiaries, including Syniverse, following the acquisition of Syniverse on February 14, 2002. The term "predecessor" refers to Syniverse prior to being acquired by Syniverse Inc. on February 14, 2002.

[Table of Contents](#)

Use of Estimates

We prepare our financial statements using accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

We derive revenues from five primary categories: Network Services, Number Porting Services, Technology Interoperability Services, Call Processing Services, and Other Outsourcing Services. The revenue recognition policy for each of these areas is as follows:

- **Network Services** primarily generate revenue by charging per-transaction processing fees, circuit fees and port fees. The monthly SS7 connection fee is based on the number of links as well as the number of switches to which a customer signals and is recognized in the period when the service is rendered. The per-transaction fees are based on the number of subscriber events and database queries made through our network and are recognized as revenues at the time the transactions are performed. Software revenues are generated through license fees, maintenance agreements and professional services. License fee revenues consist principally of revenue from the licensing of our software and are generally recognized when a contract is executed, all delivery obligations have been met, the fee is fixed or determinable, and collectibility is probable. Generally, these policies have resulted in our recognition of revenue from the software license fee on a straight-line basis over the period beginning with the completion of implementation and customer acceptance and ending with conclusion of the first maintenance period. Maintenance agreements call for us to provide technical support and software enhancements to customers. Revenue on technical support and software enhancement rights is recognized ratably over the term of the support agreement. Professional services include consulting, training and installation services to our customers. Revenue from such services is generally recognized on a straight-line basis over the same period as the software license fee.
- **Number Porting Services** primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We defer revenues related to customer implementations, and recognize these fees on a straight-line basis over the life of the initial customer agreements. We recognize processing revenues at the time the transactions and services are performed.
- **Technology Interoperability Services** primarily generate revenues by charging per-transaction processing fees. For our wireless roaming, wireline and SMS clearinghouse services, revenues vary based on the number of data/messaging records provided to us by telecommunications carriers for aggregation, translation and distribution among carriers. These revenues are based on the number of wireless roaming subscriber telephone calls and messages that take place on our customers' networks. We recognize revenues at the time the transactions are performed.
- **Call Processing Services** primarily generate revenue by charging per-transaction processing fees and software licensing fees. The per-transaction fee is based on the number of validation, authorization, and other call processing messages generated by wireless subscribers. These revenues are recognized at the time the transactions are performed. We provide turnkey software solutions for which we charge customers a software licensing fee. For turnkey software, we recognize revenue when accepted by the customer.
- **Other Outsourcing Services** primarily generate revenue by charging per-subscriber fees. We recognize revenues at the time the service is performed.

Due to our billing cycles, which for some products lag as much as 60 days after services are rendered, we estimate the amounts of unbilled revenue each reporting period.

Advertising Costs

We expense advertising costs as they are incurred. Advertising costs charged to expense amounted to \$186, \$22, \$217 and \$108 for the year ended December 31, 2001, the periods from January 1, 2002 to February 13, 2002, and February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, respectively.

[Table of Contents](#)

Research and Development

Research and development costs are charged to expense as incurred. Research and development costs which are included in general and administrative expense in the consolidated statements of operations amounted to \$26,658, \$2,527, \$22,494, and \$15,616 for the year ended December 31, 2001, the periods from January 1, 2002 to February 13, 2002, and February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, respectively.

Stock-Based Compensation

We participated in stock-based employee compensation plans sponsored by Verizon for the periods ending 2000, 2001 and the period from January 1, 2002 to February 13, 2002. We participated in a stock-based employee compensation plan sponsored by Brence for the period from February 14, 2002 to December 31, 2002.

On May 16, 2002, Syniverse Inc.'s Board of Directors adopted a Founders' Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc. In addition, the Board of Directors adopted a Directors' Stock Option Plan on August 2, 2002.

We account for these plans and related grants there under using the intrinsic value method prescribed in APB Opinion No. 25, *Accounting for Stock Issued to Employees*. However, pro forma information regarding net income and earnings per share as required by Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation*, (SFAS 123) is determined as if we had accounted for our employee and non-employee director stock options under the fair value method of SFAS 123. Pro forma fair value method amounts are not materially different from the intrinsic value method and hence are not disclosed.

Employee Benefit Plans

We participated in Verizon benefit plans in 2001, and the period from January 1, 2002 to February 13, 2002. Under these plans, pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations were accrued currently. Prior service costs and credits resulting from changes in plan benefits were amortized over the average remaining service period of the employees expected to receive benefits.

Cash

We consider all highly liquid investments of operating cash with original maturities of three months or less to be a cash or cash equivalent. Cash and cash equivalents include money market funds, commercial paper and various deposit accounts and are stated at cost, which approximates fair value.

Trade Receivables

Trade receivables are recorded at net realizable value or the amount that we expect to collect on our gross customer trade receivables. We establish a general reserve based on historical experience, in addition to a reserve for specific receivables with known collection problems due to circumstances such as liquidity or bankruptcy. Collection problems are identified using an aging of receivables analysis based on invoice due dates. Items that are deemed uncollectible are written off against the allowance for collection losses. We do not require deposits or other collateral from our customers and hence we are at risk for all accounts receivable.

We charge interest on overdue receivables, but do not recognize interest income until collected. At December 31, 2002 and 2003, accounts receivable includes interest receivable totaling \$2,927 and \$3,900, respectively, related to finance charges to customers, but the entire amount is offset by a contra account.

Income Taxes

Syniverse LLC is treated as partnership for income tax purposes, and accordingly, partnership income or loss is passed through to the unitholders. However, Syniverse LLC owns all of the outstanding stock of Syniverse, Inc. which files a consolidated income tax return with its wholly-owned subsidiaries and therefore the accompanying financial statements include a provision for income taxes related to Syniverse Inc. and its subsidiaries using Statement of Financial Accounting Standards No. 109, *"Accounting for Income Taxes."* Brence, Inc. will file a separate consolidated income tax return for periods prior to its acquisition by Syniverse LLC (see Note 5).

[Table of Contents](#)

Property and Equipment, Net

Property and equipment consist primarily of hardware and software equipment necessary to operate our SS7 network, leasehold improvements and furniture in our headquarter facilities, which are recorded at cost and depreciated using the straight-line method over the estimated remaining lives.

The asset lives used are presented in the following table:

	Average Lives (In Years)
Equipment	5–10
Furniture and fixtures	6
Leasehold improvements	Shorter of term of lease or life of asset

When the depreciable assets are replaced, retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the respective accounts and any gains or losses on disposition are recognized in income.

Betterments, renewals and extraordinary repairs which increase the value or extend the life of the asset are capitalized. Repairs and maintenance costs are expensed as incurred.

Computer Software Costs

We capitalize the cost of internal-use software, which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized computer software costs are amortized using the straight-line method over a period of three years. Amortization of capitalized software costs included in depreciation and amortization in the consolidated statements of income was \$7,186, \$524, \$9,801, and \$11,007 for the periods 2001, January 1, 2002 to February 13, 2002, and February 14, 2002 to December 31, 2002, and December 31, 2003, respectively.

Deferred Financing Costs

We amortize deferred financing costs using the effective interest method and record such amortization as interest expense. Amortization of debt discount and annual commitment fees for unused portions of available borrowings are also recorded as interest expense.

Identifiable Intangible Assets

We amortize identifiable intangible assets with other than indefinite lives over their contractual or estimated useful lives using the straight-line method. As of December 31, 2002 and 2003, accumulated amortization totaled \$13,282 and \$28,545, respectively. There were no identifiable intangible assets prior to February 14, 2002.

Impairment Losses

We evaluate our depreciable and amortizable long-lived assets for impairments under Statement of Financial Accounting Standards No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long Lived Assets*. Consistent with prior guidance, SFAS 144 requires a three-step approach for recognizing and measuring the impairment of assets to be held and used. We recognize impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. Fair value is estimated based on discounted future cash flows. Assets to be sold must be stated at the lower of the assets' carrying amount or fair value and depreciation is no longer recognized. SFAS 144 was adopted on January 1, 2002. Prior to SFAS 144's adoption, we accounted for impairments under Statement of Financial Accounting Standards No. 121 (SFAS 121), *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

Derivatives

Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities (SFAS 133)*, requires companies to recognize all of its derivative instruments as either assets or liabilities in the statement of

[Table of Contents](#)

financial position at fair value. To protect against interest rate risk, we acquired an interest rate cap during the year ended December 31, 2003. Because the interest rate cap did not meet the criteria for hedge accounting, all changes in fair value are immediately recognized in earnings (see Note 14).

Comprehensive income

Accumulated other comprehensive income relates entirely to unrealized gains on available-for-sale securities. Accumulated unrealized gains on available-for-sale securities were \$426 for the year ended December 31, 2003.

Available-for-Sale Securities

Our investments in equity securities are composed of a less than 10% ownership in a small publicly held company, and are categorized as available-for-sale as defined by Statement of Financial Accounting Standards ("SFAS") No. 115, *"Accounting for Certain Investments in Debt and Equity Securities"*. These equity securities are included in other current assets in the accompanying consolidated balance sheets and are recorded at fair value based on quoted market prices. The cost of each equity security is determined primarily on a specific identification method. Unrealized holding gains and losses are reflected, net of income tax, as a separate component of accumulated other comprehensive income (loss). At December 31, 2003 and 2002, available-for-sale securities had a fair value of \$426 and \$0, respectively. Because the cost of these securities had previously been written off due to other-than temporary declines in value, the fair value of these securities reflects unrealized holding gains of \$426 at December 31, 2003.

Segment Reporting

For all periods reported, we operated as a single segment.

Earnings Per Share

We do not present earnings per share since Syniverse LLC's units are not publicly traded and the calculation would be meaningless due to the small number of units outstanding.

Reclassifications

Certain prior year balances have been reclassified to conform to 2003 presentation.

Critical Accounting Estimates

The following summarizes our most significant accounting estimates.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to pay their invoices in full. We regularly review the adequacy of the accounts receivable allowance after considering the size of the accounts receivable balance, each customer's expected ability to pay and our collection history with each customer. We review significant invoices that are past due to determine if an allowance is necessary based on the risk category using the factors described above. In addition, we maintain a general reserve for doubtful accounts by applying a percentage based on the aging category. If our customers' financial conditions or the economy in general deteriorates, we may need to increase these allowances for doubtful accounts.

Credit Memos

We maintain a general reserve based on our historical credit memo activity. In addition, we establish credit memos resulting from specific customer matters. This allowance is recorded as a direct reduction of accounts receivable. If our billing errors or discrepancies are not resolved satisfactorily, or our customers' disputes over billing are not resolved satisfactorily, increases to the allowance would be required.

Impairment

We review long-lived assets including intangibles for impairment when events or changes in circumstances indicate the

Table of Contents

carrying value of such assets may not be recoverable and will review goodwill and intangibles at least annually for impairment. We also evaluate the useful life of assets periodically. The review consists of a comparison of the carrying value of the assets with the assets' expected future undiscounted cash flows without interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, asset write-downs may be required. Management will continue to evaluate overall industry and company specific circumstances and conditions as necessary.

Restructuring

We have made estimates of the costs to be incurred as a part of our initial restructuring plan arising from our acquisition. These amounts were accrued as a part of our purchase accounting adjustments. These estimates include the amount of severance and other costs expected to be paid between April 2002 and the first quarter of 2003. We have also made estimates of the costs to be incurred as a part of our August 29, 2002, February 28, 2003, and July 2003 restructurings. These estimates relate to severance related costs expected to be incurred between August 2002 and November 2003. The payments related to these restructurings were completed in 2003.

Purchase Accounting

We have made estimates of the fair values of the assets acquired as of February 14, 2002 based on appraisals from third parties and also based on certain internally generated information. We have made similar estimates of the fair values of the assets acquired as of December 19, 2003 as part of our purchase of Softwright based on internally prepared analyses. In addition, we have estimated the economic lives of certain of these assets and these lives were used to calculate depreciation and amortization expense.

Income Taxes

We review our deferred tax assets on a regular basis to evaluate their recoverability based on projections of the turnaround timing of our deferred tax liabilities, projections of future taxable income, and tax planning strategies that we might employ to utilize such assets, including net operating loss carryforwards. Unless it is "more likely than not" that we will recover such assets through the above means, we establish a valuation allowance. The effective tax rate differs from the statutory tax rate due primarily to the pooling of Brience's results, impairment losses on intangible assets, and to a lesser extent to state and local taxes. Brience had incurred net operating losses since inception and hence was unable to recognize the benefit of these losses in its financial statements' tax provision. As a result of a review undertaken at December 31, 2003, we concluded that it was appropriate to establish a full valuation allowance for our deferred tax assets.

3. Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 "*Consolidation of Variable Interest Entities.*" This interpretation of Accounting Research Bulletin No. 51, "*Consolidated Financial Statements,*" (FIN 46) addresses consolidation by business enterprises of variable interest entities. Under current practice, two enterprises generally have been included in consolidated financial statements because one enterprise controls the other through voting interests. This interpretation defines the concept of "variable interests" and requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks among the parties involved. This interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. Nonpublic entities with an interest in an entity that is subject to this Interpretation and that is created after December 31, 2003, shall apply this Interpretation to that entity immediately. Nonpublic enterprises shall apply this Interpretation to all entities that are subject to this Interpretation by the beginning of the first annual period beginning after December 15, 2004. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when this interpretation becomes effective, the enterprise shall disclose information about those entities in all financial statements issued after January 31, 2003. The interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. We do not believe that FIN 46 has any impact on our financial statements currently. However, if we enter into certain types of transactions in the future, including special purpose entities, then consolidation of that entity might be required.

In April 2003, the FASB issued Statement No. 149, "*Accounting for Amendment of Statement 133 on Derivative Instruments and Hedging Activities,*" (SFAS 149). The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This Statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this statement has not had a material impact on our financial statements.

[Table of Contents](#)

In May 2003, the FASB issued Statement No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,” (SFAS 150). This statement establishes standards for how an issuer classifies and measures financial instruments with characteristics of both liabilities and equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of this statement has not had a material impact on our financial statements.

4. Acquisition of Syniverse

On February 14, 2002, Syniverse Inc. acquired Syniverse by merging its wholly owned subsidiary, TSI Merger Sub, Inc., with and into Syniverse (the “acquisition”). Pursuant to the merger agreement, Verizon Information Services Inc. received merger consideration equal to \$770,000 in cash. Fees and expenses of approximately \$37,300 were paid. A working capital adjustment of \$1,400 was paid to Verizon in May 2002. Syniverse Inc. is a corporation formed by Syniverse LLC, which is owned by GTCR Fund VII, L.P., certain of its affiliates and co-investors, G. Edward Evans (Syniverse’s chief executive officer) and certain other members of Syniverse’s management. Syniverse is a leading provider of mission-critical transaction processing services to wireless telecommunications carriers throughout the world. As a result of the acquisition, the ultimate Parent expects to increase market share due to independence from Verizon.

The acquisition was funded as follows:

Equity contribution	\$ 255,335
Cash held by Syniverse	25,000
Working capital adjustment paid in May 2002	1,400
Acquisition fees and expenses paid after closing using cash generated from operations	6,948
Senior credit facility	
Revolving credit facility	5,430
Term loan, net of discount	275,000
Senior Notes, net of discount	239,570
	\$ 808,683

The following table summarizes the fair values of the assets acquired and liabilities assumed at February 14, 2002, the date of the acquisition.

Cash and other current assets	\$ 92,499
Property and equipment	35,049
Intangible assets not subject to amortization –	
Trademarks	51,700
Intangible assets subject to amortization—(19 year weighted-average useful life)	
Software (11 year weighted-average useful life)	78,532
Contracts (4 year weighted-average useful life)	17,400
Customer Base (20 year weighted-average useful life)	216,600
Deferred financing costs	19,269
Goodwill	330,559
Total assets acquired	841,608
Current liabilities, excluding long-term debt	(62,940)
Restructuring	(3,333)
Long-term debt	(520,000)
Total liabilities assumed	(586,273)
Net assets acquired	\$ 255,335

The acquisition was accounted for as a purchase in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and EITF 88-16, *Basis in Leveraged Buyout Transactions*.

The purchase accounting adjustments have been recorded in the condensed consolidated balance sheet as of February 14, 2002 and are reflected in all periods subsequent to February 13, 2002. The excess purchase price we paid over the fair market value of the tangible assets and liabilities of Syniverse as of the date of the

[Table of Contents](#)

acquisition was approximately \$330,559 and is reflected as goodwill in the accompanying condensed consolidated balance sheet. The purchase price resulted in the recognition of goodwill due to additional value attributable to Syniverse's market share, enterprise product development capabilities and management team.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, the new intangible asset balance has been allocated between identifiable intangible assets and remaining goodwill. Goodwill will not be amortized, but is subject to an ongoing assessment for impairment. As a part of the transactions, we have elected for income tax purposes to treat the acquisition as an asset purchase resulting in a step-up in tax basis equal to the new book basis. As a result, all deferred taxes were eliminated in purchase accounting. Goodwill is being deducted for tax purposes over a 15-year period beginning February 14, 2002.

The unaudited pro forma results presented below include the effects of the acquisition as if it had been consummated at the beginning of year and the period prior to acquisition. Pro forma adjustments arise due to the asset revaluation and debt incurred. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated at the beginning of the year prior to acquisition.

	Predecessor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002
Pro Forma:		
Revenues	\$361,358	\$ 39,996
Net income	25,464	1,133
Net income (loss) attributable to common unitholders	\$ 227	\$ (1,909)

5. Acquisition of Brience

On July 23, 2003, we acquired Brience by merging Brience with and into Syniverse Brience, a newly formed wholly owned subsidiary of Syniverse Networks with Syniverse Brience continuing as the surviving entity and a wholly owned subsidiary of Syniverse Networks. Historically, Brience developed and sold information access and integration software products to large enterprises. At the time of the merger, however, Brience's business was limited to selling and servicing its Mobile Processing Server product.

As a result of the merger, each share of Series C Preferred Stock of Brience outstanding as of the effective time of the merger was converted into a right to receive a pro rata share of 1.67 shares of Class B Common Stock, par value \$.01 per share (the "merger consideration"), of Syniverse Networks, under the terms and subject to the conditions set forth in the merger agreement. All other outstanding classes of stock of Brience were canceled and retired with no right to payment under the terms of the merger agreement. Concurrent with the merger, the holders of Series C Preferred Stock other than GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. entered into an exchange agreement with Syniverse LLC pursuant to which such parties (the "exchanging parties") exchanged all of the merger consideration received by the exchanging parties in the merger in exchange for a pro rata portion of 19,775.01 Common Units of Syniverse LLC. Also concurrent with the merger, GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. (the "investors") entered into a contribution agreement pursuant to which the investors agreed to contribute to Syniverse LLC all of the merger consideration received by the investors in the merger in exchange for a pro rata portion of 80,224.99 Common Units of Syniverse LLC.

At the time of the merger, GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. collectively were majority owners of Brience and owned approximately 64% of the outstanding common stock of Brience on a fully diluted basis. GTCR Fund VII, L.P. and GTCR Co-Invest, L.P. collectively own approximately 52% of the outstanding common units of Syniverse LLC and their affiliate, GTCR Fund VII/A, L.P., owns approximately 26% of the common units of Syniverse LLC. Since funds associated with GTCR had a controlling interest in both Brience and Syniverse LLC at the time of the merger, the transaction is accounted for as a combination of entities under common control, similar to a pooling of interests, whereby the assets and liabilities of Brience were combined at their historical amounts as of the date that GTCR had control of both entities (February 14, 2002). For historical accounting purposes, the historical financial results of Brience have only been combined for the periods during which Syniverse LLC and Brience were under common control of funds associated with GTCR. Accordingly, our historical consolidated financial statements have been restated to include the financial results of Brience beginning on the date when funds associated with GTCR had common control of both entities (February 14, 2002). For the minority interest of Brience not owned by GTCR affiliates at the time of the combination, purchase accounting has been applied. However, the effects of the fair value adjustments relating to this purchase accounting were deemed to be insignificant, and therefore, recorded at zero for purposes of these financial statements.

[Table of Contents](#)

The accompanying financial statements for the period beginning February 14, 2002 have been restated to give effect to the combination, accounted for similar to a pooling of interests.

6. Acquisition of Softwright Holdings Limited

On December 19, 2003, we acquired for cash the outstanding stock of Softwright Holdings Limited. Softwright develops licensed software products and services for mobile operators and enterprise customers in Europe. Softwright's product portfolio focuses on number portability, technical support and hosting services, and other advanced technology solutions. Pursuant to the purchase agreement, we paid consideration equal to \$775 in cash including acquisition costs of \$156. Preliminary estimates of the fair value of liabilities assumed in connection with the acquisition totaled approximately \$1,268. Total assets, which were recorded at preliminary estimates of fair value, related to the acquisition were approximately \$2,043, including goodwill of approximately \$704, customer contracts of \$520 and capitalized software of \$273. The acquisition was accounted for as a purchase in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," and is included in our results of operations from the date of the acquisition.

Under the terms of the acquisition agreement, we agreed to make an additional payment not to exceed 2.0 million British pounds to the former owners of the acquired company no later than March 31, 2005 if this operation achieves a certain pre-determined profitability as measured by EBITDA (earnings before interest, taxes, depreciation and amortization). No amounts have been accrued for this additional earn-out as of December 31, 2003.

7. Concentration of Business

Financial instruments that subject us to concentrations of credit risk are limited to our trade receivables from major customers. We generated revenues from services provided to Verizon and its predecessors of \$122,397, \$15,838, \$87,989, and \$62,866 for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, respectively. No other customer represented more than 10% of revenues in the year ended December 31, 2001, the periods from January 1, 2002 to February 13, 2002, and February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, although a significant amount of our remaining revenues was generated from services provided to a small number of other wireless providers.

8. Fair Value of Financial Instruments

Cash, receivables, accounts payable and revolving line of credit are reflected in the financial statements at their carrying value, which approximate their fair value due to the short maturity.

Available-for-sale securities are carried at fair value based on quoted market prices and are included in other current assets in the accompanying consolidated balance sheets. The cost of each equity security is determined primarily on a specific identification method. Unrealized holding gains and losses are reflected, net of income tax, as a separate component of accumulated other comprehensive income (loss). At December 31, 2003 and 2002, available-for-sale securities had a fair value of \$426 and \$0, respectively. Because the cost of these securities had previously been written off due to other-than temporary declines in value, the fair value of these securities reflects unrealized holding gains of \$426 at December 31, 2003.

The estimated fair values of our Term Note B and Subordinated Notes are based on prices prevailing in the market.

The carrying amounts and fair values of our long-term debt as of December 31, 2002 and 2003 are as follows:

	December 31, 2002		December 31, 2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Note B	\$264,343	\$258,850	\$208,338	\$216,005
Subordinated Notes	240,257	218,050	241,037	268,581

9. Property and Equipment

Property and equipment, net consist of the following:

	December 31, 2002	December 31, 2003
Equipment	\$ 42,042	\$ 49,700
Furniture and fixtures	1,630	2,314
Leasehold improvements	1,707	1,699
	45,379	53,713
Accumulated depreciation and amortization	(11,651)	(20,165)
Total	\$ 33,728	\$ 33,548

Depreciation expense related to property and equipment was \$8,017, \$940, \$10,201 and \$11,049 for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, respectively.

10. Capitalized Software

Capitalized software development costs, net consist of the following:

	December 31, 2002	December 31, 2003
Software	\$ 83,712	\$ 87,958
Accumulated depreciation and amortization	(9,798)	(20,305)
Total	\$ 73,914	\$ 67,653

We recognized impairment charges of \$2.7 million in 2003 primarily related to the discontinuation of prepaid wireless services. The carrying value was determined by discounted cash flow analysis. These impairment charges are classified in the caption "Impairment losses on intangible assets" in the consolidated statement of operations.

Amortization expense related to capitalized software was \$7,186, \$524, \$9,801 and \$11,007 for the year ended December 31, 2001, the period from January 1, 2002 to February 13, 2002, the period from February 14, 2002 to December 31, 2002, and the year ended December 31, 2003, respectively.

[Table of Contents](#)

11. Identifiable Intangible Assets

Identifiable intangible assets consist of the following:

	December 31, 2002	December 31, 2003
Indefinite lived intangible assets		
Trademark	\$ 51,700	\$ 685
Definite lived intangible assets		
Customer contracts	17,400	17,920
Less accumulated amortization	(3,806)	(8,215)
Customer contract, net	13,594	9,705
Customer base	216,600	216,600
Less accumulated amortization	(9,476)	(20,330)
Customer base, net	207,124	196,270
Total intangibles	\$ 272,418	\$ 206,660

On March 1, 2004, we announced the re-naming and re-branding of our company as Syniverse Technologies, Inc. Our new name will enable us to establish a stronger brand and identity in the marketplace. As a result, we recognized an impairment loss of \$51,015 related to the TSI Telecommunication Services Inc. trademark. The carrying value of the remaining trademark intangible was determined by discounted cash flow analysis. The remaining intangible of \$685 will be amortized in the first quarter of 2004. The impairment charge is classified in the caption "Impairment losses on intangible assets" in the consolidated statement of operations.

Definite lived intangible assets are amortized over their useful lives, which are 4 years for the Verizon contract and 20 years for customer base. Amortization expense related to identifiable intangibles was \$13,282 and \$15,263 for the period from February 14, 2002 to December 31, 2002 and for the year ended December 31, 2003, respectively. Expected amortization expenses for each of the next five years are the following: 2004—\$15,366, 2005—\$15,366, 2006—\$11,325, 2007—\$10,958, and 2008—\$10,958.

12. Leasing Arrangements

We lease certain facilities, equipment and an aircraft for use in our operations, all of which are operating leases. Total rent expense under operating leases amounted to \$3,087 in 2001, \$394 for the period January 1, 2002 to February 13, 2002, \$5,763 for the period February 14, 2002 to December 31, 2002, and \$5,809 in 2003. These leases contain various renewal options that could extend the terms of the leases beyond 2009.

Effective March 1, 2002, we entered into an operating lease for the use of an executive aircraft. The lease is for seven years, ending March 1, 2009, and requires monthly payments plus actual expenses for maintenance, fuel and other usage related charges. We have an option to purchase the aircraft 36 months after the commencement date of the lease at a price of \$6,650. Our CEO and one of his affiliates is entitled to use the aircraft and an affiliate entity owned by the CEO will pay 25% of the monthly lease and other fixed costs for the aircraft and will reimburse us for all operating costs of the aircraft in connection with such use. Effective January 1, 2003, our CEO is required to pay for the actual use of the aircraft related to the affiliate entity. As of December 31, 2002 and 2003, \$274 and \$159, respectively, was owed to us under this arrangement. These amounts have been paid. Amounts incurred, net of the estimated amount due from our CEO, are included in rent expense above.

As of December 31, 2003, the aggregate future minimum lease commitments under all of these leases are as follows:

Year ended December 31, 2004	\$ 5,722
Year ended December 31, 2005	5,425
Year ended December 31, 2006	4,771
Year ended December 31, 2007	1,516
Year ended December 31, 2008	1,052
Thereafter	262
	\$18,748

[Table of Contents](#)

13. Debt

As a part of the financing of the acquisition described in Note 4 above, Syniverse entered into various debt agreements all of which are guaranteed by Syniverse LLC, Syniverse Inc., Syniverse Finance and Syniverse Networks. The following are the amounts outstanding at December 31, 2002 and 2003:

	December 31, 2002	December 31, 2003
Term note due December 2006, interest payable quarterly, principal payable quarterly beginning September 2002 – net of discount of \$13,990 and \$7,937, respectively (a)	264,343	208,338
\$245,000 Senior Notes due February 2009, bearing interest at 12.75%, interest payable semi-annually beginning August 2002, principal payable upon maturity – net of discount of \$4,743 and \$3,963, respectively (b)	240,257	241,037
Total	504,600	449,375
Less current portion	(52,736)	(33,589)
Long-term debt	\$ 451,864	\$ 415,786

(a) The senior credit facility provides for aggregate borrowings by Syniverse of up to \$328,333 maturing December 2006 (with net proceeds to us on February 14, 2002 of up to \$310,000) as follows:

- a revolving credit facility of up to \$35,000 in revolving credit loans and letters of credit; available for general corporate purposes including working capital, capital expenditures and acquisitions (funding for acquisitions from the revolving credit facility is limited to an aggregate amount of \$15,000. The outstanding balance of the revolving line of credit is \$0 as of December 31, 2002 and 2003; and
- a term loan B facility of \$293,333 in term loans. Principal outstanding as of December 31, 2003 and 2002 was \$216,275 and \$278,333, respectively.

The revolving line of credit and the term note each bear interest at variable rates, at Syniverse's option:

- a base rate generally defined as the sum of (i) the higher of (x) the prime rate (as quoted on the British Banking Association Telerate Page 5) and (y) the federal fund effective rate, plus one half percent (0.50%) per annum and (ii) an applicable margin (initially 3.50%); or
- a LIBOR rate generally defined as the sum of (i) the rate at which eurodollar deposits for one, two, three or six months and, if available to the lenders under the applicable credit facility, nine or twelve months (as selected by Syniverse) are offered in the interbank eurodollar market and (ii) an applicable margin (initially 4.50%).
- In March 2003, we entered into an interest rate protection agreement that effectively caps the LIBOR exposure of \$100 million of our senior credit facility at 3.0% for a period of two years. As a result of this interest rate protection agreement, approximately 75% of funded debt now bears interest that is effectively fixed as to rate.

The term loan B facilities are subject to equal quarterly installments of principal as set forth in the table below:

Year	Term Loan B
2004	\$ 37,222
2005	44,026
2006	135,027
Total	\$ 216,275

Table of Contents

Voluntary prepayments of principal outstanding under the revolving loans are permitted at any time without premium or penalty, upon the giving of proper notice. In addition, Syniverse is required to prepay amounts outstanding under the senior credit facility in an amount equal to:

- 100% of the net cash proceeds from any sale or issuance of equity by Syniverse LLC or any of its direct or indirect subsidiaries, subject to certain baskets and exceptions;
- 100% of the net cash proceeds from any incurrence of additional indebtedness (excluding certain permitted debt);
- 100% of the net cash proceeds from any sale or other disposition by Syniverse LLC, or any of its direct or indirect subsidiaries of any assets, subject to certain reinvestment provisions and excluding certain dispositions in the ordinary course; and
- 100% of excess cash flow prior to March 11, 2004 and 75% thereafter, as defined, for each fiscal year. At December 31, 2002 and 2003, we have classified \$37,725 and \$2,979, respectively, as current representing the excess cash flow prepayment required, as described above.

In addition, any prepayment of the term loan B facility (other than from excess cash flow) shall be accompanied by a prepayment premium equal to 2.00% of the principal amount of such prepayment (if such prepayment is made on or prior to the first anniversary of the closing date) and 1.00% of the principal amount of such prepayment (if such prepayment is made after the first anniversary of the closing date and through the second anniversary of the closing date).

Syniverse is required to pay a commitment fee on the difference between committed amounts and amounts actually utilized under the revolving credit facility, which is 0.50% per annum. We incurred \$149 and \$178 in commitment fees in the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, respectively.

Under the terms of the senior credit facility at least 45% of our funded debt must bear interest that is effectively fixed. To that extent, we may be required to enter into interest rate protection agreements establishing a fixed maximum interest rate with respect to a portion of our total indebtedness. As of December 31, 2002 and 2003, we were not required to enter into interest rate protection agreements.

The loans and other obligations under the senior credit facility are guaranteed by Syniverse LLC, Syniverse Inc., and each of Syniverse LLC's direct and indirect subsidiaries (other than certain foreign subsidiaries).

Our obligations under the senior credit facility and the guarantees are secured by:

- a perfected first priority security interest in all of our tangible and intangible assets and all of the tangible and intangible assets of Syniverse LLC and each of its direct and indirect subsidiaries, subject to certain customary exceptions, and
- a pledge of (i) all of the capital stock of Syniverse Inc. owned by Syniverse LLC, all of our capital stock and that of any of Syniverse LLC's direct and indirect domestic subsidiaries and (ii) two-thirds of the capital stock of certain first-tier foreign subsidiaries, if any.

On September 25, 2003, we entered into the First Amendment to Credit Agreement (the "First Amendment") with our lenders (Term Note B and Revolving Credit) signatory thereto and Lehman Commercial Paper Inc., as administrative agent for the lenders (the "Agent"). The First Amendment amends our senior credit facility covenants by (i) increasing the maximum consolidated leverage and consolidated senior debt ratios, (ii) reducing the minimum consolidated interest coverage ratios beginning with the third and fourth fiscal quarters of 2003 and the four fiscal quarters of 2004, 2005 and beyond and (iii) reducing the minimum consolidated fixed charge coverage ratio. In addition, the First Amendment increases the permitted level of capital expenditures for fiscal years 2004 and 2005. The First Amendment also evidences the agreement of the lenders that, notwithstanding any contrary accounting treatment under GAAP necessitated by the acquisition of Brience on July 23, 2003, the consolidated net income and consolidated EBITDA of Brience prior to July 23, 2003 will be excluded from any determination of consolidated net income or consolidated EBITDA of Syniverse LLC and its subsidiaries for purposes of our senior credit facility.

Table of Contents

On March 11, 2004, we entered into the Second Amendment (the “Second Amendment”) with our lenders (Term Loan B and Revolving Credit) signatory thereto and Lehman Commercial Paper Inc., as administrative agent for the lenders (the “Agent”). The Second Amendment amends our senior credit facility by (i) providing for the incurrence under our senior credit facility of new Additional Tranche B Term Loans, which will refinance, in full, all remaining outstanding Tranche B Term Loans and (ii) reduces the percentage of Excess Cash Flow which must be applied to prepay the loans to 75%. The Applicable Margin with respect to Additional Tranche B Term Loans is 2.5% for Base Rate Loans and 3.5% for Eurodollar Loans.

- (b) The Subordinated Notes are general unsecured obligations of Syniverse, and are unconditionally guaranteed by Syniverse Inc. and Syniverse LLC, and each of the domestic subsidiaries of Syniverse. At any time prior to February 1, 2005, Syniverse may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes issued under the indenture (including additional notes, if any) at a redemption price of 112.75% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, with the net cash proceeds of one or more equity offerings by Syniverse or a contribution to Syniverse’s common equity capital made with the net cash proceeds of a concurrent equity offering by Syniverse Inc. or Syniverse LLC (but excluding any Excluded Capital Contribution, as defined, and any Reserved Contribution, as defined) provided that:
- At least 65% of the aggregate principal amount of notes issued under the indenture (including additional notes, if any) remains outstanding immediately after the occurrence of such redemption; and
 - The redemption occurs within 60 days of the date of the closing of such equity offering.

Except pursuant to the preceding paragraph, the notes will not be redeemable at Syniverse’s option prior to February 1, 2006. After February 1, 2006, Syniverse may redeem all or a part of the notes upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount), set forth below plus accrued and unpaid interest and liquidated damages, if any, on the notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on February 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2006	106.375%
2007	103.188%
2008	100.000%

Syniverse is not required to make mandatory redemption or sinking fund payments with respect to the notes.

The notes contain various other provisions in the event of a change in control or asset sales, and they also contain certain covenants related to dividend payments, equity repurchases, debt repurchases, restrictions on investments, incurrence of indebtedness, issuance of preferred stock, sale and leaseback transactions, and require the maintenance of certain financial conditions related to leverage ratios.

14. Derivatives

The portion of the interest rate associated with our term loan B that is based on the three month LIBOR rate is subject to variability. To protect against interest rate risk, we acquired an interest rate cap agreement during the year ended December 31, 2003. The cap has a term of two years, a notional amount of \$100,000 and provides an interest rate cap of 3%. We paid a premium of \$390 to obtain the cap and any amounts due to us as a result of LIBOR exceeding the strike rate are to be paid quarterly. As of December 31, 2003, the fair value of the cap was \$34, and this is reflected as an asset within other current assets in the accompanying consolidated balance sheet. The decline in fair value associated with the cap has been recorded as interest expense in the income statement for the period ended December 31, 2003.

15. Unitholders’ Interests

The Ultimate Parent is organized as a limited liability company under the laws of Delaware.

The ownership interests in Syniverse LLC consist of Class A Preferred Units, Class B Preferred Units and Common Units. Holders of the Class A Preferred Units and Class B Preferred Units have no voting rights except as required by law. The holders of the Common Units are entitled to one vote per unit on all matters to be voted upon by the unitholders of Syniverse LLC.

[Table of Contents](#)

The Class A Preferred Units are entitled to a cumulative preferred yield of 10.0% per annum, compounded quarterly. Class A Preferred Units may be used as consideration for the repurchase by Syniverse LLC of Class B Preferred Units and Common Units held by members of our management team who cease to be employed by Syniverse LLC, Syniverse Inc. or their respective subsidiaries. At December 31, 2002 and 2003, no Class A Preferred Units were outstanding.

The Class B Preferred Units are entitled to an annual cumulative preferred yield of 10.0%, compounded quarterly. At December 31, 2002 and 2003, there were 252,367.50 of Class B Preferred Units outstanding. For the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, undeclared and unpaid preferred dividends totaled \$22,952 and \$51,535, respectively. These amounts are not recorded as liabilities until declared.

The Common Units represent the common equity of Syniverse LLC. At December 31, 2002 and 2003, there were 88,828,859 and 90,505,405 Common Units outstanding, respectively.

Pursuant to the limited liability company agreement, distributions of property of Syniverse LLC shall be made in the following order:

- First, holders of Class A Preferred Units, if any, will receive a preferred yield on their invested capital of 10% per annum, compounded quarterly;
- Second, holders of Class A Preferred Units, if any, will receive a return of their invested capital;
- Third, holders of Class B Preferred Units will receive a preferred yield on their invested capital of 10% per annum, compounded quarterly;
- Fourth, holders of Class B Preferred Units will receive a return of their invested capital; and
- Thereafter, holders of the Common Units will receive all remaining distributions.

Under the purchase agreements entered into in connection with the acquisition, the GTCR investors and certain co-investors acquired a strip of Class B Preferred Units and Common Units and committed to purchase up to an additional \$25,000 of equity securities of Syniverse LLC. The investment of the additional \$25,000 is conditioned upon the GTCR investors and the board of managers of Syniverse LLC approving the terms of the investment and the proposed use of the proceeds from the investment, as well as the satisfaction of certain other conditions.

16. Redeemable Preferred Stock of Brience

The following is a summary of Brience's series of redeemable preferred stock and the amounts authorized and outstanding as of December 31, 2002. All series were canceled as part of Syniverse's acquisition of Brience, described in Note 5.

Description	December 31, 2002
Series A redeemable preferred stock—\$.01 par value, 8,663,355 shares authorized and 7,463,355 issued and outstanding; liquidation preference of \$50,000	\$ 75
Series A-1 redeemable preferred stock—\$.01 par value, 676,791 shares authorized and 676,791 issued and outstanding; liquidation preference of \$4,029	7
Series B redeemable preferred stock—\$.01 par value, 1,545,414 shares authorized and 1,545,413 issued and outstanding; liquidation preference of \$9,200	15
Series B-1 redeemable preferred stock—\$.01 par value, 870,969 shares authorized and 840,192 issued and outstanding; liquidation preference of \$5,629	8
Series C redeemable preferred stock—\$.01 par value, 2,700,000 shares authorized and 1,447,205 issued and outstanding; liquidation preference of \$9,695	14
Total	\$ 119

Table of Contents

Each holder of outstanding preferred stock was entitled to receive each fiscal year, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, a dividend at the rate of 6% per annum on the aggregate liquidation value thereof. Such dividends were payable only when, as and if declared by the Board of Directors and were noncumulative. No dividends were ever declared by the Brience Board of Directors.

In the event that that Brience declared or paid any dividends upon the common stock (whether payable in cash, securities or other property) other than dividends payable solely in shares of common stock, Brience was required to also declare and pay to the holders of the preferred stock at the same time that it declared and paid such dividends to the holders of the common stock, the dividends which would have been declared and paid with respect to its common stock issuable upon conversion of the preferred stock had all of the outstanding preferred stock been converted immediately prior to the record date for such dividend, or if no record date was fixed, the date as of which the record holders of common stock entitled to such dividends were to be determined.

Upon any liquidation, dissolution or winding up of Brience (whether voluntary or involuntary), each holder of preferred stock was to be paid in the following order:

- First, holders of Series C Preferred Stock were to receive an amount in cash equal to the aggregate liquidation value of all shares of Series C Preferred Stock held by such holders, plus all declared and unpaid dividends thereon;
- Second, holders of Series B Preferred Stock and Series B-1 Preferred Stock were to receive an amount in cash equal to the aggregate liquidation value of all shares of Series B Preferred Stock and Series B-1 Preferred Stock held by such holders, plus all declared and unpaid dividends thereon;
- Third, holders of Series A Preferred Stock and Series A-1 Preferred Stock were to receive an amount in cash equal to the aggregate liquidation value of all shares of Series A Preferred Stock and Series A-1 Preferred Stock held by such holders, plus all declared and unpaid dividends thereon; and
- Thereafter, all of the remaining assets of Brience available for distribution to stockholders were to be distributed among the holders of preferred stock and common stock pro rata based on the number of shares of common stock held by each (assuming full conversion of all such shares of preferred stock).

The holders of preferred stock were entitled to vote on all matters submitted to the stockholders for a vote together with the holders of the common stock voting together as a single class with each share of common stock entitled to one vote per share and each share of preferred stock entitled to one vote for each share of common stock issuable upon conversion of such share of preferred stock at the time the vote was taken.

At any time after January 1, 2007, the holders of a majority of the outstanding preferred stock (voting together as a single class) could have requested redemption of all of the outstanding shares of preferred stock by delivering written notice of such request to Brience. For each share of preferred stock which was to be redeemed, Brience would have been obligated on each redemption date to pay to the holder an amount in immediately available funds equal to the liquidation value of such share (plus all declared and unpaid dividends).

At any time, holders of preferred stock could have converted all or any portion of their preferred stock into a number of shares of Brience common stock computed by multiplying the number of shares to be converted by \$6.6994 for Series A, B-1 and C Preferred Stock, and \$5.9531 for Series A-1, and B Preferred Stock, and dividing the result by the conversion price then in effect.

17. Stock Options

Syniverse Inc. (Successor)

On May 16, 2002, Syniverse Inc.'s Board of Directors adopted a Founders' Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc. In addition, the Board of Directors adopted a Directors' Stock Option Plan on August 2, 2002, which provides for grants to independent directors to purchase 50,000 shares upon election to the board. The plans have a term of five years and provide for the granting of options to purchase shares of Syniverse Inc.'s non-voting common stock.

Under the plans, the options have or will have an initial exercise price based on the fair value of each share, as determined by

Table of Contents

the Board. The per share exercise price of each stock option is not less than the fair market value of the stock on the date of the grant or, in the case of an equity holder owning more than 10% of the outstanding stock of Syniverse Inc., the price for incentive stock options is not less than 110% of such fair market value. The Board of Syniverse Inc. reserved 1,000,000 shares of non-voting common stock, par value \$.001 per share for issuance under the Founders' plan and 300,000 shares under the Directors' plan. As of December 31, 2003, there were options to purchase 293,750 shares outstanding under the Founder's Stock Option Plan and options to purchase 100,000 shares outstanding under the Directors' Stock Option Plan.

All options to be issued under the plans shall be presumed to be nonqualified stock options unless otherwise indicated in the option agreement. Each option will have exercisable life of no more than 10 years from the date of grant for both nonqualified and incentive stock options in the case of grants under the Founders' Stock Option Plan and under the Directors' Stock Option Plan. Vesting will vary by grant and will be indicated in the option agreement.

The following table summarizes the transactions for the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003 relating to the combined Founders' Option Plan and Non-Employee Directors Plan:

	Number of Shares Subject to Option	Per Share Exercise Price
Outstanding, February 14, 2002	—	
Granted	371,300	\$ 5.00
Exercised	—	
Canceled/Forfeited	(26,600)	5.00
Outstanding, December 31, 2002	344,700	5.00
Granted	96,300	5.00
Exercised	—	
Canceled/Forfeited	(47,250)	5.00
Outstanding, December 31, 2003	393,750	\$ 5.00
Exercisable at December 31, 2003	87,200	\$ 5.00

No options were exercisable at December 31, 2002.

The following table summarizes significant ranges of outstanding and exercisable stock options at December 31, 2003:

Exercise Prices	Grant Date	Options Outstanding			Options Exercisable	
		Number	Weighted Average Remaining Years	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$ 5.00	06/01/02	248,650	8.4	\$ 5.00	74,700	\$ 5.00
5.00	08/01/02	50,000	8.6	5.00	12,500	5.00
5.00	03/12/03	50,000	9.2	5.00	—	5.00
5.00	07/01/03	31,300	9.5	5.00	—	5.00
5.00	10/01/03	13,800	9.8	5.00	—	5.00
		393,750	8.7	\$ 5.00	87,200	\$ 5.00

We account for these plans and related grants thereunder using the intrinsic value method prescribed in APB Opinion No. 25, "Accounting for Stock Issued to Employees". However, pro forma information, for disclosure purposes, regarding net income and earnings per share as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", (SFAS 123) is determined as if we had accounted for our employee and non-employee director stock options under the fair value method of SFAS 123.

[Table of Contents](#)

Outstanding options as of December 31, 2003 and 2002 had a weighted average remaining contractual life of 8.7 and 9.4 years, respectively. The per share weighted average fair value of options granted during the years ended December 31, 2003, was negligible.

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if we had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method set forth in SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	December 31, 2002	December 31, 2003
Risk-free interest rate	4.93%	4.30%
Volatility factor	—	—
Dividend yield	—	—
Weighted average expected life of options	5	5

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Since Syniverse, Inc.'s common stock does not trade on public markets, a volatility of 0% was entered into the Black-Scholes option valuation model. Because our stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options. Our pro forma amounts are not materially different from the reported net income amounts and hence are not disclosed.

Verizon Stock Incentive Plans (Predecessor)

We participated in Verizon's stock-based compensation plans that include a fixed stock option plan. GTE options were granted separately or in conjunction with stock appreciation rights (SARs). The granting of SARs was discontinued prior to 1999. We have recognized no compensation expense for our fixed stock option plans. If we had elected to recognize compensation expense based on the fair value at the grant dates for 1998 and subsequent fixed and performance-based plan awards consistent with the provisions of SFAS No. 123, net income would have been changed to the pro forma amounts indicated below:

	Year Ended December 31, 2001	Period from January 1 to February 13, 2002
Net income:		
As reported	\$ 69,258	\$ 6,917
Pro forma	66,150	6,621

These results may not be representative of the effects on net income for future years.

We determined the pro forma amounts using the Black-Scholes option-pricing model based on the following weighted-average assumptions:

	December 31, 2001	Period from January 1 to February 13, 2002
Dividend yield	2.75%	2.75%
Expected volatility	29.07%	29.07%
Risk-free interest rate	4.80%	4.80%
Expected lives (in years)	6	5

The weighted-average value per share of options granted during 2001 was \$15.20. No options were granted under this plan in the period ended February 13, 2002.

[Table of Contents](#)
Stock Options of Brience

Brience adopted the 2000 Stock Plan under which incentive stock options and nonstatutory stock options aggregating 15 million shares may have been granted to employees, directors and consultants of Brience. The number of authorized shares was reduced to 4 million during 2002. The exercise price was required to be at least 100 percent of the fair market value on the date of grant. Options generally expired in 10 years. Options were immediately exercisable, but shares so purchased vested over periods determined by the Board of Directors, generally five years. Upon termination of employment, Brience could have repurchased unvested shares for the original purchase price. Brience had a loan program whereby all employees with options were able to exercise their options with the aid of a company-sponsored full recourse loan. Interest on the loans was due annually and the principal balance was due approximately two years after the date of the loan. These loans were offered at the applicable prescribed federal rate for the month of the commencement of the loan. No new loans were entered into during the year ended December 31, 2002 and 2003. At December 31, 2002 and 2003, Brience had \$312 and \$0, respectively, in notes receivable from employees related to these loans.

The following table summarizes the stock option plan activity.

	Shares Available for Grant	Options Outstanding	Weighted Average Exercise Price
Outstanding, February 14, 2002	1,508,729	2,491,271	\$ 0.95
Authorized	—	—	—
Granted	—	—	—
Exercised	—	—	—
Canceled	—	(1,269,753)	0.95
Other	—	—	—
Outstanding, December 31, 2002	1,508,729	1,221,518	\$ 0.95
Vested and exercisable at end of period		497,735	\$ 0.95

	Shares Available for Grant	Options Outstanding	Weighted Average Exercise Price
Outstanding, January 1, 2003	1,508,729	1,221,518	\$ 0.95
Authorized	—	—	—
Granted	—	—	—
Exercised	—	—	—
Canceled	(1,508,729)	(1,221,518)	0.95
Other	—	—	—
Outstanding, December 31, 2003	—	—	\$ —
Vested and exercisable at end of period		—	\$ —

The following table summarizes the options outstanding at December 31, 2002.

Range of Exercise Prices	Options Outstanding			Options Vested and Exercisable	
	Number	Weighted Average Remaining Years	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$0.95	1,221,518	9.13	\$ 0.95	497,735	\$ 0.95

[Table of Contents](#)

No options were outstanding or exercisable at December 31, 2003.

We account for these plans and related grants thereunder using the intrinsic value method prescribed in APB Opinion No. 25, “*Accounting for Stock Issued to Employees*”. However, pro forma information, for disclosure purposes, regarding net income and earnings per share as required by Statement of Financial Accounting Standards No. 123, “*Accounting for Stock Based Compensation*”, (SFAS 123) is determined as if we had accounted for our stock options under the fair value method of SFAS 123.

The per share weighted average fair value of options granted during the year ended December 31, 2002, was negligible.

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if we had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method set forth in SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	December 31, 2002
Risk-free interest rate	5.00%
Volatility factor	1
Dividend yield	—
Weighted average expected life of options	10

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Since Brience’s common stock did not trade on public markets, a volatility of 1.0% was entered into the Black-Scholes option valuation model. Because our stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options. Our pro forma amounts are not materially different from the reported net income amounts and hence are not disclosed.

18. Restructurings

As a part of the Syniverse acquisition in February 2002, we developed a restructuring plan to react to competitive pressures and to increase operational efficiency. The plan included the termination of approximately 78 employees in Tampa and Dallas, or 6% of our workforce and the closure of the Dallas office. As a result, we accrued \$3,333 of expenses in relation to this plan as of February 14, 2002 including \$2,948 for severance related to the reduction in workforce and \$385 for costs to relocate employees added as a part of the restructuring. All charges were recognized in purchase accounting.

On August 29, 2002, we completed a restructuring plan resulting in the termination of 73 employees or approximately 10% of our workforce. As a result, we accrued \$2,845 in severance related costs in August. The payments related to this restructuring were completed in May 2003.

On February 28, 2003, we completed a restructuring plan resulting in the termination of 71 employees or approximately 10.6% of our workforce. As a result, we accrued \$1,841 in severance related costs in February 2003. The payments related to this restructuring were completed in November 2003. We expect this reorganization to result in reduced annual expenses of approximately \$5,838.

On July 23, 2003, we completed a restructuring plan in connection with our acquisition of Brience resulting in the termination of 5 employees. As a result, we incurred \$607 in severance related costs in July 2003. The payments related to this restructuring were incurred through September 2003. We expect this reorganization to result in reduced annual expenses of approximately \$800. Further restructuring may be necessary in light of current economic conditions.

[Table of Contents](#)

For the year ended December 31, 2002, we had the following activity in our restructuring accruals:

	Feb 14, 2002 Balance	Additions	Payments	Reductions	December 31, 2002 Balance
February 2002 Restructuring Termination costs	\$ 3,333	\$ —	\$ (2,200)	\$ (666)	\$ 467
August 2002 Restructuring Termination costs	—	2,845	(1,701)	—	1,144
Total	\$ 3,333	\$ 2,845	\$ (3,901)	\$ (666)	\$ 1,611

For the year ended December 31, 2003, we had the following activity in our restructuring accruals:

	January 1, 2003 Balance	Additions	Payments	Reductions	December 31, 2003 Balance
February 2002 Restructuring Termination costs	\$ 467	\$ —	\$ (372)	\$ (95)	\$ —
August 2002 Restructuring Termination costs	1,144	—	(1,007)	(137)	—
February 2003 Restructuring Termination costs	—	1,841	(1,789)	(52)	—
July 2003 Brienre Restructuring Termination costs	—	607	(607)	—	—
Total	\$ 1,611	\$ 2,448	\$ (3,775)	\$ (284)	\$ —

19. Employee Benefits

Savings Plans (Successor)

During the period from February 14, 2002 to December 31, 2002, we adopted a 401(k) plan covering all employees subject to certain eligibility requirements. Under this plan, a certain percentage of eligible employee contributions are matched. We incurred total savings plan costs of \$2,045 and \$1,998 in the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, respectively.

Savings Plans (Brienre)

For the period from February 14, 2002 to December 31, 2002 and the period from January 1, 2003 to July 23, 2003, Brienre had a 401(k) plan available to all employees. Employees were eligible to participate in the 401(k) at any time beginning with their first day of employment. Each participant could elect to contribute an amount up to 15 percent of his or her annual base salary plus commissions and bonuses, but not to exceed the statutory limit as prescribed by the Internal Revenue Code. While Brienre was allowed to make discretionary contributions to the 401(k), no discretionary contributions to the 401(k) were made by Brienre. This plan was discontinued after July 23, 2003, the date of the merger.

Employee Benefits (Predecessor)

We participated in the Verizon benefit plans for the period ending December 31, 2001, and the period from January 1, 2002 to February 13, 2002. Verizon maintains noncontributory defined benefit pension plans for substantially all employees. The postretirement healthcare and life insurance plans for our retirees and their dependents are both contributory and noncontributory and include a limit on our share of cost for recent and future retirees. Verizon also sponsors a defined contribution savings plans in which we participated to provide opportunities for our eligible employees to save for retirement on a tax-deferred basis and to encourage employees to acquire and maintain an equity interest in Verizon.

[Table of Contents](#)

The structure of Verizon's benefit plans does not provide for the separate determination of certain disclosures for us. The required information is provided on a consolidated basis in Verizon's Annual Report on Form 10-K for the year ended December 31, 2002.

Pension and Other Postretirement Benefits (Predecessor)

Verizon may periodically amend the benefits in our pension and other postretirement benefit plans.

Benefit Cost

Amounts reported in the Consolidated Statements of Operations consist of:

	Predecessor		Predecessor	
	Pension		Healthcare and Life	
	Year Ended December 31,	Period from January 1 to February 13,	Year Ended December 31,	Period from January 1 to February 13,
	2001	2002	2001	2002
Net periodic benefit cost	\$ 3,161	\$ 430	\$ 700	\$ 129

There are no amounts recognized on the consolidated balance sheets.

The changes in benefit obligations from year to year were caused by a number of factors, including changes in actuarial assumptions (see Assumptions below) and plan amendments.

Assumptions

The actuarial assumptions used are based on market interest rates, past experience, and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. The weighted-average assumptions used in determining expense and benefit obligations are as follows:

	Predecessor		Predecessor	
	Pension		Healthcare and Life	
	Year Ended December 31,	Period from January 1 to February 13,	Year Ended December 31,	Period from January 1 to February 13,
	2001	2002	2001	2002
Discount rate at end of year	7.25%	7.25%	7.25%	7.25%
Long-term rate of return on plan assets for the year	9.25	9.25	9.10	9.10
Rate of future increases in compensation at end of year	5.00	5.00	4.00	4.00
Medical cost trend rate at end of year			10.00	10.00
Ultimate			5.00	5.00

Savings Plans and Employee Stock Ownership Plans (Predecessor)

For the period ending December 31, 2001, and the period from January 1, 2002 to February 13, 2002, substantially all of our employees were eligible to participate in savings plans maintained by Verizon. Verizon maintains a leveraged employee stock ownership plan (ESOP) for its management employees of the former GTE Companies. Under this plan, a certain percentage of eligible employee contributions are matched with shares of Verizon common stock. Verizon recognizes leveraged ESOP cost based on the modified shares allocated method for this leveraged ESOP that held shares before December 31, 1989. We recognize savings plan costs based on our matching obligation attributed to our participating management employees. We recorded total savings plan costs of \$1,834 in 2001, and \$299 in the period from January 1, 2002 to February 13, 2002.

[Table of Contents](#)

20. Income Taxes

The components of income tax expense (benefit) are as follows:

	Predecessor		Successor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002	Period from February 14 to December 31, 2002	Year Ended December 31, 2003
Current:				
Federal	\$ 41,055	\$ 4,221	\$ 120	\$ (127)
Foreign	19	4	21	41
State and local	7,569	779	306	(315)
	48,643	5,004	447	(401)
Deferred				
Federal	(4,017)	(496)	7,973	9,397
State and local	(731)	(90)	900	1,061
	(4,748)	(586)	8,873	10,458
Provision for income taxes	\$ 43,895	\$ 4,418	\$ 9,320	\$ 10,057

Prior to the July 23, 2003 acquisition of Brience, Brience filed separate income tax returns and its losses were not available to us in those tax periods. The Brience loss does not generate a current tax benefit due to the history of earnings and losses, uncertainty of the realization of our deferred tax assets, and the absence of sufficient taxable income in prior carryback years. The reconciliation of the income tax provision (benefit) based on the U.S statutory rate (35%) to our income tax provision is as follows:

	Predecessor		Successor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002	Period from February 14 to December 31, 2002	Year Ended December 31, 2003
Statutory federal income tax rate	35.0%	35.0%	35.0%	(35.0)%
State and local income tax, net of	3.8	4.0	2.2	(3.9)
Impact of foreign tax rates	—	—	—	1.1
Other, net	—	—	0.5	1.5
Valuation allowance	—	—	43.4	57.3
	38.8%	39.0%	81.1%	21.0%

Deferred income tax assets and liabilities are recorded due to different carrying amounts for financial and income tax reporting purposes arising from cumulative temporary differences. Significant components of deferred tax (liabilities) assets are shown in the following table:

	December 31, 2002		December 31, 2003	
	Current	Non-Current	Current	Non-Current
Accrued expenses	\$ —	\$ —	\$ 1,762	\$ —
Intangible assets	—	(10,312)	—	(19,330)
Property and equipment	—	(27)	—	(1,968)
Employee benefits	1,173	—	2,256	—
Accounts receivable	979	—	1,527	—
Intangible asset impairment	—	—	—	19,845
R&E Credit	—	632	—	607
Federal and state net operating loss carryforwards	—	37,411	—	48,822
Other-net	282	268	144	—
Deferred tax asset/(liability)	2,434	27,972	5,689	47,976
Valuation allowance	(324)	(38,955)	(5,320)	(67,676)
Net deferred tax asset/(liability)	\$ 2,110	\$ (10,983)	\$ 369	\$ (19,700)

SFAS No. 109, "Accounting for Income Taxes", requires a valuation allowance to reduce the deferred tax assets reported if, based upon the weight of evidence, it more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences and NOLs (net operating losses) become deductible or are utilized. As a result of our impairment

[Table of Contents](#)

losses recognized in the fourth quarter of 2003, we concluded that it was appropriate to establish a full valuation allowance against our net deferred tax assets, excluding deferred tax liabilities related to goodwill. The net deferred tax assets arise primarily from accumulated federal and state net operating losses of approximately \$113,413 and \$230,042, respectively, which expire between 2006 and 2023, and the impairment of intangible assets. These losses relate primarily to Brence's operations in periods prior to the February 14, 2002 date when those results have been included in our financial statements. In addition, because we do not amortize goodwill for financial reporting purposes, we are unable to consider the associated deferred tax liabilities of approximately \$19.3 million in this analysis.

The Tax Reform Act of 1986 and the California Conformity Act of 1987 impose restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an "ownership change," as defined by the Internal Revenue Code. Our ability to utilize net operating loss and tax credit carryforwards may be subject to restrictions pursuant to these provisions. A portion of the Brence net operating losses may be subject to these restrictions.

21. Discontinued Operations of Brence

On July 31, 2001, Brence determined that it would divest itself of its subsidiary Hello Asia, Inc. that operated in several Asian countries. The operations of Hello Asia, Inc. were sold or liquidated following this date and were concluded by December 31, 2002. Hello Asia, Inc. conducted an e-marketing customer rewards program. There were no Hello Asia assets or liabilities remaining at December 31, 2002.

Results of operations of Hello Asia, Inc. for the period from February 14, 2002 to December 31, 2002 are as follows:

	Period from February 14, 2002 to December 31, 2002
Revenues	\$ 715
Costs and expenses:	
Cost of operations	462
Sales and marketing	878
General and administrative	983
	2,323
Operating loss	(1,608)
Other income (expense), net:	67
	67
Loss before provision for income taxes	(1,541)
Provision for income taxes	—
Net loss	\$ (1,541)

22. Commitments and Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations. As of December 31, 2003, we have considered all of the claims and disputes of which we are aware and accrued amounts in our analysis of doubtful accounts or probable loss accruals.

The most significant of these claims, in terms of dollars sought, is described below.

SBC Communications, Inc. d/b/a SBC Ameritech, SBC southwestern Bell and SBC Pacific Bell (collectively, SBC), have asserted claims against us in the total principal sum of \$7,281, based on alleged overcharging for QRS and CNAM hubbing and transport services we provided. They have also declined to pay us an additional \$1.9 million related to these same services. We deny the claims and believe they are unfounded and intend to vigorously defend ourselves. On April 15, 2003, we filed suit against SBC Southwestern Bell and SBC Pacific Bell in Hillsborough County Circuit Court seeking monetary damages and a determination that SBC is not entitled to any sum they claim is owed. Our lawsuit was removed to Federal Court by SBC on the grounds of diversity jurisdiction. We disputed the grounds for removal and moved to remand the action to state court. The Federal Court granted our motion to remand and the action is now pending in state court in Florida. SBC also filed a motion to dismiss on the grounds of a lack of jurisdiction. We dispute this claim. On October 6, 2003 Southwestern Bell Telephone, L.P. filed a breach of contract claim against us in state court in Texas seeking approximately \$2.0 million. We have retained Texas counsel to seek a stay of the Texas proceedings pending disposition of the matter in Florida. We are also denying this claim and intend to vigorously defend ourselves.

23. Related Party Transactions

Successor

On February 14, 2002, we entered into several agreements to enable us to conduct its business on a stand-alone basis separate from Verizon, and for other business reasons.

Professional Services Agreement

We have agreed to pay GTCR an annual fee of \$500 for its ongoing services as our financial and management consultant. We incurred \$417 and \$500 in the period from February 14, 2002 to December 31, 2002 and December 31, 2003, respectively.

Transition Services Agreement

Verizon agreed to provide us with services for accounts payable, general ledger/SAP, employee health benefits/COBRA, and payroll services for a period of six months following February 14, 2002 for a total monthly fee of approximately \$129. The transition services were completed in 2002. Verizon charged us \$425 under this agreement from February 14, 2002 to December 31, 2002. This agreement has now expired.

Distributed Processing Services Agreement

Verizon agreed to provide us with data center infrastructure and technical support services in support of our distributed systems processing, including a data center network infrastructure, for a period of 18 months. We agreed to pay both monthly labor fees (capped at approximately \$241 per month) and maintenance fees (capped at \$300 per month). If additional hardware, software or maintenance was added, Verizon charged us additional amounts. Amounts incurred under these agreements total \$4,595 from February 14, 2002 to December 31, 2002.

On July 8, 2003, the Distributed Processing Services Agreement with VITI was renewed for an additional 3 years. Amounts incurred under this agreement total \$4,637 for the year ended December 31, 2003.

Mainframe Computing Services Agreement

Verizon agreed to provide certain mainframe computing and help desk services to us, for a period of six months, beginning February 14, 2002. We paid Verizon a per service fee depending on the type of service provided. Therefore, monthly payments vary with usage. Typical services included CPU processing time, disk and tape storage, and tape mounts. There were no stated minimum fees. Amounts incurred under these agreements total \$3,888 from February 14, 2002 to December 31, 2002. This total excludes \$564 in costs incurred during the period from February 14, 2002 to December 31, 2002 to transition our data to a new service provider. This agreement has now expired.

Revenue Guaranty Agreement

Verizon agreed, through December 31, 2005, to make quarterly payments to us if the amount of wireless revenues, as defined, for a given period is less than the revenue target for such period. In general the revenue guaranty payments will be due if wireless revenues during each of the years in the period from February 14, 2002 to December 31, 2005 are less than 82.5% of the agreed-upon targets. The payments due would be calculated as equal to 61.875% of the quarterly shortfall. No payments from Verizon are due under the guaranty agreement for the period from February 14, 2002 to December 31, 2002 or the year ended December 31, 2003.

[Table of Contents](#)

Other

GTCR Capital Partners, L.P., an investment fund affiliated with our controlling equityholder, purchased \$30,000,000 face value amount of our Senior Subordinated Notes in 2002. These notes were sold in the fourth quarter of 2003. In addition, Verizon purchased \$75 million face value of our term loan B of the senior credit facility but had sold them by May 2002.

GTCR Fund VII, L.P., investment fund affiliated with our controlling equityholder, has loaned Mr. Evans approximately \$1,000,000 to fund a portion of the purchase price for his purchase of Co-Invest Units and Carried Units. This loan bears interest at a rate of 10% per annum. This loan is not recorded in our financial statements.

We transact business and recognize revenues and expenses from Transaction Network Services, Inc., a company affiliated with our controlling unitholder. For the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, we recognized revenues in the amount of \$1,617 and \$2,313, respectively. For the period from February 14, 2002 to December 31, 2002 and the year ended December 31, 2003, we recognized expenses in the amount of \$687 and \$457, respectively.

See Notes 5 and 12 for other related party transactions.

Predecessor

We recognized revenues from Verizon Wireless for providing wireless solutions that allow operators to communicate with each other regardless of the network technology, signaling standard or billing protocol deployed. We also recognized revenues from Verizon Network Services for providing data base services.

We had arrangements with Verizon Services for the provision of various centralized services. These costs include corporate governance, corporate finance, external affairs, legal, media relations, employee communications, corporate advertising, human resources, and treasury. These costs were allocated to us based on functional reviews of the work performed.

Verizon Data Services provided data processing services, software application development and maintenance. We were charged for these affiliated transactions based on proportional cost allocation methodologies.

Verizon Realty provided us with office space and various facilities for housing our equipment. We paid market rates for these facilities. The cost of leasing these facilities was included in cost of operations and general and administrative expenses.

In the opinion of management, the costs allocated for services and facilities were reasonable and represented our cost of doing business.

We recognized interest income and expense in connection with arrangements with Verizon (Parent) to provide short-term financing, investing and cash management services. We also declared and paid dividends to our parent, which is a wholly owned subsidiary of Verizon.

[Table of Contents](#)

Transactions with affiliates (including Verizon and its predecessors) are summarized as follows:

	Predecessor	
	Year Ended December 31, 2001	Period from January 1 to February 13, 2002
Revenues		
Verizon Wireless	\$ 83,321	\$ 8,591
Verizon Network Services	33,884	6,496
Other Affiliates	5,192	751
	122,397	15,838
Cost of Operations:		
Verizon Data Services	25,311	2,903
Verizon Realty	2,173	277
Other Affiliates	6,976	1,239
	34,460	4,419
General and Administrative Expenses:		
Service Corporation Prorate	3,597	326
Rent Expense	914	117
	4,511	443
Interest income – Verizon (Parent)	2,472	221
Interest expense – Verizon (Parent)	—	—

24. Quarterly Financial Information (Unaudited)

The following presents quarterly financial results for the year ended December 31, 2003. Previously reported quarters have been restated to give effect to the Brence, Inc. acquisition, accounted for similar to a pooling of interests (see Note 5).

	Successor			
	As Restated by Syniverse LLC			
	First Quarter 2003	Second Quarter 2003	Third Quarter 2003	Fourth Quarter 2003
Revenues	\$ 64,312	\$ 67,476	\$ 69,448	\$ 70,172
Operating income (loss)	12,288	16,883	18,765	(38,445)
Net income (loss)	(3,179)	1,287	3,114	(59,148)
Net income (loss) attributable to common shareholders/unitholders	(10,061)	(5,769)	(4,116)	(66,561)
	Brence, Inc.			
	First Quarter 2003	Second Quarter 2003	Third Quarter 2003	Fourth Quarter 2003
Revenues	\$ 1,513	\$ 1,468	\$ —	\$ —
Operating income (loss)	(849)	(486)	—	—
Net income (loss)	(842)	(508)	—	—
Net income (loss) attributable to common shareholders/unitholders	(842)	(508)	—	—
	Successor			
	As Previously Reported by Syniverse LLC			
	First Quarter 2003	Second Quarter 2003	Third Quarter 2003	Fourth Quarter 2003
Revenues	\$ 62,799	\$ 66,008	\$ 69,448	\$ 70,172
Operating income (loss)	13,137	17,369	18,765	(38,445)
Net income (loss)	(2,337)	1,795	3,114	(59,148)

Net income (loss) attributable to common shareholders/unitholders	(9,219)	(5,261)	(4,116)	(66,561)
---	---------	---------	---------	----------

The following presents quarterly financial results for the year ended December 31, 2002.

	Predecessor	Successor			
	Period from January 1 to February 13, 2002	Period from February 14 to March 31, 2002	Second Quarter 2002	Third Quarter 2002	Fourth Quarter 2002
Revenues	\$ 39,996	\$44,027	\$88,645	\$87,060	\$76,312
Operating income	10,922	8,487	16,511	21,410	18,499
Net income (loss)	6,917	(1,249)	(1,710)	1,646	1,944
Income (loss) from continuing operations	—	(388)	(1,127)	2,390	1,297
Loss from discontinued operations	—	(861)	(583)	(744)	647
Net income (loss) attributable to common shareholders/unitholders	6,917	(4,404)	(8,160)	(4,987)	(4,770)

[Table of Contents](#)
25. Supplemental Consolidating Financial Information

Syniverse's payment obligations under the senior notes, described in Note 13 above, are guaranteed by Syniverse LLC, Syniverse Inc., and all domestic subsidiaries of Syniverse including Syniverse Finance, Syniverse Networks, and Syniverse Brience (collectively, the Guarantors). Such guarantees are full, unconditional and joint and several. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of income, and statements of cash flows information for Syniverse LLC (parent only), Syniverse Inc., and for the guarantor subsidiaries. The supplemental financial information reflects the investments of Syniverse LLC and Syniverse, Inc. using the equity method of accounting.

**CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2003**

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
ASSETS								
Current assets:								
Cash	\$ —	\$ —	\$ 8,293	\$ —	\$ 3	\$ 3	\$ —	\$ 8,299
Accounts receivable, net of allowances	—	—	29,843	30,789	979	—	—	61,611
Accounts receivable – affiliates	43	—	22,728	493	—	21,909	(45,173)	—
Deferred tax assets	—	—	—	369	—	—	—	369
Prepaid and other current assets	—	—	5,795	—	489	—	—	6,284
Total current assets	43	—	66,659	31,651	1,471	21,912	(45,173)	76,563
Property and equipment, net	—	—	13,867	19,681	—	—	—	33,548
Capitalized software, net of accumulated amortization	—	—	55,274	12,379	—	—	—	67,653
Deferred finance costs	—	—	14,584	—	—	—	—	14,584
Goodwill	—	—	59,861	271,402	—	—	—	331,263
Identifiable intangibles, net:								
Customer contract, net	—	—	5,880	3,825	—	—	—	9,705
Trademark	—	—	327	358	—	—	—	685
Customer base, net	—	—	107,820	88,450	—	—	—	196,270
Notes receivable–affiliates	—	—	—	1,985	—	656,520	(658,505)	—
Investment in subsidiaries	213,733	211,748	787,536	469	—	—	(1,213,486)	—
Total assets	\$ 213,776	\$ 211,748	\$ 1,111,808	\$ 430,200	\$ 1,471	\$ 678,432	\$ (1,917,164)	\$ 730,271
LIABILITIES AND UNITHOLDERS'/SHAREHOLDERS' EQUITY								
Current liabilities:								
Accounts payable	\$ —	\$ —	\$ 4,029	\$ —	\$ —	\$ —	\$ —	\$ 4,029
Accounts payable – affiliates	—	—	—	773	674	43,727	(45,174)	—
Accrued payroll and related benefits	—	—	8,879	—	2	—	—	8,881
Accrued interest	—	—	14,136	—	—	—	—	14,136
Other accrued liabilities	—	—	17,093	—	326	—	—	17,419
Current portion of Term Note B, net of discount	—	—	33,589	—	—	—	—	33,589
Total current liabilities	—	—	77,726	773	1,002	43,727	(45,174)	78,054
Long-term liabilities:								
Deferred taxes	—	—	1,609	18,091	—	—	—	19,700
Payable to affiliate	—	—	401,984	256,520	—	—	(658,504)	—
Subordinated Notes, net of discount	—	—	241,037	—	—	—	—	241,037
Term Note B, net of discount—less current portion	—	—	174,749	—	—	—	—	174,749
Other liabilities	—	—	2,955	—	—	—	—	2,955
Total long-term liabilities	—	—	822,334	274,611	—	—	(658,504)	438,441
Unitholders'/shareholders' equity:								
Class A Preferred Units	—	—	—	—	—	—	—	—
Class B Preferred Units	252,367	—	—	—	—	—	—	252,367
Common Units	120,351	—	—	—	117,340	—	(117,340)	120,351
Common Stock	—	99	—	—	—	—	(99)	—
Preferred Stock	—	3	—	—	—	—	(3)	—
Additional paid-in capital	—	370,588	370,690	315,820	—	686,436	(1,743,534)	—
Retained earnings (accumulated deficit)	(159,368)	(159,368)	(159,368)	(161,430)	(117,297)	(51,731)	649,194	(159,368)
Accumulated other comprehensive income	426	426	426	426	426	—	(1,704)	426
	213,776	211,748	211,748	154,816	469	634,705	(1,213,486)	213,776

Total unitholders'/shareholders' equity								
Total liabilities and unitholders'/shareholders' equity	\$ 213,776	\$ 211,748	\$1,111,808	\$ 430,200	\$ 1,471	\$678,432	\$ (1,917,164)	\$ 730,271

**CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$ 136,399	\$130,532	\$ 4,477	\$ —	\$ —	\$ 271,408
Costs and expenses:								
Cost of operations	—	—	40,603	67,970	1,171	—	—	109,744
Sales and marketing	—	—	10,411	7,724	496	—	—	18,631
General and administrative	—	—	20,521	15,333	3,999	28	—	39,881
Provision for (recovery of) uncollectible accounts	—	—	(273)	652	87	—	—	466
Depreciation and amortization	—	—	22,855	14,416	48	—	—	37,319
Restructuring	—	—	1,014	1,051	99	—	—	2,164
Impairment loss on intangible assets	—	—	27,070	26,642	—	—	—	53,712
	—	—	122,201	133,788	5,900	28	—	261,917
Operating income	—	—	14,198	(3,256)	(1,423)	(28)	—	9,491
Other income (expense), net								
Income from equity investment	(57,926)	(47,869)	40,130	—	—	—	65,665	—
Interest income	—	—	8,870	263	8	78,551	(86,924)	768
Interest expense	—	—	(111,066)	(33,963)	(23)	—	86,924	(58,128)
Other, net	—	—	(1)	—	1	—	—	—
	(57,926)	(47,869)	(62,067)	(33,700)	(14)	78,551	65,665	(57,360)
Income (loss) from continuing operations before provision for income taxes	(57,926)	(47,869)	(47,869)	(36,956)	(1,437)	78,523	65,665	(47,869)
Provision for income taxes	—	10,057	10,057	9,220	—	27,483	(46,760)	10,057
Net income (loss)	(57,926)	(57,926)	(57,926)	(46,176)	(1,437)	51,040	112,425	(57,926)
Preferred unit dividends	(28,581)	(30,230)	—	(20,889)	—	—	51,119	(28,581)
Net income (loss) attributable to common unitholders/shareholders	\$ (86,507)	\$ (88,156)	\$ (57,926)	\$ (67,065)	\$ (1,437)	\$ 51,040	\$ 163,544	\$ (86,507)

**CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
Cash flows from operating activities								
Net income (loss)	\$ (57,926)	\$ (57,926)	\$ (57,926)	\$ (46,176)	\$ (1,437)	\$ 51,040	\$ 112,425	\$ (57,926)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	—	—	34,801	14,416	48	—	—	49,265
Provision for uncollectible accounts	—	—	(273)	652	87	—	—	466
Deferred income tax benefit	—	—	(4,675)	15,133	—	—	—	10,458
Income from equity investment	57,926	47,869	(40,130)	—	—	—	(65,665)	—
Deferred charges	—	—	(2,000)	—	—	—	—	(2,000)
Gain on forgiveness of debt	—	—	—	—	(1,250)	—	—	(1,250)
Loss on disposition of property	—	—	—	—	327	—	—	327
Impairment losses on intangible assets	—	—	27,070	26,642	—	—	—	53,712
Changes in operating assets and liabilities:								
Accounts receivable	—	—	(9,989)	3,828	(483)	21,308	(21,308)	(6,644)
Other current assets	—	—	(1,920)	—	1,921	—	—	1
Accounts payable	—	—	(15,244)	772	561	27,483	(15,446)	(1,874)
Other current liabilities	(56)	10,057	3,570	—	(3,821)	(1)	(10,003)	(254)
Other assets	—	—	—	—	1,130	—	—	1,130
Other liabilities	—	—	2,955	—	—	—	—	2,955
Net cash provided by (used in) operating activities	(56)	—	(63,761)	15,267	(2,917)	99,830	3	48,366
Cash flows from investing activities								
Capital expenditures	—	—	(3,013)	(15,267)	—	—	—	(18,280)
Acquisition of Softwright Holdings, net of cash acquired	—	—	(603)	—	—	—	—	(603)
Dividends received from equity investment	—	—	99,858	—	—	—	(99,858)	—
Net cash provided by (used in) investing activities	—	—	96,242	(15,267)	—	—	(99,858)	(18,883)
Cash flows from financing activities								
Dividends paid	—	—	—	—	—	(99,855)	99,855	—
Debt issue fees paid	—	—	(1,683)	—	—	—	—	(1,683)
Principal payments on long-term debt	—	—	(62,059)	—	—	—	—	(62,059)
Issuance of common units	65	—	—	—	—	—	—	65
Repurchase of common units	(9)	—	—	—	—	—	—	(9)
Notes receivable from stockholders of Brience	—	—	—	—	312	—	—	312
Capital contribution	—	—	(22)	—	—	22	—	—
Net cash provided by (used in) financing activities	56	—	(63,764)	—	312	(99,833)	99,855	(63,374)
Net increase in cash	—	—	(31,283)	—	(2,605)	(3)	—	(33,891)
Cash at beginning of period	—	—	39,576	—	2,608	6	—	42,190
Cash at end of period	\$ —	\$ —	\$ 8,293	\$ —	\$ 3	\$ 3	\$ —	\$ 8,299

**CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2002**

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
ASSETS								
Current assets:								
Cash	\$ —	\$ —	\$ 39,576	\$ —	\$ 2,608	\$ 6	\$ —	\$ 42,190
Accounts receivable, net of allowances	—	—	28,808	25,811	583	—	(9)	55,193
Accounts receivable – affiliates	—	—	6,546	9,698	—	—	(16,244)	—
Deferred tax assets	—	—	1,872	238	—	—	—	2,110
Prepaid and other current assets	—	—	3,827	—	1,984	—	—	5,811
Total current assets	—	—	80,629	35,747	5,175	6	(16,253)	105,304
Property and equipment, net	—	—	16,762	16,591	375	—	—	33,728
Capitalized software, net of accumulated amortization	—	—	65,722	8,192	—	—	—	73,914
Deferred finance costs	—	—	16,015	—	—	—	—	16,015
Goodwill	—	—	59,157	271,402	—	—	—	330,559
Identifiable intangibles, net:								
Customer contract, net	—	—	7,969	5,625	—	—	—	13,594
Trademark	—	—	24,700	27,000	—	—	—	51,700
Customer base, net	—	—	113,794	93,330	—	—	—	207,124
Notes receivable–affiliates	—	—	256,520	1,985	—	400,000	(658,505)	—
Other assets	—	—	—	—	1,130	—	—	1,130
Investment in subsidiary	269,752	267,768	595,650	—	—	—	(1,133,170)	—
Total assets	\$ 269,752	\$ 267,768	\$ 1,236,918	\$ 459,872	\$ 6,680	\$ 400,006	\$ (1,807,928)	\$ 833,068
LIABILITIES AND UNITHOLDERS'/ SHAREHOLDERS' EQUITY								
Current liabilities:								
Accounts payable	\$ —	\$ —	\$ 8,089	\$ —	\$ 115	\$ —	\$ —	\$ 8,204
Accounts payable –affiliates	—	—	—	—	—	2,896	(2,896)	—
Accrued payroll and related benefits	—	—	6,672	—	—	—	—	6,672
Accrued interest	—	—	27,956	—	—	—	(13,348)	14,608
Other accrued liabilities	—	—	11,692	—	4,148	1	—	15,841
Current portion of Term Note B, net of discount	—	—	52,736	—	—	—	—	52,736
Total current liabilities	—	—	107,145	—	4,263	2,897	(16,244)	98,061
Long-term liabilities:								
Deferred taxes	—	—	8,156	2,827	—	—	—	10,983
Payable to affiliate	9	—	401,985	256,520	—	—	(658,514)	—
Subordinated Notes, net of discount	—	—	240,257	—	—	—	—	240,257
Term Note B, net of discount less current portion	—	—	211,607	—	—	—	—	211,607
Other liabilities	—	—	—	—	1,250	—	—	1,250
Total long-term liabilities	9	—	862,005	259,347	1,250	—	(658,514)	464,097
Commitments and contingencies:								
Redeemable preferred stock	—	—	—	—	119	—	—	119
Unitholders'/shareholders' equity:								
Class A Preferred Units	—	—	—	—	—	—	—	—
Class B Preferred Units	252,367	—	—	—	—	—	—	252,367
Common Units	2,967	—	—	—	—	—	—	2,967
Common Stock	—	99	—	—	1	—	(99)	1
Preferred Stock	—	3	—	—	—	—	(3)	—
Additional paid-in capital	—	253,248	253,350	198,480	117,219	400,025	(1,105,103)	117,219
Notes receivable from shareholders	—	—	—	—	(312)	—	—	(312)
Retained earnings (accumulated deficit)	14,418	14,418	14,418	2,045	(115,860)	(2,916)	(27,965)	(101,442)
Less cost of treasury units (270,270 common units)	(9)	—	—	—	—	—	—	(9)
	269,743	267,768	267,768	200,525	1,048	397,109	(1,133,170)	270,791

Total unitholders'/shareholders' equity								
Total liabilities and unitholders'/shareholders' equity	\$269,752	\$ 267,768	\$ 1,236,918	\$ 459,872	\$ 6,680	\$400,006	\$ (1,807,928)	\$ 833,068

[Table of Contents](#)

CONSOLIDATING STATEMENT OF OPERATIONS
PERIOD FROM FEBRUARY 14, 2002 TO DECEMBER 31, 2002

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
Revenues	\$ —	\$ —	188,221	\$102,995	\$ 4,828	\$ —	\$ —	\$ 296,044
Costs and expenses:								
Cost of operations	—	—	70,541	56,710	3,113	—	—	130,364
Sales and marketing	—	—	14,529	4,875	3,302	—	—	22,706
General and administrative	—	—	26,136	7,159	9,314	21	—	42,630
Provision for (recovery of) uncollectible accounts	—	—	(319)	(284)	(90)	—	—	(693)
Depreciation and amortization	—	—	23,247	8,863	1,175	—	—	33,285
Restructuring	—	—	1,788	1,057	—	—	—	2,845
	—	—	135,922	78,380	16,814	21	—	231,137
Operating income	—	—	52,299	24,615	(11,986)	(21)	—	64,907
Other income (expense), net								
Income from equity investment	631	9,951	35,974	—	—	—	(46,556)	—
Interest income	—	—	22,130	230	100	46,432	(67,927)	965
Interest expense	—	—	(100,444)	(21,495)	(93)	—	67,927	(54,105)
Other, net	—	—	(8)	—	(267)	—	—	(275)
	631	9,951	(42,348)	(21,265)	(260)	46,432	(46,556)	(53,415)
Income (loss) from continuing operations before provision for income taxes	631	9,951	9,951	3,350	(12,246)	46,411	(46,556)	11,492
Provision for income taxes	—	9,320	9,320	1,305	—	16,244	(26,869)	9,320
Income (loss) from continuing operations	631	631	631	2,045	(12,246)	30,167	(19,687)	2,172
Discontinued operations:								
Loss from discontinued operations, net of taxes	—	—	—	—	(1,541)	—	—	(1,541)
Net income (loss)	631	631	631	2,045	(13,787)	30,167	(19,687)	631
Preferred unit dividends	(22,952)	(33,340)	—	(12,390)	—	—	45,730	(22,952)
Net income (loss) attributable to common unitholders/shareholders	\$ (22,321)	\$ (32,709)	\$ 631	\$ (10,345)	\$ (13,787)	\$ 30,167	\$ 26,043	\$ (22,321)

CONSOLIDATING STATEMENT OF CASH FLOWS
PERIOD FROM FEBRUARY 14, 2002 TO DECEMBER 31, 2002

	Syniverse LLC	Syniverse Inc.	Syniverse	Syniverse Networks	Syniverse Brience	Syniverse Finance	Eliminations	Consolidated
Cash flows from operating activities								
Net income (loss)	\$ 631	\$ 631	\$ 631	\$ 2,045	\$(13,787)	\$ 30,167	\$ (19,687)	\$ 631
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	—	—	31,924	8,863	1,175	—	—	41,962
Recovery of uncollectible accounts	—	—	(319)	(284)	(90)	—	—	(693)
Deferred income tax benefit	—	—	6,284	2,589	—	—	—	8,873
Income from equity investment	(631)	(9,951)	(35,974)	—	—	—	46,556	—
Loss on disposition of property	—	—	—	—	1,472	—	—	1,472
Changes in operating assets and liabilities:								
Accounts receivable	—	—	13,200	(7,989)	2,264	—	—	7,475
Other current assets	—	—	(701)	—	(1,113)	—	—	(1,814)
Accounts payable	—	—	9,182	—	(183)	2,895	(16,244)	(4,350)
Other current liabilities	—	9,320	7,901	—	5	1	(10,625)	6,602
Other assets	—	—	—	—	(393)	—	—	(393)
Net cash provided by operating activities	—	—	32,128	5,224	(10,650)	33,063	—	59,765
Cash flows from investing activities								
Capital expenditures	—	—	(7,054)	(5,224)	—	—	—	(12,278)
Dividends received from equity investment	—	—	33,082	—	—	—	(33,082)	—
Net cash provided by (used in) investing activities	—	—	26,028	(5,224)	—	—	(33,082)	(12,278)
Cash flows from financing activities								
Dividends paid	—	—	—	—	—	(33,082)	33,082	—
Excess cash received at purchase date	—	—	1,859	—	—	25	—	1,884
Principal payments on long-term debt	—	—	(15,000)	—	(641)	—	—	(15,641)
Retirement of short-term debt	—	—	(30,430)	—	—	—	—	(30,430)
Other	—	—	(9)	—	—	—	—	(9)
Net cash used in financing activities	—	—	(43,580)	—	(641)	(33,057)	33,082	(44,196)
Net increase in cash	—	—	14,576	—	(11,291)	6	—	3,291
Cash at beginning of period	—	—	25,000	—	13,899	—	—	38,899
Cash at end of period	\$ —	\$ —	\$ 39,576	\$ —	\$ 2,608	\$ 6	\$ —	\$ 42,190

Schedule II—Valuation and Qualifying Accounts
Syniverse Holdings, LLC and Predecessor

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions (Describe)</u>	<u>Balance at end of Period</u>
Allowance for doubtful accounts:				
Year ended December 31, 2001	\$ 3,561	\$ 2,207	\$ (2,203)(1)	\$ 3,565
Period from January 1, 2002 to February 13, 2002	\$ 3,565	\$ 1,340	\$ (447)(1)	\$ 4,458
Period from February 14, 2002 to December 31, 2002	\$ 4,458	\$ (693)(2)	\$ (1,341)(1)	\$ 2,424
Year ended December 31, 2003	\$ 2,424	\$ 466	\$ (355)(1)	\$ 2,535

- (1) Write-offs of uncollectible accounts
(2) Reduction of estimated allowance

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions (Describe)</u>	<u>Balance at end of Period</u>
Accrual for restructuring:				
Year ended December 31, 2001	\$ —	\$ —	\$ —	\$ —
Period from January 1, 2002 to February 13, 2002	\$ —	\$ —	\$ —	\$ —
Period from February 14, 2002 to December 31, 2002			(3,901)(1)	
	\$ 3,333	\$ 2,845	\$ (666)(2)	\$ 1,611
Year ended December 31, 2003	\$ 1,611	\$ 2,164	\$ (3,775)(1)	\$ —

- (1) Payments
(2) Reduction related to change in estimates of amounts reserved.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions (Describe)</u>	<u>Balance at end of Period</u>
Valuation allowance for deferred income taxes:				
Year ended December 31, 2001	\$ —	\$ —	\$ —	\$ —
Period from January 1, 2002 to February 13, 2002	\$ —	\$ —	\$ —	\$ —
Period from February 14, 2002 to December 31, 2002	\$ —	\$ 39,261(1)	\$ —	\$ 39,261
Year ended December 31, 2003	\$ 39,261	\$ 33,735(1)	\$ —	\$ 72,996

- (1) FAS 109 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, its more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of March 2004.

SYNIVERSE HOLDINGS, LLC

By: /s/ RAYMOND L. LAWLESS

Raymond L. Lawless
Chief Financial Officer, Secretary and Manager

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Capacity</u>	<u>Dates</u>
<u>/s/ G. EDWARD EVANS</u> G. Edward Evans	Chief Executive Officer, President and Manager (Principal Executive Officer)	March 26, 2004
<u>/s/ RAYMOND L. LAWLESS</u> Raymond L. Lawless	Chief Financial Officer, Secretary and Manager (Principal Accounting Officer)	March 26, 2004
<u>/s/ DAVID A. DONNINI</u> David A. Donnini	Manager	March 26, 2004
<u>/s/ COLLIN E. ROCHE</u> Collin E. Roche	Manager	March 26, 2004
<u>/s/ ODIE C. DONALD</u> Odie C. Donald	Manager	March 26, 2004
<u>/s/ TONY G. HOLCOMBE</u> Tony G. Holcombe	Manager	March 26, 2004
<u>/s/ ROBERT J. MARINO</u> Robert J. Marino	Manager	March 26, 2004

Supplemental Information to be furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants
Which have Not Registered Securities Pursuant to Section 12 of the Act.

We have not sent, and do not intend to send, an annual report to security holders covering our last fiscal year, nor have we sent a proxy statement, form of proxy or other proxy soliciting material to our security holders with respect to any annual meeting of security holders.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of March 2004.

SYNIVERSE TECHNOLOGIES, INC.

By: /s/ RAYMOND L. LAWLESS

Raymond L. Lawless
Chief Financial Officer and Director

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Capacity</u>	<u>Dates</u>
<u>/s/ G. EDWARD EVANS</u>	Chief Executive Officer and Director (Principal Executive Officer)	March 26, 2004
G. Edward Evans		
<u>/s/ RAYMOND L. LAWLESS</u>	Chief Financial Officer and Director (Principal Accounting Officer)	March 26, 2004
Raymond L. Lawless		
<u>/s/ DAVID A. DONNINI</u>	Director	March 26, 2004
David A. Donnini		
<u>/s/ COLLIN E. ROCHE</u>	Director	March 26, 2004
Collin E. Roche		
<u>/s/ ODIE C. DONALD</u>	Director	March 26, 2004
Odie C. Donald		
<u>/s/ TONY G. HOLCOMBE</u>	Director	March 26, 2004
Tony G. Holcombe		
<u>/s/ ROBERT J. MARINO</u>	Director	March 26, 2004
Robert J. Marino		

Supplemental Information to be furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants
Which have Not Registered Securities Pursuant to Section 12 of the Act.

We have not sent, and do not intend to send, an annual report to security holders covering our last fiscal year, nor have we sent a proxy statement, form of proxy or other proxy soliciting material to our security holders with respect to any annual meeting of security holders.

Exhibit No.	Description
2.1	Stock Purchase Agreement, dated December 7, 2001, by and between TSI Telecommunication Holdings, Inc. and Verizon Information Services Inc.(1)
2.2	Amended and Restated Agreement of Merger, dated December 7, 2001, as amended and restated as of January 14, 2002, by and among TSI Telecommunication Holdings, Inc., TSI Merger Sub, Inc., Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
2.3	Asset Transfer Agreement, dated February 14, 2002, between TSI Telecommunication Services Inc. and TSI Network Services Inc.(1)
3.1	Restated Certificate of Incorporation of TSI Telecommunication Services Inc.(1)
*3.1.1	Restated Certificate of Incorporation of Syniverse Technologies, Inc.
3.2	Bylaws of TSI Telecommunication Services Inc.(1)
3.3	Amended and Restated Certificate of Incorporation of TSI Telecommunication Holdings, Inc.(1)
3.4	Bylaws of TSI Telecommunication Holdings, Inc.(1)
3.5	Amended and Restated Certificate of Incorporation of TSI Network Services Inc. (1)
3.6	Bylaws of TSI Network Services Inc.(1)
3.7	Certificate of Formation of TSI Telecommunication Holdings, LLC.(1)
*3.7.1	Restated Certificate of Formation of Syniverse Holdings, LLC.
3.8	Limited Liability Company Agreement of TSI Telecommunication Holdings, LLC.(1)
3.9	Certificate of Incorporation of TSI Finance Inc.(1)
3.10	Bylaws of TSI Finance Inc.(1)
3.11	Amendment No. 1 to Amended and Restated Certificate of Incorporation of TSI Telecommunication Network Services, Inc.(6)
3.12	Limited Liability Company Operating Agreement of TSI Brience, LLC.(6)
4.1	Purchase Agreement, dated February 5, 2002, among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and Lehman Brothers Inc.(1)
4.2	Indenture, dated February 14, 2002, among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and The Bank of New York, as trustee.(1)
4.3	Exchange and Registration Rights Agreement, dated March 27, 2001, by and among TSI Merger Sub, Inc., TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc., TSI Finance Inc. and Lehman Brothers Inc.(1)
4.4	Notation of Guarantee, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Networks Inc. and TSI Finance Inc.(1)
4.5	Form of Rule 144A Global Note.(1)
4.6	Form of Regulation S Global Note.(1)
4.7	Form of Exchange Note.(1)
10.1	Credit Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, Inc., TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc., as Borrower, the several Lenders from time to time parties thereto, Lehman Brothers Inc., as Lead Arranger and Book Manager and Lehman Commercial Paper Inc., as Administrative Agent.(1)

Table of Contents

Exhibit No.	Description
10.2	Guarantee and Collateral Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Telecommunication Services Inc. and certain of their respective Subsidiaries, and Lehman Commercial Paper Inc., as Administrative Agent.(1)
10.3	Intellectual Property Security Agreement, dated February 14, 2002, between TSI Telecommunication Services Inc. and Lehman Commercial Paper Inc., as administrative agent.(1)
10.4	Guaranty of Wireless Revenue, dated February 14, 2002, between Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
†10.5	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and G. Edward Evans.(1) as amended by that certain Amendment to Senior Management Agreement, dated April 1, 2003, by and among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and G. Edward Evans.(2)
†10.6	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Raymond L. Lawless.(1)
†10.7	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Michael O' Brien.(1)
†10.8	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Paul A. Wilcock.(1)
†10.9	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Wayne Nelson.(1)
†10.10	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Robert Clark.(1)
†10.11	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Douglas Meyn.(1)
†10.12	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Gilbert Mosher.(1)
†10.13	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Christine Wilson Strom.(1)
†10.14	Senior Management Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Robert Garcia, Jr.(1)
†10.15	Consulting Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, TSI Merger Sub, Inc. and Michael Hartman.(1)
10.16	Securityholders Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest, L.P., G. Edward Evans, Raymond L. Lawless, Robert Clark, Robert Garcia, Jr., Douglas Meyn, Gilbert Mosher, Wayne Nelson, Michael O'Brien, Christine Wilson Strom, Paul Wilcock, Rajesh Shah, Christian Schiller, Arnis Kins, John Kins and Snowlake Investment Pte Ltd.(1)
10.17	Unit Purchase Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P. and GTCR Co-Invest, L.P.(1)
10.18	Stock Purchase Agreement, dated February 14, 2002, by and between TSI Communication Holdings, Inc. and TSI Communication Holdings, LLC.(1)
10.19	Purchase Agreement, dated February 14, 2002, between TSI Telecommunication Holdings, LLC and Snowlake Investment Pte Ltd.(1)
10.20	Co-Interest Purchase Agreement, dated February 14, 2002, between TSI Telecommunication Holdings, LLC and Project Networks Partners LLC.(1)

Table of Contents

Exhibit No.	Description
10.21	Purchase Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, Christian Schiller, Arnis Kins and John Kins.(1)
10.22	Professional Services Agreement, dated February 14, 2002, between GTCR Golder Rauner, L.L.C. and TSI Merger Sub, Inc.(1)
10.23	Transition Services Agreement, dated February 14, 2002, between Verizon Information Services Inc. and TSI Telecommunication Services Inc.(1)
10.24	Registration Agreement, dated February 14, 2002, among TSI Telecommunication Holdings, LLC, GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest L.P., G. Edward Evans, Raymond L. Lawless, Robert Clark, Robert Garcia, Jr., Douglas Meyn, Gilbert Mosher, Wayne Nelson, Michael O'Brien, Christine Wilson Strom, Paul Wilcock, Rajesh Shah, Christian Schiller, Arnis Kins, John Kins and Snowlake Investment Pte Ltd.(1)
10.25	Inducement Agreement, dated February 14, 2002, among GTCR Fund VII, L.P., GTCR Fund VII/A, L.P., GTCR Co-Invest, L.P., Snowlake Investment Pte Ltd, GTCR Capital Partners, L.P. and TSI Telecommunication Holdings, LLC.(1)
10.26	Termination Agreement and Release (Verizon Data Services), dated February 14, 2002, between Verizon Data Services, Inc. and TSI Telecommunication Services Inc.(1)
10.27	Intellectual Property Agreement, dated February 14, 2002, among Verizon Information Services, Inc., Verizon Communications Inc. and TSI Telecommunication Services Inc.(1)
10.28	Intellectual Property Letter Agreement, dated February 14, 2002, among Verizon Information Services, Inc., TSI Telecommunication Services Inc. and TSI Telecommunication Holdings, Inc.(1)
10.29	Mainframe Computing Services Agreement, dated February 14, 2002, between Verizon Information Technologies Inc. and TSI Telecommunication Services Inc.(1)
10.30	Distributed Processing Services Agreement, dated February 14, 2002, by and between Verizon Information Technologies Inc. and TSI Telecommunications Services Inc.(1)
†10.31	TSI Telecommunication Holdings, Inc. Founders' Stock Option Plan.(1)
†10.32	Form of Nonqualified Stock Option Plan Stock Option Agreement for Management.(1)
†10.33	Form of Nonqualified Stock Option Agreement for Non-Management.(1)
†10.34	TSI Telecommunication Holdings, Inc. Non-employee Directors Stock Option Plan.(9)
†10.35	Form of Nonqualified Stock Option Agreement for Non-employee Directors.(9)
†10.36	Senior Management Agreement, dated June 3, 2002 among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Charles A. Drexler.(9)
†10.37	Senior Management Agreement, dated February 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Linda Hermansen.(3)
†10.38	Senior Management Agreement, dated February 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Gilbert Mosher.(3)
†10.39	Senior Management Agreement, dated May 14, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and Eugene Bergen Henegouwen.(2)
†10.40	Senior Management Agreement, dated August 14, 2003, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc, and Paul Corrao.(7)
10.41	First Amendment to Credit Agreement, dated as of September 25, 2003, by and among TSI Telecommunication Holdings, LLC, TSI Telecommunication Holdings, Inc., TSI Telecommunication Services Inc., the lenders signatory thereto, and Lehman Commercial Paper Inc.(4)

Table of Contents

Exhibit No.	Description
10.42	Agreement and Plan of Merger, dated as of July 15, 2003, by and among TSI Telecommunication Network Services Inc., TSI Brience, LLC, Brience, Inc., and the Seller Parties named therein.(5)
10.43	Exchange Agreement, dated as of July 23, 2003, by and among the Parent and the persons listed on the signature page thereto under the heading "Exchanging Parities".(5)
10.44	Contribution Agreement, dated as of July 23, 2003, by and among GTCR Fund VII, L.P., GTCR Co-Invest, L.P., and TSI Telecommunication Holdings, LLC.(5)
10.45	Second Amendment to Credit Agreement, dated as of March 11, 2004, by and among Syniverse Holdings, LLC, Syniverse Holdings, Inc., Syniverse Technologies, Inc., the lenders signatory thereto, and Lehman Commercial Paper Inc.(8)
*10.46	Agreement relating to the sale and purchase of the entire issued share capital of Softwright Holdings Limited, dated as of December 19, 2003, by and among TSI Telecommunication Services Inc. and the Vendors named therein.
†*10.47	Senior Management Agreement, dated December 8, 2003, among TSI Telecommunication Holdings, LLC, TSI Telecommunication Services Inc. and F. Terry Kremian.
*12.1	Computation of ratio of earnings to fixed charges.
*14.1	Code of Ethics of Syniverse Technologies, Inc.
*21.1	Subsidiaries of Syniverse Holdings, LLC.
*31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
*31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) by the Chief Executive Officer.
*32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) by the Chief Financial Officer.

- (1) Incorporated by reference to the Registrants' Registration Statement on Form S-4 (Registration No. 333-88168).
- (2) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003 (File No. 333-88168-1).
- (3) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 333-88168-1).
- (4) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K dated September 25, 2003 (File No. 333-88168-1).
- (5) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K dated July 23, 2003 (File No. 33-88168-1).
- (6) Incorporated by reference to the Registrant's Post Effective Amendment No. 2 (Registration No. 333-99293).
- (7) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 (File No. 333-88168-1).
- (8) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc.'s Current Report on Form 8-K filed on March 16, 2004 (File No. 333-88168).
- (9) Incorporated by reference to the Registrants' Registration Statement on Form S-1 filed September 6, 2002 (Registration No. 333-99293).
- * Filed herewith.
- † Compensatory plan or agreement.

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TSI TELECOMMUNICATION SERVICES INC.", CHANGING ITS NAME FROM "TSI TELECOMMUNICATION SERVICES INC." TO "SYNIVERSE TECHNOLOGIES, INC.", FILED IN THIS OFFICE ON THE FIRST DAY OF MARCH, A.D. 2004, AT 1:29 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

2187578 8100

[SEAL]

/s/ Harriet Smith Windsor

040153644

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2960759**DATE: 03-01-04**

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT OF
RESTATED CERTIFICATE OF INCORPORATION OF
TSI TELECOMMUNICATION SERVICES INC.

The undersigned, on behalf of TSI TELECOMMUNICATION SERVICES INC., a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY as follows:

FIRST: That the Board of Directors of the Corporation, in accordance with Section 242 of the General Corporation Law of the State of Delaware and pursuant to unanimous written consent, duly adopted resolutions setting forth a proposed amendment of the Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and submitting the same to the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Restated Certificate of Incorporation of the Corporation be amended by changing Article One thereof so that, as amended, said Article shall be and read as follows:

"The name of the Corporation is SYNIVERSE TECHNOLOGIES, INC."

SECOND: That thereafter, in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware, the amendment was duly approved and adopted pursuant to written consent signed by the holders of at least a majority of the outstanding stock of the Corporation entitled to vote thereon.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation shall not be reduced under or by reason of said amendment.

DATED this 27th day of February, 2004.

TSI TELECOMMUNICATION SERVICES INC.,
a Delaware corporation

By: /s/ Raymond L. Lawless

Name: Raymond L. Lawless
Title: CFO/Secretary

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "TSI TELECOMMUNICATION HOLDINGS, LLC", CHANGING ITS NAME FROM "TSI TELECOMMUNICATION HOLDINGS, LLC" TO "SYNIVERSE HOLDINGS, LLC", FILED IN THIS OFFICE ON THE FIRST DAY OF MARCH, A.D. 2004, AT 12:33 O'CLOCK P.M.

3456168 8100 [SEAL]

/s/ Harriet Smith Windsor

040153075

Harriet Smith Windsor, Secretary of State**AUTHENTICATION: 2967710****DATE: 03-03-04**

CERTIFICATE OF AMENDMENT

OF

TSI TELECOMMUNICATION HOLDINGS, LLC

1. The name of the limited liability company is TSI TELECOMMUNICATION HOLDINGS, LLC (the "Company").
2. The Certificate of Formation of the Company is hereby amended to change the name of the Company to:

SYNIVERSE HOLDINGS, LLC

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment of TSI TELECOMMUNICATION HOLDINGS, LLC this 27th day of February, 2004.

TSI TELECOMMUNICATION HOLDINGS, LLC,
a Delaware limited liability company

By: /s/ Raymond L. Lawless

Name: Raymond L. Lawless
Title: CFO/Secretary

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:32 PM 03/01/2004
FILED 12:33 PM 03/01/2004
SRV 040153075 - 3456168 FILE

Dated 19th December 2003

THE PERSONS WHOSE NAMES ARE SET OUT IN SCHEDULE 1
(as, together, the “**Vendors**”)

TELECOMMUNICATION SERVICES INC.
(as the “**Purchaser**”)

AGREEMENT

relating to:

the sale and purchase of the entire issued share capital of
Softwright Holdings Limited

McDERMOTT, WILL & EMERY
7 Bishopsgate
London
EC2N 3AR

Tel: 020 7577 6900
Fax: 020 7577 6950

Contents

	Page
1. Interpretation	1
2. Sale of shares	5
3. Consideration	6
4. Retention	7
5. Completion	7
6. Warranties and indemnity	8
7. Confidentiality	9
8. Announcements	10
9. Provisions relating to this Agreement	11
10. Law and Jurisdiction	14
SCHEDULE 1 – The Vendors	16
SCHEDULE 2 – The Company	17
SCHEDULE 3 – Subsidiaries	18
Part A – SSL	18
Part B – Kiosk	19
SCHEDULE 4 – Warranties and Representations	20
1. Interpretation	20
2. Warranties and representations	21
3. The Company and the Vendors	21
4. The Company’s Constitution	22
5. The Company and its investments	23
6. The Company and the law	23
7. The Company’s and Vendors’ solvency	26
8. The Company’s accounts and records	26
9. The Company’s Business and the effect of the sale	27
10. The Company’s assets	30
11. Premises	32
12. The Company’s contracts	34
13. The Company and its bankers	37
14. Directors and Employees	37
SCHEDULE 5 – Tax	41
1. Interpretation	41
2. Taxation warranties and representations	41
3. General taxation matters	41
4. Distributions and payments	42
5. Losses	42
6. Close Companies	43
7. Anti-avoidance	43
8. Capital Assets	44
9. Taxation of employees and agents	45
10. Stamp Duties	45
11. Value Added Tax	46
SCHEDULE 6 – Pensions	48
1. Interpretation	48
2. Warranties and representations	48
SCHEDULE 7 – Particulars of Premises	49
SCHEDULE 8 – Vendors Protection	50
1. Relevant Claims	50
2. Financial Limits	50
3. Thresholds	50
4. Time limits	50

5.	No duplication of recovery	51
6.	Relevance of limitations in circumstances of fraud etc	51
7.	Release from liability	51
8.	Common Law duty to mitigate	52
9.	Recovery from Third Parties	52
10.	Effect of Taxation	53
11.	Conduct of Relevant Claims	53
12.	Rescission	53
13.	Reduction in Consideration	54
14.	Effect of Assignment	54
15.	Purchaser's Warranties	54
16.	Pre-Acquisition	54
	SCHEDULE 9	55
	Part I – Calculation of the Earn Out	55
	Part II – The 2004 Earn-Out Accounts Pack and 2004 EBITDA Certificate	56
	Part III – 2004 Earn-Out Accounts Pack Principles	60
	SCHEDULE 10 – Tax Covenant	63
1.	Definitions	63
2.	Covenant to Pay	65
3.	Exclusions	65
4.	Costs and Expenses	67
5.	Withholdings	67
6.	Tax on covenant payments	67
7.	Notification of claims and conduct of disputes	67
8.	Due date of payment and interest	68
9.	Recovery from third parties	69
10.	Management of pre-Completion Tax affairs	69
11.	Purchaser's Covenants	71

THIS AGREEMENT is made on the 19th day of December 2003

BETWEEN:

- (1) **THE PERSONS** whose names and addresses are set out in the first column of Schedule 1 (the “**Vendors**”); and
- (2) **TELECOMMUNICATION SERVICES INC.**, whose business address is at One Tampa City Center, Suite 700, Tampa, Florida 33602–5157, USA (the “**Purchaser**”).

WHEREAS:

The Vendors wish to sell and the Purchaser wishes to acquire the entire issued share capital of Softwright Holdings Limited on and subject to the terms of this Agreement.

IT IS AGREED THAT:

1. Interpretation

1.1 Definitions

In this Agreement where the context admits:

“Affiliate”	means, in relation to a body corporate, any subsidiary or holding company of such body corporate, and any subsidiary of any such holding company for the time being;
“Agreed Form”	means, in relation to any document, a document in the terms signed or initialled by or on behalf of the parties for identification;
“Amended Loan Note Instrument”	means the instrument of variation in the Agreed Form executed by the Company varying the terms of the £80,025 nominal Unsecured Loan Notes 2005 instrument dated 11 May 2001;
“Audited Accounts”	means the audited balance sheets of the Company and of SSL made up as at the Balance Sheet Date and the audited profit and loss accounts of the Company and SSL in respect of the financial year ended on the Balance Sheet Date including, in each case, the notes thereto and the directors’ report and auditors’ report;
“Audited Accounts for 2004”	means the consolidated audited balance sheets of the Company and of SSL made up as at 31 October 2004 and the audited profit and loss accounts of the Company and SSL in respect of the financial year ended on 31 October 2004 including, in each case, the notes thereto and the directors’ report and auditors’ report;
“Balance Sheet Date”	means 31 October 2002;

“Bank”	means The Governor & Company of the Bank of Scotland (company number SC218813) of The Mound, Edinburgh, EH1 1YZ;
“Bank Deed of Release”	means the (1) deed of release between the Bank and the Company of the debenture dated 11 May 2001 granted by the Company to the Bank in the Agreed Form and (2) the deed of release between the Bank and SSL of the debenture dated 11 May 2001 and the fixed charge over book debts dated 21 February 2003 in the Agreed Form;
“Bank Indebtedness”	all amounts owing by the Company and SSL to the Bank at the Completion Date (including but without limitation, overdrafts on current accounts, amount of principal debt, accrued interest, accrued fees, costs and charges and early repayment or redemption penalties) due as a result of the repayment of such amount as at Completion;
“Business Day”	means a day (other than a Saturday or Sunday) on which banks are open for ordinary banking business in London and Tampa, Florida;
“Company”	(save as set out in clause 1.2 of Schedule 4) means Softwright Holdings Limited a company registered in England and Wales under number 04198746 and incorporated on 11 April 2001 as a private company limited by shares under the Companies Act 1985 further details of which are set out in Schedule 2;
“Companies Act”	means statutes from time to time in force concerning companies including (without limitation) the Companies Act 1985, the Companies Act 1989, Part V of the Criminal Justice Act 1993 and the Companies Consolidation (Consequential Provisions) Act 1985;
“Completion”	means completion of the sale and purchase of the Sale Shares in accordance with clause 5;
“Completion Date”	means the date of Completion;
“Consideration”	means the Initial Consideration and the Deferred Consideration to be paid for the Sale Shares in accordance with clause 3;
“Deferred Consideration”	means the contingent payment based on the formula in clause 3.4 and Schedule 9 less the Retention Amount;
“Deferred Consideration Payment Date”	means the date on which the 2004 EBITDA Certificate is agreed or determined in accordance with Schedule 9;
“Disclosure Letter”	means the letter dated the date hereof written and delivered by or on behalf of the Vendors to the Purchaser in Agreed Form;

“EBITDA”	means earnings before interest, taxes, depreciation and amortization of the Company for the year ending 31 October 2004;
“EBITDA Certificate”	means the draft 2004 EBITDA certificate determined in accordance with Parts II and III of Schedule 9;
“Earn Out Calculation”	means the earn out calculation as set out in Schedule 9;
“Encumbrance”	includes any interest or equity of any person (including any right to acquire, option or right of pre-emption); any mortgage, charge, pledge, lien, assignment, hypothecation, security interest (including any created by law), title retention or other security agreement or arrangement; and any rental, hire purchase, credit sale or other agreement for payment on deferred terms;
“Group”	means, together, the Company, SSL and Kiosk;
“Initial Consideration”	means £7;
“Kiosk”	means The Kiosk Company Limited, a company registered in England and Wales under number 01590627 as a private company limited by shares under the Companies Act 1985 further details of which are set out in Part B of Schedule 3;
“Loan Note Repayment”	means the sum of £80,025 in terms of the £80,025 Unsecured Loan Notes 2005 of the Company dated 11 May 2001;
“Management Accounts”	means the management accounts of SSL for the period from the Balance Sheet Date to 30 November 2003 true copies of which are annexed to the Disclosure Letter;
“Noteholders”	means the persons entered in the register of noteholders of the Company as at the date of Completion as holders of £80,025 Unsecured Loan Notes 2005 of the Company dated 11 May 2001;
“Premises”	means the land and premises known as Unit 5H Langley Business Centre, 11–49 Station Road, Langley, Berkshire SL3 8YT, particulars of which are set out in Schedule 7;
“Purchaser’s Group”	means the Purchaser and each of its Affiliates;
“Retention Amount”	means the amount of £40,000 payable to SSA pursuant to the agreement for the sale and purchase of the whole of the issued share capital of SSL entered into between SSA and the Company dated 11 May 2001;
“Sale Shares”	means the entire issued share capital of the Company being 80,025 ordinary shares of 1p each;
“SSA”	means SSA Global Technologies Inc.;

“SSL”	means Softwright Solutions Limited, a company registered in England and Wales under number 01467614 and incorporated on 18 December 1979 as a private company limited by shares under the Companies Act 1985 further details of which are set out in Part A of Schedule 3;
“SSL Shares”	means 1,839,272,859 ordinary shares of £0.001 each in the capital of SSL;
“Subsidiaries”	means the companies, details of which are set out in Parts A and B of Schedule 3;
“Tax”	includes (without limitation) corporation tax, advance corporation tax, the charge under s.419 Taxes Act 1988, income tax, capital gains tax, the charge under s.601(2) Taxes Act 1988, value added tax, excise duties, the charge to tax under Schedule 9A Value Added Tax Act 1994, customs and other import duties, stamp duty reserve tax, capital duties, national insurance contributions, local authority council taxes, petroleum revenue tax, foreign taxation and duties, amounts payable in consideration for the surrender of group relief or advance corporation tax or refunds pursuant to s.102 Finance Act 1989 and all penalties, charges and interest relating to any of the foregoing or resulting from a failure to comply with the provisions of any enactment relating to taxation;
“Taxes Act 1988”	means Income and Corporation Taxes Act 1988;
“Tax Deed”	means the deed of indemnity set out in Schedule 10 relating to taxation to be executed and delivered at Completion;
“Vendors’ Solicitors”	means Lamport Bassitt, of 46 The Avenue, Southampton, SO17 1AX; and
“Warranties”	means the warranties and representations set out in Schedule 4, in Schedule 5 and in paragraph 2 of Schedule 6.
“Warrantors”	means Douglas Wright and Michael Wood.

1.2 Construction of certain references

In this Agreement, where the context admits:

- 1.2.1 words and phrases the definitions of which are contained or referred to in Part XXVI Companies Act 1985 shall be construed as having the meanings thereby attributed to them;
- 1.2.2 references to, or to any provision of, any treaty, statute, directive, regulation, decision, order, instrument, by-law, or any other law of, or having effect in, any jurisdiction (“**Laws**”) shall be construed also as references to all other Laws made under the Law referred to, and to all such Laws as amended, re-enacted, consolidated or replaced or as their application is modified by other

Laws from time to time, and whether before or after the date of this Agreement except to the extent that an amendment, re-enactment, consolidation, replacement or modification after the date of this Agreement would extend or increase the liability of the Warrantors;

1.2.3 where any statement is to the effect that the Warrantors are not aware of a matter or circumstance, or is a statement qualified by the expression “so far as the Warrantors are aware” or “to the best of the Warrantors’ knowledge and belief” or any similar expression, that statement shall be deemed to include an additional statement that it has been made after due and careful enquiry of the directors of the Company but not further or otherwise;

1.2.4 references to clauses and Schedules are references to clauses of and Schedules to this Agreement, references to paragraphs are, unless otherwise stated, references to paragraphs of the Schedule in which the reference appears, and references to this Agreement include the Schedules;

1.2.5 references to the singular shall include the plural and vice versa; and references to the masculine, the feminine and the neuter shall include each other such gender;

1.2.6 “**person**” includes any individual, partnership, body corporate, corporation sole or aggregate, state or agency of a state, and any unincorporated association or organisation, in each case whether or not having separate legal personality;

1.2.7 “**company**” includes any body corporate; and

1.2.8 references to the Vendors or the Warrantors include a reference to each of them.

1.3 Several liabilities

All warranties, representations, indemnities, covenants, agreements and obligations in this Agreement given or entered into by more than one person are given or entered into severally unless a contrary indication is expressed.

1.4 Headings

The headings and sub-headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.5 Schedules

Each of the Schedules shall have effect as if set out herein.

2. Sale of shares

2.1 Sale and purchase

Subject to the terms of this Agreement, each of the Vendors (each severally as to those of the Sale Shares for which they are the registered member) shall sell or procure the sale with full title guarantee, free from all Encumbrances and together with all rights now or hereafter attaching thereto, the number of Sale Shares set opposite his name in the second column of Schedule 1, and the Purchaser shall purchase all such Sale Shares.

2.2 No sale of part only

Neither the Vendors nor the Purchaser shall be obliged to complete the sale and purchase of any of the Sale Shares unless the sale and purchase of all the Sale Shares is completed simultaneously.

2.3 Waiver of pre-emption rights

Each of the Vendors hereby waives any pre-emption rights he may have relating to the Sale Shares, whether conferred by the Company's articles of association or otherwise.

3. Consideration

3.1 The total consideration for the Sale Shares shall be the aggregate of the Initial Consideration and (if payable) the Deferred Consideration and such consideration shall be apportioned between the Vendors as set out in the fourth and fifth columns of Schedule 1.

3.2 The Purchaser shall pay the total consideration to the Vendors on the basis specified in clause 5.3 as follows:

3.2.1 the Initial Consideration on Completion Date; and

3.2.2 (if payable) the Deferred Consideration on the Deferred Consideration Payment Date.

3.3 Where the relevant figures extracted from the Audited Accounts for 2004 record positive EBITDA, the Purchaser shall, subject to and in accordance with the provisions of clause 3.4, pay to the Vendors the Deferred Consideration in accordance with the Earn Out Calculation IT BEING ACKNOWLEDGED THAT the Deferred Consideration is only payable once EBITDA x 4 is an amount in excess of £380,025.

3.4 The Loan Note Repayment and Deferred Consideration shall be distributed to the Noteholders and Vendors respectively as follows:

3.4.1 where the sum of EBITDA x 4 equals an amount between £0 and £80,024, then that amount shall be paid by the Purchaser to the Noteholders pro-rata their holdings of Loan Notes;

3.4.2 where the sum of EBITDA x 4 equals an amount between £80,025 and £380,025, then the Loan Note Repayment shall be paid by the Purchaser to the Noteholders;

3.4.3 where EBITDA x 4 equals a number in excess of £380,025, then the Loan Note Repayment shall be paid by the Purchaser to the Noteholders and the Deferred Consideration shall be paid to the Vendors in accordance with clause 3.3 and the Earn Out Calculation.

3.5 The Loan Note Repayment falling due under sub-clauses 3.4.1 and/or 3.4.2 shall be paid without set-off, deduction or cross-claim of whatsoever nature, save in the event of fraud.

3.6 The Purchaser undertakes with the Vendors that it is its intention to conduct the business of the Company in the ordinary course and further undertakes that prior to the Deferred Consideration Payment Date it will not do anything with the intention of reducing or distorting downwards the amount of EBITDA.

3.7 The Vendors undertake with the Purchaser that prior to the Deferred Consideration Payment Date they will not do anything with the intention of distorting upwards the amount of EBITDA.

3.8 The Deferred Consideration (if payable) under this Agreement shall not exceed a total amount of £2,000,000.

4. **Retention**

In the event that by the Deferred Consideration Payment Date SSA has waived in writing its right to payment of the Retention Amount (to the Purchaser's satisfaction) then the sum of £40,000 shall not be deducted from the Deferred Consideration payable (if any) to the Vendors. It is acknowledged that it is the intention of the Purchaser to procure that the Company pays to SSA the Retention Amount.

5. **Completion**

5.1 **Date and place of Completion**

Completion shall take place at the offices of McDermott, Will & Emery, 7 Bishopsgate, London EC2N 3AR on the Completion Date.

5.2 **Vendors' obligations**

On Completion the Vendors shall:

5.2.1 deliver to the Purchaser:

- (a) transfers of the Sale Shares duly executed by the registered holders thereof in favour of the Purchaser or its nominees together with the relative share certificates;
- (b) such waivers or consents as the Purchaser may require to enable the Purchaser or its nominees to be registered as holders of the Sale Shares;
- (c) powers of attorney in Agreed Form;
- (d) duly executed Bank Deed of Release;
- (e) the written consent of the Company to the adoption of the Amended Loan Note Instrument;
- (f) a minute of the meeting of Noteholders approving the Amended Loan Note Instrument;
- (g) a duly executed copy of the Amended Loan Note Instrument; and
- (h) copies of the Audited Accounts containing an unqualified opinion from Blueprint Audit Limited.

5.2.2 deliver to the Purchaser as agent for the Company:

- (a) all the statutory and other books (duly written up to date) of each member of the Group and its/their certificate(s) of incorporation, any certificates of incorporation on change of name and common seal(s);

-
- (b) certificates in respect of all issued shares in the capital of SSL and Kiosk and transfers of all shares in SSL and Kiosk not registered in the name of the Company (or SSL (as the case may be)) in favour of such persons as the Purchaser shall direct; and
 - (c) the title deeds to the Premises other than in respect to those Premises which are disclosed in the Disclosure Letter as being charged and the title deeds as being held by the chargee;

5.2.3 procure board meetings of the Company and SSL to be held at which there shall be:

- (a) passed a resolution to approve, in the case of the Company, the transfers of the Sale Shares and (subject only to due stamping) to register, in the register of members, each transferee as the holder of the shares concerned;
- (b) appointed as directors such persons as the Purchaser may nominate such appointments to take effect at the close of the meeting; and
- (c) revoked all existing authorities to banks and new authorities shall be given to such banks and on such terms as the Purchaser may direct;

5.2.4 deliver to the Purchaser, certified as correct by the secretary of the relevant company, the minutes of each such board meeting; and

5.2.5 procure the discharge of all guarantees and like obligations given by the Company or SSL in respect of the obligations of any other person (and including the guarantees and obligations stipulated to be discharged at Completion in the Disclosure Letter), such discharge to be given in Agreed Form.

5.3 Purchaser's obligations

The Purchaser shall:

- 5.3.1 pay the Initial Consideration for the Sale Shares as provided by Clause 3 to the Seller's Solicitors receipt of which shall discharge the Purchaser from its obligation to pay the Initial Consideration and the Purchaser shall not be concerned to see that the moneys transferred are applied in paying the Vendors in accordance with their respective entitlements; and
- 5.3.2 conditionally upon satisfaction of the Vendor's obligations set out in Clause 5.2 above, procure that the Company repays the Bank Indebtedness to the Bank by way of telegraphic transfer from the Purchaser's solicitors' client account to the Bank's solicitors' client account (The Royal Bank of Scotland plc, 27 Park Row, Leeds LS1 5QB, sort code: 16-23-37, account number: 00282443); and
- 5.3.3 subject to the Deferred Consideration being payable in accordance with clauses 3.3 and 3.4, pay Deferred Consideration to the Seller's Solicitors receipt of which shall discharge the Purchaser from its obligation to pay the Deferred Consideration and the Purchaser shall not be concerned to see that the moneys transferred are applied in paying the Vendors in accordance with their respective entitlements.

6. Warranties and indemnity

6.1 General

The Warrantors hereby severally warrant to and for the benefit of the Purchaser in the terms of the Warranties and acknowledge and accept that the Purchaser is entering into the Agreement in reliance upon each of the Warranties. Any sum payable by the Warrantors in respect of any breach of the Warranties shall be treated as a reduction in the Consideration.

6.2 Purchaser's knowledge

The Warranties are given subject to matters fairly disclosed in this Agreement or in the Disclosure Letter.

6.3 Warranty awareness

Each of the Warranties shall be construed as a separate and independent warranty and (except where expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other warranty or any other term of this Agreement.

6.4 Warranties to be independent

Each of the Warranties shall be separate and independent and, save as expressly provided, shall not be limited by reference to any other Warranty or anything in this Agreement.

6.5 Waiver of Claim

The Warrantors undertake to and for the benefit of the Purchaser that they will not, save in the case of fraud, make or pursue any claim or action howsoever arising against the Company, SSL or any of the Employees (as defined in Schedule 4) in respect of any loss or liability the Warrantors may incur pursuant to this Agreement (or any other document referred to herein) or otherwise in connection with the sale of the Sale Shares to the Purchaser or the preparation of the Disclosure Letter.

6.6 Warrantor Protection

The provisions of schedule 8 shall apply.

6.7 Specific indemnity

Douglas Wright shall indemnify and hold harmless the Purchaser and the Company against all or any claims, costs, losses, damages and expenses (including without limitation reasonable legal fees) which the Purchaser or the Company may incur or sustain arising out of any failure (at any time, whether before or after the Completion Date) on the part of the Company, to honour any contractual entitlements to shares or options over shares in the Company which current or former employees of the Company may have acquired prior to the Completion Date. The maximum liability of Douglas Wright under the indemnity in this clause 6.7 shall be an amount equal to the Deferred Consideration which may be due to him under the terms of this Agreement and his liability under this clause shall absolutely determine on 31 March 2005.

7. Confidentiality

7.1 Restriction

Subject to clause 7.2 and to clause 8, each party:

7.1.1 shall treat as strictly confidential information obtained or received by him as a result of negotiating, entering into or performing its obligations under this Agreement which relates to the negotiation of, or the provisions or subject matter of, this Agreement or to any other party (**“Confidential Information”**); and

7.1.2 shall not, except with the prior written consent of each other party (which shall not be unreasonably withheld or delayed), publish or otherwise disclose to any person any Confidential Information.

7.2 Permitted disclosures

Clause 7.1 shall not apply if and to the extent that the party disclosing Confidential Information can demonstrate that:

7.2.1 such disclosure is required by law or regulatory or governmental body having jurisdiction over it and whether or not the requirement has the force of law; or

7.2.2 such disclosure is required in order to facilitate any assignment or proposed assignment of the whole or any part of the rights or benefits under this Agreement which is permitted by clause 9.1; or

7.2.3 the Confidential Information concerned was lawfully in its possession (as evidenced by written records) prior to its being obtained or received as described in clause 7.1.1; or

7.2.4 the Confidential Information concerned has come into the public domain other than through its fault or the fault of any person to whom such Confidential Information has been disclosed in accordance with clause 7.1.2.

7.3 Continuance of restrictions

The restrictions contained in this clause 7 shall survive Completion and shall continue without limit of time.

8. Announcements

8.1 Restrictions

Subject to clauses 8.2 and 8.4, and whether or not any restriction contained in clause 10 applies, no party to this Agreement shall make any announcement, (including, without limitation any communication to the public, to any customers or suppliers of SSL, or to all or any of the employees of the Company) concerning the provisions or subject matter of this Agreement or containing any information about any other party without the prior written approval of the others (which shall not be unreasonably withheld or delayed).

8.2 Permitted announcements

Clause 8.1 shall not apply if and to the extent that such announcement is required by law or regulatory or governmental body having jurisdiction over it and whether or not the requirement has the force of law and provided that any such announcement shall be made only after consultation with the other parties.

8.3 Continuance of restrictions

The restrictions contained in this clause 8 shall survive Completion and shall continue without limit of time.

8.4 Announcements to customers and suppliers

The Vendors and the Purchaser shall as soon as practicable after Completion procure that a joint announcement of the sale and purchase of the Sale Shares is made to the customers and suppliers of the Company in the Agreed Form.

9. Provisions relating to this Agreement

9.1 Assignment

This Agreement shall be binding upon and enure for the benefit of the successors of the parties but shall not be assignable, save that the Purchaser may at any time assign all or any part of its rights and benefits under this Agreement and any agreement referred to herein, including, without limitation, any of the Warranties, the Tax Deed and any other indemnities, undertakings and obligations given or undertaken by the Vendors and any cause of action arising under or in respect of any of them, to any transferee of the share capital of the Company or of any of the Subsidiaries, or to any Affiliate of the Purchaser. Any such assignee may enforce any right or benefit assigned to it as if it had been named in this Agreement as the Purchaser, and in the case of an assignment to any Affiliate of the Purchaser may recover thereunder as if it had acquired the Sale Shares for the consideration and upon the other terms of this Agreement and had thereby sustained all diminutions of value, losses and expenses in consequence of such acquisition as have been sustained by the Purchaser and any subsequent holder of such share capital who is such an Affiliate, including itself, as if they were all one entity which had retained the ownership of such issued share capital throughout.

9.2 Whole agreement and variations

9.2.1 This Agreement, together with any documents referred to in it, constitutes the whole agreement between the parties relating to its subject matter and supersedes and extinguishes any prior drafts, agreements, and undertakings, whether in writing or oral, relating to such subject matter.

9.2.2 The Purchaser acknowledges that it has not been induced to enter into this Agreement by any representation, warranty, promise or assurance by the Vendors or any other person save for those contained in this Agreement and in the Disclosure Letter.

9.2.3 No variation of this Agreement shall be effective unless made in writing and signed by each of the parties.

9.3 Agreement survives Completion

The Warranties and all other provisions of this Agreement, in so far as the same shall not have been performed at Completion, shall remain in full force and effect notwithstanding Completion.

9.4 Rights etc cumulative and other matters

- 9.4.1 The rights, powers, privileges and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers, privileges or remedies provided by law or otherwise.
- 9.4.2 No failure to exercise nor any delay in exercising any right, power, privilege or remedy under this Agreement shall in any way impair or affect the exercise thereof or operate as a waiver thereof in whole or in part.
- 9.4.3 No single or partial exercise of any right, power, privilege or remedy under this Agreement shall prevent any further or other exercise thereof or the exercise of any other right, power, privilege or remedy.

9.5 Release of one Vendor

The Purchaser may release, reduce or compromise the liability of or grant time or other indulgence to any of the Vendors hereunder without affecting the liability of the other Vendors. Where a liability of one or some but not all of the Vendors under any obligation which is several is released or compromised, the remaining Vendors shall continue to be severally liable on that obligation.

9.6 Further assurance

At any time after the Completion Date the Vendors shall, at the request of the Purchaser, execute or procure the execution of such documents and do or procure the doing of such acts and things as the Purchaser may reasonably require for the purpose of vesting the Sale Shares in the Purchaser or its nominee and giving to the Purchaser the full benefit of all the provisions of this Agreement.

9.7 Invalidity

- 9.7.1 If any provision of this Agreement shall be held to be illegal, void, invalid or unenforceable under the laws of any jurisdiction, the legality, validity and enforceability of the remainder of this Agreement in that jurisdiction shall not be affected, and the legality, validity and enforceability of the whole of this Agreement in any other jurisdiction shall not be affected.
- 9.7.2 If any liability of one or some but not all of the Vendors is, or becomes illegal, invalid or unenforceable in any respect, that shall not affect or impair the liabilities of the other Vendors under this Agreement.

9.8 Payment to the Vendors

Any payment falling to be made to the Vendors under any provision of this Agreement may be made to the Vendors' Solicitors whose receipt shall be an absolute discharge of the Purchaser's obligations to make payment under the terms of this Agreement.

9.9 Counterparts

This Agreement may be executed in any number of counterparts, which shall together constitute one Agreement. Any party may enter into this Agreement by signing any such counterpart.

9.10 Costs

Each party shall bear its own costs arising out of or in connection with the preparation, negotiation and implementation of this Agreement and the Vendors

confirm that no expense whatsoever relating to the sale of the Sale Shares has been or is to be borne by any member of the Group, save that the Purchaser shall be responsible for the reasonable legal costs of the Vendors Solicitors incurred in the negotiation of this Agreement and the preparation of the Disclosure Letter not exceeding £15,000 plus VAT.

9.11 Notices

9.11.1 Any notice or other communication required to be given under this Agreement or in connection with the matters contemplated by it shall, except where otherwise specifically provided, be in writing in the English language and shall be addressed as provided in clause 9.11.2 and may be:

- (a) personally delivered, in which case it shall be deemed to have been given upon delivery at the relevant address; or
- (b) if from or to any place outside the United Kingdom, sent by pre-paid priority airmail, in which case it shall be deemed to have been given seven Business Days after the date of posting; or
- (c) sent by fax, in which case it shall be deemed to have been given when despatched, subject to confirmation of uninterrupted transmission by a transmission report provided that any notice despatched by fax after 17.00 hours (at the place where such fax is to be received) on any day shall be deemed to have been received at 08.00 on the next Business Day.

9.11.2 The addresses and other details of the parties referred to in clause 9.11.1 are, subject to clause 9.11.3:

For the Vendors:

Name: Douglas Wright (the “**Vendors’ Representative**”)
Address: Gateways
Holdfast Lane
Haslemere
Surrey
GU27 2EY

For the Purchaser:

Name: Telecommunications Services Inc.
For the attention of: John Curtis
Address: One Tampa City Center
Suite 700
Tampa
FL 33602-5157
Fax number: 001 405 751 3979

9.11.3 Any party to this Agreement may notify the other parties of any change to its address or other details specified in clause 9.11.2, including, in the case of the Vendors, the name of the Vendors’ Representative, provided that such

notification shall only be effective on the date specified in such notice or five Business Days after the notice is given, whichever is later.

9.11.4 For the purposes of this clause 9.11, the Vendors shall together constitute one party, notice to the Vendors' Representative addressed as set out in clause 9.11.2 shall be notice to all the Vendors, and any notice referred to in clause 9.11.3 shall be signed by or on behalf of all of them. Any other notice signed by or on behalf of the Vendors' Representative, when served in accordance with this clause 12.11, shall take effect as a notice given by all the Vendors.

10. Law and Jurisdiction

10.1 English Law

This Agreement shall be governed by, and construed in accordance with, English law.

10.2 Jurisdiction

In relation to any legal action or proceedings to enforce this Agreement or arising out of or in connection with this Agreement ("**Proceedings**") each of the parties irrevocably submits to the jurisdiction of the English courts and waives any objection to Proceedings in such courts on the grounds of venue or on the grounds that the Proceedings have been brought in an inconvenient forum.

10.3 Process Agent to the Vendors

The Vendors appoint Lamport Bassitt of 46, The Avenue, Southampton SO17 1AX as their process agent to receive on their behalf service of process in any proceedings. Service upon the process agent shall be good service upon each of the Vendors whether or not it is forwarded to and received by the Vendors or any of them. If for any reason the process agent ceases to be able to act as process agent, or no longer has an address in England, the Vendors irrevocably agree to appoint a substitute process agent with an address in England acceptable to the Purchaser and to deliver to the Purchaser a copy of the substitute process agent's acceptance of that appointment within 20 Business Days. In the event that the Vendors fail to appoint a substitute process agent, it shall be effective service for the Purchaser to serve the process upon the last known address in England of the last known process agent for the Vendors notified to the Purchaser, notwithstanding that such process agent is no longer found at such address or has ceased to act.

10.4 Process Agent to the Purchaser

The Purchaser appoints McDermott, Will & Emery of 7 Bishopsgate, London, EC2N 3AR as its process agent to receive on its behalf service of process in any proceedings in England. Service upon the process agent shall be good service upon the Purchaser whether or not it is forwarded to and received by the Purchaser. If for any reason the process agent ceases to be able to act as process agent, or no longer has an address in England, the Purchaser irrevocably agrees to appoint a substitute process agent with an address in England acceptable to the Vendors and to deliver to the Vendors a copy of the substitute process agent's acceptance of that appointment within 20 Business Days. In the event that the Purchaser fails to appoint a substitute process agent, it shall be effective service for the Vendors to serve the process upon the last known address in England of the last known process agent for the Purchaser notified to the Vendors, notwithstanding that such process agent is no longer found at such address or has ceased to act.

AS WITNESS the hands of the parties or their duly authorised representatives on the date first before written.

SCHEDULE 1 – The Vendors

Names and Addresses of Vendors	No. of Sale Shares held	Percentage of Sale Share held	Consideration receivable on Completion Date (£)	Percentage of Deferred Consideration payable (if any)
Katherine L. Asquith 16 Savory Walk, Binfield Bracknell, Berkshire, RG42 4LP	3,475	4.34239	1	4.34239
Simon Davies (held jointly with Hareesh Dhand, Clive Hatchard and Nicholas Rogers) Capital House, 1 Houndwell Place, Southampton, SO14 1HU	6,402	8.00	1	8.00
Michael Goodridge (held jointly with Fiona Wright) Barlows, Church Lane, Godalming, Surrey	4,001	4.99968	1	4.99968
John D. Harrington 5 Park Close, Winchester, Hampshire, SO23 7BD	8,607	10.75538	1	10.75538
Jennifer Street Springhurst, Prey Heath Road, Woking, Surrey, GU22 0SW	6,441	8.04873	1	8.04873
Michael A Wood 2 Burns Drive, Hemel Hempstead, Herfordshire, HP2 7NR	15,830	19.78131	1	19.78131
Douglas B. B. Wright Gateways, Holdfast Lane, Haslemere, Surrey, GU27 2EY	35,269	44.07247	1	44.07247
Total:	80,025	100	7	100

SCHEDULE 2 – The Company

Name:	Softwright Holdings Limited
Number:	04198746
Registered Office:	The Langley Business Centre 11–49 Station Road Langley Berkshire, SL3 8YT
Authorised Capital:	£800.25
Issued Capital:	£800.25
Directors:	Michael Wood Douglas Wright
Secretary:	Jennifer Street
Accounting Reference Date:	31 October
Auditors:	Blueprint Audit Limited

SCHEDULE 3 – Subsidiaries
Part A – SSL

Name:	Softwright Solutions Limited
Number:	01467614
Registered Office:	The Langley Business Centre 11–49 Station Road Langley Berkshire, SL3 8YT
Authorised Capital:	£1,839,273
Issued Capital:	£1,839,273
Registered Shareholders:	Softwright Holdings Limited
Beneficial owner of issued capital:	Softwright Holdings Limited
Directors:	Michael Wood Douglas Wright
Secretary:	Jennifer Street
Accounting Reference Date:	31 October
Auditors:	Blueprint Audit Limited

Part B – Kiosk

Name: The Kiosk Company Limited

Number: 01590627

Registered Office: Softwright House
The Langley Business Centre
11–49 Station Road
Langley
Berkshire
SL3 8YT

Authorised Capital: £100 divided into 100 ordinary shares of £1 each

Issued Capital: 4 ordinary shares of £1 each

Registered Shareholders: Softwright Solutions Limited

Directors: Douglas Wright
Gateways
Holdfast Lane
Surrey
GU27 2EY

Secretary: Jennifer Street
Springhurst
Prey Heath Road
Mayford
Woking
Surrey
GU22 0SW

Accounting Reference Date: 31 October

Auditors: None

SCHEDULE 4 – Warranties and Representations

1. Interpretation

1.1 Definitions

In this Schedule, where the context admits:

“Computer Systems”	means the Hardware, Software and Data.
“Data”	means any data or information used by or for the benefit of the Company at any time and stored electronically at any time.
“Hardware”	means any computer equipment or telecommunications equipment used by or for the benefit of the Company at any time including, without limitation, parts of computer equipment such as firmware, screens, terminals, keyboards, disks and including without limitation, cabling and other peripheral and associated electronic equipment and networking equipment but excluding all Software.
“Intellectual Property”	means patents, trade marks, service marks, rights (registered or unregistered) in any designs; applications for any of the foregoing; trade or business names, domain names, email addresses, logos; copyright (including rights in computer software) and topography rights; know-how; secret formulae and processes; lists of suppliers and customers and other confidential and proprietary knowledge and information; rights protecting goodwill and reputation; database rights and all rights and forms of protection of a similar nature to any of the foregoing or having equivalent effect anywhere in the world and all rights under licences and consents in respect of any of the rights and forms of protection mentioned in this definition.
“Intellectual Property Agreements”	means current agreements or arrangements of a material nature relating in any way whether wholly or partly to Intellectual Property.
“Listed Intellectual Property Agreements”	means the registered Intellectual Property and the material unregistered Intellectual Property owned by the Company, and the Intellectual Property Agreements set out in the list annexed to the Disclosure Letter.

“Listed Intellectual Property”	means the intellectual property referred to in the list annexed to the Disclosure Letter.
“Software”	means any set of instructions for execution by a computer processor and any programming specifications, ideas, principles, programming languages, algorithms, flow charts, logic, logic diagrams, orthographic representations, file structures, coding sheets, coding and including any manuals or other documentation relating thereto and computer generated works used by or for the benefit of the Company at any time irrespective of application, language or medium.
“Software Products”	means any Software and associated documentation and materials, which is now or has at any previous time been supplied by the Company.

1.2 Construction

In this Schedule where the context admits:

- 1.2.1 any question whether a person is connected with another shall be determined in accordance with s.839 Income and Corporation Taxes Act 1988, (subject to the deletion of the words from “Except” to “arrangements” in sub-section (4) thereof) which shall apply in relation to this Schedule as it applies in relation to that Act;
- 1.2.2 references to the “**Company**” shall include both Softwright Holdings Limited and SSL and appropriate disclosure should be made against each such company;
- 1.2.3 reference to any Act, statutory instrument, regulation, bye-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English legal term; and
- 1.2.4 where, in this Schedule 4, a term is defined in and for the purposes of a particular paragraph, the relevant definition shall apply, where the context admits, for all other purposes of this Schedule.

2. Warranties and representations

The Warrantors hereby severally warrant to and for the benefit of the Purchaser as set out in the following paragraphs of this Schedule.

3. The Company and the Vendors

3.1 Capacity

Each of the Vendors has full power and authority to enter into and perform this Agreement, and may execute and deliver this Agreement and perform his or her obligations under this Agreement without requiring or obtaining the consent of any

other person, authority or body and this Agreement constitutes valid and binding obligations of the Vendors in accordance with its terms.

3.2 Ownership of Sale Shares

Each of the Vendors is the registered and sole beneficial owner of the number of Sale Shares set out against his or her name in Schedule 1 free from any Encumbrances.

3.3 Liabilities owing to or by Vendors

There is not outstanding any indebtedness or other liability (actual or contingent) owing by the Company to any Vendor or to any director or employee or former employee of the Company or any person connected with any of them, nor is there any indebtedness owing to the Company by any such person.

3.4 Competing interests

None of the Vendors nor any person connected with any of them has any interest, direct or indirect, in any business other than that now carried on by the Company which is or is likely to be or become competitive with the business or any proposed business of the Company.

4. The Company's Constitution

4.1 Share Capital

The Sale Shares and the SSL Shares comprise the whole of the issued and allotted share capital of Softwright Holdings Limited and SSL and Schedule 2 and Part A of Schedule 3 contain true particulars of the authorised and issued share capital of Softwright Holdings Limited and SSL (as the case may be) and all the shares there shown as issued are in issue fully paid and are beneficially owned and registered as set out therein free from any Encumbrances.

4.2 Options etc.

No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, issue, sale, transfer or conversion of any share or loan capital of Softwright Holdings Limited or SSL under any option or other agreement (including conversion rights and rights of pre-emption) verbal or otherwise.

4.3 Memorandum and Articles

The copy of the memorandum and articles of association of the Company annexed to the Disclosure Letter is true and complete and has embodied therein or annexed thereto a copy of every resolution or agreement as is required by law to be embodied in or annexed to it, and sets out completely the rights and restrictions attaching to each class of authorised share capital of the Company.

4.4 Company resolutions

Neither the Company nor any class of its members has passed any resolution (other than resolutions relating to business at annual general meetings which was not special business).

4.5 Kiosk

Since incorporation, Kiosk has neither traded nor assumed any obligation or liability.

5. The Company and its investments

5.1 Particulars of the Company and SSL

The particulars of the Company, SSL and Kiosk set out in Schedules 2 and 3 are true and complete and the Company has no other subsidiaries.

5.2 Investments, associations and branches

The Company:

5.2.1 is not the holder or beneficial owner of, and has not agreed to acquire, any share or other capital of any other company or corporation (whether incorporated in the United Kingdom or elsewhere) other than of SSL (and indirectly through SSL, of Kiosk);

5.2.2 is not, and has not agreed to become, a member of any partnership, joint venture, consortium or other unincorporated association, body or undertaking in which it is to participate with any other in any business or investment; and

5.2.3 has no branch, agency or place of business outside England and no permanent establishment (as that expression is defined in the relevant double taxation relief orders current at the date of this Agreement) outside the United Kingdom.

6. The Company and the law

6.1 Compliance with laws

So far as the Warrantors are aware, the Company has conducted its business in all material respects in accordance with all applicable laws and regulations of the United Kingdom and any relevant foreign country or authority and there is no order, decree or judgment of any court or any governmental or other competent authority or agency of the United Kingdom or any foreign country outstanding against the Company or any person for whose acts the Company is vicariously liable which may have a material adverse effect upon the assets or business of the Company.

6.2 Licences etc

6.2.1 All licences, consents, permits, approvals and authorisations (public and private) necessary or desirable for utilising any of the assets of the Company or carrying on effectively any aspect of its business in the places and in the manner in which such business is now carried on have been obtained by the Company and all such licences, consents, permits approvals and authorisations are in full force and effect and are not limited in duration or subject to onerous conditions.

6.2.2 All reports, returns and information required by law or as a condition of any licence, consent, permit, approval or other authorisation to be made or given to any person or authority in connection with the Company's business have been made or given to the appropriate person or authority.

6.2.3 The utilisation of any of the assets of the Company or the carrying on of any aspect of the Company's business or any business now being carried on at the Premises is not in breach of any of the terms and conditions of any of such licences, consents, permits, approvals and authorisations and so far as the Vendors are aware there is no circumstance which indicates that any such licence, consent, permit, approval or authorisation is likely to be suspended, cancelled or revoked or that any of them will expire within a period of one year from the date of this Agreement.

6.2.4 At and after Completion there will be no restriction on the right of the Company to carry on its business which does not now apply to the Company.

6.3 Breach of statutory provisions

So far as the Warrantors are aware, neither the Company, nor any of its officers, agents or employees (during the course of their duties in relation to the Company) have committed, or omitted to do, any act or thing the commission or omission of which is, or could be, in contravention of any Act, Order, Regulation, or the like in the United Kingdom or elsewhere which is punishable by fine or other penalty and no notice or communication has been received with respect to any alleged, actual or potential violation of or failure to comply with, any of the same.

6.4 Litigation

6.4.1 Neither the Company nor any of its officers or agents nor any of its employees is engaged in or the subject of any litigation or arbitration administrative or criminal proceedings whether as plaintiff, defendant or otherwise, which adversely affects or is likely to have an adverse effect on the Company's business and/or the ability of the Company or any purchaser to carry on the Company's business in the same manner and to the same extent as previously carried on.

6.4.2 So far as the Warrantors are aware, no litigation or arbitration or administrative or criminal proceedings are pending or threatened or expected by or against the Company or any such officer, agent or employee; and so far as the Warrantors are aware, there are no facts or circumstances likely to give rise to any such litigation or arbitration or administrative or criminal proceedings.

6.4.3 Neither the Company nor any of its officers or employees has been a party to any undertaking or assurance given to any court or governmental agency or the subject of any injunction which is still in force.

6.5 Fair trading

6.5.1 No agreement, practice or arrangement carried on by the Company or to which the Company is or has in the 5 years prior to the date of this Agreement been a party:

- (a) is or has been the subject of an enquiry, complaint, investigation, reference or report under the Fair Trading Act 1973 (or any previous legislation relating to monopolies or mergers) or the Competition Act 1998 or constitutes an anti-competitive practice within the meaning of the 1998 Act; or

-
- (b) (so far as the Warrantors are aware) infringes Article 85 of the Treaty of Rome establishing the European Economic Community or constitutes an abuse of dominant position contrary to Article 86 of the said Treaty or infringes any regulation or other enactment made under Article 87 and/or Article 235 of the said Treaty or is or has been the subject of any enquiry, complaint, investigation or proceeding in respect thereof; or
 - (c) (so far as the Warrantors are aware) infringes any other competition, restrictive trade practice, anti-trust, fair trading or consumer protection law or legislation applicable in any jurisdiction in which the Company has assets or carries on or intends to carry on business or in which the activities of the Company may have an effect.

6.6 Product liability

6.6.1 There is no claim in respect of Product Liability (as hereinafter defined) outstanding or threatened against or expected by the Company in relation to its business and, so far as the Warrantors are aware, there are no circumstances which are likely to give rise to any such claim. For this purpose **“Product Liability”** means a liability arising out of death, personal injury or damage to property caused by a defective product or defective services sold, supplied or provided by the Company in the course of its business on or prior to the date hereof.

6.6.2 So far as the Warrantors are aware, the Company has not manufactured, sold or supplied any product or service which:

- (a) is, was or will become, in any material respect, faulty or defective; or
- (b) does not comply in any material respect with any warranty or representation, express or implied, made by or on behalf of the Company in respect of it or with all laws, regulations, standards and requirements applicable to it; or
- (c) was sold or supplied on terms that the Company accepts an obligation to service or repair or replace such products after delivery.

6.6.3 So far as the Warrantors are aware, the Company has not received a prohibition notice, a notice to warn or a suspension notice under the Consumer Protection Act 1987 in relation to any of its products.

6.7 Inducements

No officer, agent or employee of the Company has paid any bribe (monetary or otherwise) or used any of the Company's assets unlawfully to obtain an advantage for any person.

7. The Company's and Vendors' solvency

7.1 Winding-up

No order has been made, petition presented or resolution passed for the winding up of the Company and no meeting has been convened for the purpose of winding up the Company. None of the Vendors is bankrupt, or the subject of any bankruptcy proceedings. The Company has not been a party to any transaction which could be avoided in a winding up.

7.2 Administration and receivership

No steps have been taken for the appointment of an administrator or receiver (including an administrative receiver) of all or any part of the Company's assets.

7.3 Compositions

The Company has not made or proposed any arrangement or composition with its creditors or any class of its creditors.

7.4 Insolvency

The Company is not insolvent, or unable to pay its debts within the meaning of the insolvency legislation applicable to the Company and the Company has not stopped paying its debts as they fall due.

7.5 Unsatisfied judgments

No distress, execution or other process been levied against the Company or action taken to repossess goods in the Company's possession which has not been satisfied in full. No unsatisfied judgment is outstanding against the Company.

7.6 Floating charges

No floating charge created by the Company has crystallised and, so far as the Vendors are aware, there are no circumstances likely to cause such a floating charge to crystallise.

7.7 Analogous events

No event analogous to any of the foregoing has occurred in or outside England.

8. The Company's accounts and records

8.1 Books and records

To the extent required by section 221 of the Companies Act but not further or otherwise, all accounts, books, ledgers, financial and other records of whatsoever kind ("**Records**") of the Company have been properly maintained on a consistent basis are up to date and in the possession and control of the Company and no notice or allegation that any of the records is incorrect or should be rectified has been received.

8.2 Accounts

The Audited Accounts:

- 8.2.1 were prepared in accordance with the requirements of all relevant statutes and accounting practices generally accepted in the United Kingdom at the time they were audited and commonly adopted by companies carrying on business similar to the Company's (including all applicable Statements of Standard Accounting Practice and Financial Reporting Standards);
- 8.2.2 show a true and fair view of the assets and liabilities of the Company as at, and the profits of the Company for the accounting reference period ended on, the Balance Sheet Date;
- 8.2.3 are not affected by any unusual or non-recurring items;
- 8.2.4 in the case of consolidated financial statements, show a true and fair view of the state of affairs of the Company as a whole; and
- 8.2.5 apply bases and policies of accounting which have been consistently applied in the audited financial statements of the Company and in the audited consolidated financial statements for the three accounting reference periods ending on the Balance Sheet Date.

8.3 Management Accounts

The Management Accounts have been carefully prepared in accordance with accounting policies consistent with those used in preparing the Audited Accounts and on a basis consistent with the management accounts prepared in the preceding year. The cumulative profits, assets and liabilities of the Company stated in the Management Accounts have not been materially mis-stated and are not materially inaccurate and the Warrantors do not consider the Management Accounts misleading.

8.4 Returns

The Company has complied with the provisions of the Companies Acts and all returns, particulars, resolutions and other documents required under any legislation to be delivered on behalf of the Company to the Registrar of Companies or to any other authority whatsoever have been properly made and delivered. All such documents delivered to the Registrar of Companies or to any other authority whatsoever, whether or not required by law, were true and accurate when so delivered and the Company has not received notification of the levy of any fine or penalty for non-compliance by the Company or any director of the Company.

9. The Company's Business and the effect of the sale

9.1 Business since the Balance Sheet Date

Since the Balance Sheet Date:

- 9.1.1 the Company has carried on its business in the ordinary and usual course so as to maintain it as a going concern and without any interruption or alteration in the nature, scope or manner of its business;
- 9.1.2 there has been no material deterioration on in the financial position, or turnover of the Company;
- 9.1.3 so far as the Warrantors are aware, there has been no significant event or occurrence (including, but not limited to the loss of any significant customer or supplier) which has had a material adverse affect on the Company's business or its value or profitability;

-
- 9.1.4 the Company has not borrowed or raised any money or taken any form of financial facility (whether pursuant to a factoring arrangement or otherwise);
- 9.1.5 the Company has paid its creditors in accordance with their respective credit terms or (if not) within the time periods usually applicable to such creditors and save as disclosed there are no debts outstanding by the Company which have been due for more than four weeks;
- 9.1.6 there has been no unusual change in the Company's stock in trade or work in progress;
- 9.1.7 the Company has not entered into, or agreed to enter into, any commitment to acquire or dispose of on capital account any asset of a value in excess of £25,000 or any commitment involving expenditure by it on capital account;
- 9.1.8 no share or loan capital has been issued or agreed to be issued by the Company;
- 9.1.9 no distribution of capital or income has been declared, made or paid in respect of any share capital of the Company and (excluding fluctuations in overdrawn current accounts with bankers) no loan or share capital of the Company has been repaid in whole or part or has become liable to be repaid in whole or part;
- 9.1.10 no substantial customer or supplier representing more than five per cent of sales or suppliers of any product or service of the Company has since the Balance Sheet Date:
- (a) ceased or reduced the level of its trade with or supplies to the Company or indicated an intention to do any of the foregoing; or
 - (b) changed or indicated an intention to change the terms on which it is prepared to trade with or supply the Company.

9.2 Commission

No one is entitled to receive from the Company any finder's fee, brokerage, or other commission in connection with this Agreement or the sale and purchase of shares in the Company.

9.3 Consequence of Share acquisition by the Purchaser

The acquisition of the Sale Shares by the Purchaser and compliance with the terms of this Agreement will not:

- 9.3.1 cause the Company to lose the benefit of any licence, consent, permit, approval or authorisation (public or private) or any right or privilege it presently enjoys or relieve any person of any obligation to the Company (whether contractual or otherwise) or enable any person to determine any such obligation or any contractual right or benefit now enjoyed by the Company or to exercise any right whether under an agreement with the Company or otherwise;
- 9.3.2 result in any present or future indebtedness of the Company becoming due or capable of being declared due and payable prior to its stated maturity;
- 9.3.3 give rise to or cause to become exercisable any right of pre-emption;

9.3.4 result in a breach of, or constitute a default under any provision of the memorandum or articles of association of the Company;

9.3.5 result in a breach of, or constitute a default under any order, judgement or decree of any court or government agency by which the Company is bound or subject; and

9.3.6 result in a breach of, or constitute a default under the terms, conditions or provisions of any agreement or instrument (including, but not limited to, any of the Company's contracts)

and, to the best of the knowledge and belief of the Warrantors, the Company's relationships with material, clients, customers, suppliers and employees will not be adversely affected thereby and the Warrantors are not aware of any circumstances (whether or not connected with the Purchaser or the sale of the Sale Shares hereunder) indicating that, nor have they been informed or are otherwise aware that any person who now has material business dealings with the Company would or might cease to do so from and after Completion.

9.4 Grants

The Company has not applied for or received any grant or other financial assistance from any supranational, national or local authority or government agency.

9.5 Insurances

9.5.1 Full particulars of all the insurance policies (including, without limitation, the limit and basis of cover under each policy and the amount of the applicable excess) in which the Company has an interest (the "**Company's Insurances**") are given in the Disclosure Letter.

9.5.2 All the Company's Insurances are in full force and effect and will be maintained in full force without alteration pending Completion and all premiums have been paid on time. So far as the Vendors are aware, there are no circumstances which might lead to any liability under any of the Company's Insurances being avoided by the insurers or the premiums being increased. The Company's Insurances contain no special or unusual terms, restrictions or rates of premium. There is no claim outstanding under any of the Company's Insurances nor is the Warrantors aware of any circumstances likely to give rise to a claim or of any circumstances which might cause any of the insurers to refuse to renew them.

9.6 Trading name

The Company does not trade under any name other than its corporate name.

9.7 Trade associations

Full particulars of all trade or business associations of which the Company is a member are set out in the Disclosure Letter, and the Company is now and has been at all material times in compliance in all material respects with the regulations or guidelines laid down by any such trade or business association.

9.8 Terms of business

True and complete copies of the standard terms upon which the Company carries on business or provides goods or services to any person are annexed to the Disclosure Letter and the Company does not provide and has not provided any goods or services to any person on terms which differ from its standard terms as so annexed.

10. The Company's assets**10.1 Assets and charges**

10.1.1 Except for current assets disposed of by the Company in the ordinary course of its business, the Company is the owner legally and beneficially of and has good marketable title to all tangible assets included in the Audited Accounts and all tangible assets which have been acquired by the Company since the Balance Sheet Date and no Encumbrance is outstanding nor is there any agreement or commitment to give or create or allow any Encumbrance over or in respect of the whole or any part of the Company's assets, undertaking, goodwill or uncalled capital and no claim has been made by any person that he is entitled to any such Encumbrance.

10.1.2 Since the Balance Sheet Date, save for disposals in the ordinary course of its business, the assets of the Company have been in the possession of, or under the control of, the Company.

10.1.3 No asset is shared by the Company with any other person. The Company does not require or depend for the continuation of its business or for the continuation of the method or manner or scope of operation of its business in the same way or manner or on the same basis as heretofore upon any assets, premises facilities or services of any other person.

10.1.4 No charge in favour of the Company is void or voidable for want of registration.

10.2 Debts

Save to the extent of the provision or reserve therefor contained or reflected in the Audited Accounts, any debts owed to the Company as recorded in the Company's books and records are good and collectable in the ordinary course of business. The rights of the Company in respect of such debts are valid and enforceable and are not subject to any defence, right of set-off or counter-claim, withholding or other deduction and no act has been done or omission permitted whereby any of them has ceased or might cease to be valid and enforceable in whole or in part. No amount included in the Audited Accounts as owing to the Company at the Balance Sheet Date has been released for an amount less than the value at which it was included in the Audited Accounts or is now regarded by the Vendors as irrecoverable in whole or in part. The Company has not factored or discounted any of its debts or other receivables or agreed to do so.

10.3 Title retention

The Company has not acquired or agreed to acquire any material asset on terms that property therein does not pass until full payment is made.

10.4 Intellectual Property Rights

- 10.4.1 The Company is the sole legal and beneficial owner free from Encumbrances of the Listed Intellectual Property and (where such property is capable of registration) the registered proprietor thereof and (save for copyrights and unregistered design rights not included in the Listed Intellectual Property) owns no other Intellectual Property.
- 10.4.2 Save as may appear from the Listed Intellectual Property Agreements no person has been authorised to make any use whatsoever in the current course of business of any Intellectual Property owned by the Company.
- 10.4.3 Save as may appear from the Listed Intellectual Property Agreements all the Intellectual Property used by the Company is owned by it and it does not use any Intellectual Property in respect of which any third party has any right, title or interest.
- 10.4.4 So far as the Vendors are aware none of the processes or products of the Company infringes any Intellectual Property or any right of any other person relating to Intellectual Property or involves the unlicensed use of confidential information disclosed to the Company by any person in circumstances which might entitle that person to make a claim against the Company.
- 10.4.5 None of the Listed Intellectual Property is being used, claimed, applied for, opposed or attacked by any person.
- 10.4.6 The Vendors are not aware of any infringement of the Listed Intellectual Property or of any rights relating to it by any person.
- 10.4.7 There are no outstanding claims against the Company for infringement of any Intellectual Property or of any rights relating to it used (or which has been used) by the Company and during the last three years no such claims have been settled by the giving of any undertakings which remain in force. The Company has not received any actual or threatened claim that any of the Listed Intellectual Property is invalid nor is the Company aware of any reason why any patents should be amended.
- 10.4.8 The Company is not in breach of any of the material provisions of any of the Listed Intellectual Property Agreements.
- 10.4.9 All persons retained or employed by the Company who, in the course of their work for the Company will or might reasonably be expected to bring into existence Intellectual Property or things protected by Intellectual Property are, so far as is reasonably practicable, individually bound by agreements with the Company whereby all Intellectual Property which such persons may bring into existence during their work for the Company vests in the Company and all such agreements contain terms which, so far as is reasonably practicable, prevent such persons disclosing any confidential information about the Company and its business.
- 10.4.10 The Company has duly complied and duly comply with all relevant requirements of the Data Protection Act 1984 and the Data Protection Act 1998 and any other relevant data protection related legislation and regulations (the “Data Protection Legislation”).
- 10.4.11 No individual has claimed, or will have the right to claim, compensation from the Company in respect of any non-compliance with any Data Protection

Legislation and the Company has not received any notice or allegation from either the Information Commissioner (previously the Data Protection Registrar), or a data subject, or any other competent authority alleging non-compliance with any Data Protection Legislation.

10.5 Computer Systems

- 10.5.1 The businesses of the Company is not dependent on any Hardware and Software or other information technology (including, without limitation, data storage and processing) facilities which are not under the exclusive ownership, operation or control of the Company.
- 10.5.2 None of the Hardware and Software, or the benefit of or right to use the Hardware and Software will be lost and no Hardware and Software will cease to be available to the Company on the same terms as they are currently made available as a result of the performance of this Agreement or this transaction.
- 10.5.3 The Hardware has been satisfactorily maintained and supported and has the benefit of an appropriate maintenance and support agreement terminable by the contractor by not less than 24 months notice.
- 10.5.4 There are no material defects relating to the Hardware and Software and the Hardware and Software have been and are being properly and regularly maintained. The Company has binding maintenance and support contracts in respect of all of the Hardware and Software.
- 10.5.5 The Company is validly entitled as owner, lessee or licensee to use each part of the Hardware and Software for all purposes necessary to carry on their businesses in the manner in which they are carried on at the date of this Agreement and according to any current plans for the future business and operations of the Company.
- 10.5.6 The Hardware and Software have adequate capability and capacity for the reasonable projected requirements of the Company for not less than two years following Completion for the processing and other functions required to be performed for the purposes of the business of the Company.

11. Premises

11.1 Title to Premises

- 11.1.1 The particulars of the Premises shown in Schedule 7 are true and correct. No member of the Group has any other interest in land and does not occupy any other land or premises and has not entered into any agreement to acquire or dispose of any land or premises or any interest therein which has not been completed.
- 11.1.2 The owner of the Premises shown in Schedule 7 is solely legally and beneficially entitled to and is possessed of the unexpired residue of the term granted and has exclusive occupation of such Premises.
- 11.1.3 The Premises is held free from any mortgage or charge (whether legal or equitable, fixed or floating), Encumbrance, lease, sub-lease, tenancy, licence or right of occupation, rent charge, exception, reservation, easement, quasi-easement or privilege (or agreement for any of the same) in favour of a third party.

11.1.4 The lease under which the Premises are held are valid and subsisting against all persons, including any person in whom any superior estate or interest is vested.

11.1.5 There are appurtenant to the Premises all rights and easements necessary for its current use and enjoyment (without restriction as to time or otherwise) and the access for the Premises is over roads adopted by the local authority and maintained at public expense.

11.1.6 No member of the Group has entered into positive covenants or personal obligations (whether in a conveyance, transfer or assignment to it or otherwise) neither does it have any personal rights under which it has any subsisting liability (whether actual or contingent).

11.2 Matters affecting Premises

11.2.1 The Premises or any part thereof is not affected by any of the following matters or is to the knowledge of the Vendors likely to become so affected:

- (a) any outstanding dispute, notice or complaint or any exception, reservation, right, covenant, restriction or condition which is of an unusual nature or which affects or might in the future affect the use of any of the Premises for the purpose for which it is now used (the “**current use**”) or which affects or might in the future affect the value of the Premises;
- (b) any commutation or agreement for the commutation of rent or payment of rent in advance of the due dates of payment thereof; or
- (c) any outgoings except uniform business rates and water rates.

11.2.2 All restrictions, conditions and covenants (including any imposed by or pursuant to any lease, sub-lease, tenancy or agreement for any of the same and whether the Company is the landlord or tenant thereunder and any arising in relation to any superior title) affecting any of the Premises have been observed and performed and no notice of any breach of any of the same has been received or is to the Vendors’ knowledge likely to be received.

11.2.3 In relation to any lease, sub-lease, tenancy or agreement for any of the same under which the Company is the landlord:

- (a) the rents collected by the Company have not exceeded the sums lawfully recoverable;
- (b) no forfeiture proceedings have been taken or are contemplated;
- (c) no notice has been served by the Company which is still outstanding;
- (d) no works have been carried out which could give rise to a claim against the Company for compensation or which would have to be disregarded on any rent review;
- (e) all consents and conditions contained therein have been observed and performed to date; and

-
- (f) brief details of such leases, sub-leases, tenancies or agreements for any of the same are set out in Schedule 7 and such details are true and correct.

11.2.4 None of the Premises is used for any purpose other than the current use specified for each Premises in Schedule 7.

11.2.5 Where the interest of the Company in any of the Premises is leasehold, there is no right for the landlord to determine the lease except in the event of non-payment of rent or other breach of covenant by the tenant.

11.2.6 All replies by or on behalf of the Vendors or the Company to enquiries relating to any of the Premises made by or on behalf of the Purchaser were when given and are now true and correct.

11.3 Outstanding Premises liabilities

Except in relation to the Premises, the Company has no liabilities (actual or contingent) arising out of the conveyance, transfer, lease, tenancy, licence, agreement or other document relating to land or premises or an interest in land or premises, including, without limitation, leasehold premises assigned or otherwise disposed of.

12. The Company's contracts

12.1 No other contracts

There are not in force in relation to the Company's business, assets or undertaking any agreements, undertakings, understandings, arrangements or other engagements, whether written or oral, to which any of the Vendors or any person connected with any of them is a party or of which it has the benefit or to which it is otherwise subject, the benefit of which would be required to be assigned to or otherwise vested in the Company to enable the Company to carry on its business and/or to enjoy all the rights and privileges attaching thereto and/or to any of its assets and undertaking in the same manner and scope and to the same extent and on the same basis as the Company has carried on business or enjoyed such rights prior to the date hereof.

12.2 The Company's contracts

Each of the Company's contracts is valid and binding and no notice of termination of any such contract has been received or served by the Company.

12.3 Contractual arrangements

The Company is not a party to or subject to any agreement which:

12.3.1 is of six months or greater duration or is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken; or

12.3.2 is known by the Warrantors or by the Company to be likely to result in a loss to the Company on completion of performance; or

12.3.3 (so far as the Warrantors are aware) cannot readily be fulfilled or performed by the Company on time and without undue or unusual expenditure of money or effort; or

12.3.4 involves or is likely to involve obligations, restrictions, expenditure or receipts of an unusual, onerous or exceptional nature; or

12.3.5 requires the Company to pay any commission, finder's fee, royalty or the like; or

12.3.6 involves liabilities which may fluctuate in accordance with an index or rate of currency exchange or interest or movements in the price of any securities or commodities; or

12.3.7 is a contract for the supply of assets to the Company on hire, lease, hire purchase, credit or deferred payment terms; or

12.3.8 is dependent on the guarantee or covenant of or security provided by any other person; or

12.3.9 in any way restricts the Company's freedom to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit; or

12.3.10 is a contract for the sale of shares or assets comprising a business undertaking which contains warranties or indemnities under which the Company still has a remaining liability or obligation; or

12.3.11 can be terminated as a result of any change in the underlying ownership or control of the Company, or would be materially affected by such change; or

12.3.12 is in any way otherwise than in the ordinary course of the Company's business.

12.4 Substantial or significant contracts

No contract, agreement, transaction, obligation, commitment, understanding, arrangement or liability entered into by the Company and now outstanding or unperformed involves any of the following:

12.4.1 obligations on the part of the Company which will cause or are likely to cause the Company to incur expenditure or an obligation to pay money in excess of £50,000; or

12.4.2 obligations on the part of the Company to purchase any specified minimum quantity or any specified minimum percentage of its total requirement for stock in trade from any one supplier.

12.5 Defaults

12.5.1 Neither the Company nor, so far as the Warrantors are aware, any other party to any agreement with the Company is in default thereunder, and the Company is not aware of any invalidity or grounds for termination, avoidance, rescission or repudiation of any agreement to which the Company is a party which, in any such case, would be material in the context of the financial or trading position of the Company nor, so far as the Warrantors are aware, are there any circumstances likely to give rise to any such event.

12.5.2 Full details of any customers (or any persons to whom the Company in the course of business has supplied goods and services in the 12 months ending on the date hereof) who have defaulted (or who are believed by the Company to be likely to default) in any material respect in the payment when due of any monies to the Company are specified in the Disclosure Letter.

12.6 Sureties

No Vendor nor any third party has given any guarantee of or security for, any overdraft loan, loan facility or off-balance sheet financing granted to the Company nor has the Company given any guarantee of or security for any overdraft loan, loan facility or off-balance sheet financing granted to any of the Vendors or any person connected with any of them and there is not now outstanding in respect of the Company any guarantee or warranty or agreement for indemnity or for suretyship given by or for the accommodation of the Company or in respect of the Company's business.

12.7 Powers of attorney

No power of attorney given by the Company (other than to the holder of an encumbrance solely to facilitate its enforcement) is now in force. No person, as agent or otherwise, is entitled or authorised to bind or commit the Company to any obligation not in the ordinary course of the Company's business, and the Vendors are not aware of any person purporting to do so.

12.8 Insider contracts

12.8.1 There is not outstanding, and there has not at any time during the last three years been outstanding, any agreement or arrangement to which the Company is a party and in which

- (a) any of the Vendors;
- (b) any person beneficially interested in the Company's share capital;
- (c) any Director of the Company ;
- (d) any person connected with any of them;

is or has been interested, whether directly or indirectly.

12.8.2 The Company is not a party to, nor have its profits or financial position during such period been affected by, any agreement or arrangement which is not entirely of an arm's length nature.

12.8.3 All costs incurred by the Company have been charged to the Company and not borne by any of the Vendors or any person connected with any of them or any other person.

12.9 Debts

There are no debts owing by or to the Company other than debts which have arisen in the ordinary course of business, nor has the Company lent any money which has not been repaid.

12.10 Options and guarantees

The Company is not a party to any option or pre-emption right, and it has not given any guarantee, suretyship, comfort letter or any other obligation (whatever called) to pay, provide funds or take action in the event of default in the payment of any indebtedness of any other person or in the performance of any obligation of any other person.

12.11 Tenders, etc.

No offer, tender, or the like is outstanding which is capable of being converted into an obligation of the Company by an acceptance or other act of some other person and the Company is not in negotiations with, nor has it put proposals forward or entered into discussions with any customer or supplier for the renewal of any existing business or acquisition of any new business other than in the ordinary course of business.

12.12 Documents

All title deeds and agreements to which the Company is a party and other documents owned by or which ought to be in the possession or control of the Company are in the possession or control of the Company and are properly stamped and are free from any encumbrance.

13. The Company and its bankers

13.1 Borrowings

The total amount borrowed by the Company from its bankers does not exceed its facilities and the total amount borrowed by the Company from whatsoever source does not exceed any limitation on its borrowing contained in its articles of association, or in any debenture or loan stock deed or other instrument.

13.2 Continuance of facilities

Full and accurate details of all overdrafts, loans or other financial facilities outstanding or available to the Company are given in the Disclosure Letter and true and correct copies of all documents relating thereto are annexed to the Disclosure Letter and neither the Vendors nor the Company has done anything whereby the continuance of any such facilities in full force and effect might be affected or prejudiced.

13.3 Off-balance sheet financing

The Company has not engaged in any borrowing or financing not required to be reflected in the Audited Accounts.

13.4 Bank accounts

Full and accurate particulars of all the bank and deposit accounts of the Company and of the credit or debit balances on such accounts as at a date (the “**Statement Date**”) not more than seven days before the date of this Agreement are given in the Disclosure Letter. Since the Statement Date there have been no payments out of any such accounts except for routine payments in the ordinary course of the Company’s business and the balances on such accounts are not now substantially different from the balances shown as at the Statement Date.

14. Directors and Employees

14.1 Directors

The Disclosure Letter shows the full names of and offices held by each person who is a director of the Company and no other person is a director or shadow director of the Company.

14.2 Employees

- 14.2.1 The individuals, details of whom are set out in the Disclosure Letter (the **"Employees"**) are all employed by the Company at the date of this Agreement. There are no other individuals employed by the Company at the date of this Agreement.
- 14.2.2 All contracts of service of any of the Employees (including for these purposes the directors referred to in paragraph 14.1) are terminable on not more than three months notice without compensation (other than compensation, payable in accordance with the Employment Rights Act 1996).
- 14.2.3 The particulars shown in the Disclosure Letter show true and complete details of the names, ages and lengths of continuous service of all of the Employees and by reference to each of the Employees remuneration payable and other benefits provided by the Company or which the Company is bound to provide (whether now or in the future) to each category of the Employees at Completion or any person connected with any such person and (without limiting the generality of the foregoing) include particulars of all profit sharing, incentive, bonus, commission arrangements and any other benefit to which any such category of the Employees is entitled or which is regularly provided or made available to them (including details of their notice period and their entitlement to holiday) in any case whether legally binding on the Company or not.
- 14.2.4 There are no subsisting contracts for the provision by any person of any consultancy services to the Company.
- 14.2.5 None of the Employees has given notice terminating his contract of employment.
- 14.2.6 None of the Employees is under notice of dismissal or has any outstanding dispute with the Company in connection with or arising from his employment nor is there any liability outstanding to such persons except for remuneration or other benefits accruing due and no such remuneration or other benefit which has fallen due for payment has not been paid.
- 14.2.7 During the period of six months ending with the execution of this Agreement the Company has not directly or indirectly terminated the employment of any person employed in or by the Company.
- 14.2.8 None of the Employees belongs or has belonged at any material time to an independent trade union recognised by the Company.
- 14.2.9 There are no employee representatives representing all or any of the Employees.
- 14.2.10 The Company has complied with all of its statutory obligations to inform and consult appropriate representatives as required by law.
- 14.2.11 There is no plan, scheme, commitment, policy, custom or practice (whether legally binding or not) relating to redundancy affecting any of the Employees more generous than the statutory redundancy requirements.
- 14.2.12 All plans for the provision of benefits to the Employees comply in all respects with all relevant statutes, regulations and other laws and all necessary consents

in relation to such plans have been obtained and all governmental filings in relation to such plans have been made.

14.2.13 There are no loans owed by any of the Employees to the Company.

14.2.14 Since the Balance Sheet Date, no change has been made in (i) the rate of remuneration, or the emoluments or pension benefits or other contractual benefits, of any officer of the Company or any of the Employees or (ii) the terms of engagement of any such officer or any of the Employees.

14.2.15 The Company is not under any present or future liability to pay to any of the Employees or to any other person who has been in any manner connected with the Company any pension, superannuation allowance, death benefit, retirement gratuity or like benefit or to contribute to any life assurance scheme, medical insurance scheme, or permanent health scheme and the Company has not made any such payments or contributions on a voluntary basis nor is it proposing to do so.

14.2.16 There is no outstanding undischarged liability to pay to any governmental or regulatory authority in any jurisdiction any contribution, taxation or other duty arising in connection with the employment or engagement of any of the Employees.

14.2.17 None of the Employees will become entitled by virtue of their contract of service to any payment or enhancement in or improvement to their remuneration, benefits or terms and conditions of service only by reason of the execution of this Agreement or of completion of the sale and purchase under or pursuant to this Agreement.

14.2.18 The Company has not in the last 12 months, entered into any informal or formal agreement to amend or change the terms or conditions of employment of any of the officers of the Company or any of the Employees (whether such amendment or change is to take the effect prior to or after Completion).

14.3 Service contracts

Copies of the current service contracts with the Warrantors are attached to the Disclosure Letter. There is not outstanding any contract of service between the Company and any of its directors, officers or employees which is not terminable by the Company without compensation (other than any compensation payable by statute) on not more than three months notice given at any time.

14.4 Disputes with Employees

There is no:

14.4.1 outstanding or threatened claim by any person who is now or has been an employee of the Company or any dispute outstanding with any of the said persons or with any unions or any other body representing all or any of them in relation to their employment by the Company or of any circumstances likely to give rise to any such dispute;

14.4.2 industrial action involving any employee, whether official or unofficial, currently occurring or threatened; or

14.4.3 industrial relations matter which has been referred to ACAS or any similar governmental agency in the applicable jurisdiction for advice, conciliation or arbitration.

SCHEDULE 5 – Tax

1. Interpretation

In this Schedule, where the context admits:

“TCGA 1992” means the Taxation of Chargeable Gains Act 1992;

“value added tax” and “VAT” mean value added tax as provided for in the Value Added Tax Act 1994 and legislation supplemental thereto or replacing, modifying or consolidating it;

references to income or profits or gains earned, accrued or received shall include income or profits or gains treated as earned, accrued or received for the purposes of any legislation; and

references to the “**Company**” include each of the Subsidiaries.

2. Taxation warranties and representations

The Warrantors hereby severally warrant and represent to and for the benefit of the Purchaser in the terms set out in the following paragraphs of this Schedule 5.

3. General taxation matters

3.1 Residence

The Company is and always has been resident for Tax purposes only in the jurisdiction in which it is incorporated. No Company is subject to Tax in any jurisdiction other than its place of incorporation by virtue of having a permanent establishment or other place of business in that jurisdiction.

3.2 Tax provisions

Full provision or reserve has been made in the Audited Accounts for all Tax liable to be assessed on the Company, whether actual, deferred, contingent or disputed, or for which it is accountable in respect of income, profits or gains earned, accrued or received on or before the Balance Sheet Date and any event on or before the Balance Sheet Date including distributions made down to such date or provided for in the Audited Accounts and full provision has been made in the Audited Accounts for deferred Tax calculated in accordance with generally accepted accounting principles.

3.3 Returns

The Company has properly and punctually made all returns and provided all information required for Tax purposes and none of such returns is disputed by the Inland Revenue or any other authority concerned (in the United Kingdom or elsewhere) and the Vendors are not aware that any dispute is likely, or that any event has occurred which would or might give rise to a payment under the Tax Deed.

3.4 Payment of Tax

The Company has duly and punctually paid all Tax which it has become liable to pay and is under no liability to pay any penalty or interest in connection with any claim for Tax and has not paid any Tax which it was and is not properly due to pay.

3.5 Audits

The Company has not in the last six years received any visit or inspection from any Tax authority.

3.6 Special arrangements and concessions

No Tax authority has operated or agreed to operate any special arrangements (being arrangements which are not based on relevant legislation or any published practice) in relation to the Company's affairs.

4. Distributions and payments

4.1 Distributions

4.1.1 No distribution within the meaning of ss.209, 210 and 212 Taxes Act 1988 has been made by the Company except dividends shown in its audited accounts nor is the Company bound to make any such distribution.

4.1.2 No securities (within the meaning of s.254(l) Taxes Act 1988) issued by the Company and remaining in issue at the date hereof were issued in such circumstances that the interest payable thereon falls to be treated as a distribution under s.209(2)(e)(iii) Taxes Act 1988.

4.1.3 The Company has not made or received any distribution which is an exempt distribution within s.213 Taxes Act 1988.

4.1.4 The Company has not received any capital distribution to which the provisions of s189 TCGA 1992 could apply.

4.1.5 The Company has not issued any share capital, nor granted options or rights to any person which entitles that person to require the issue of any share capital to which the provision of s.249 Taxes Act 1988 could apply.

4.2 Payments under deduction

All payments by the Company to any person which ought to have been made under deduction of Tax have been so made and the Company has (if required by law to do so) provided certificates of deduction to such person and accounted to the Inland Revenue for the Tax so deducted.

4.3 Payments and disallowances

No rents, interest, annual payments or other sums of an income nature paid or payable by the Company or which the Company is under an obligation to pay in the future are wholly or partially disallowable as deductions or charges in computing profits for the purposes of corporation tax.

5. Losses

5.1 Group relief

The Disclosure Letter contains particulars of all arrangements and agreements relating to group relief to which the Company is or has been a party and:

5.1.1 all claims by the Company for group relief were when made and are now valid and have been or will be allowed by way of relief from corporation tax;

5.1.2 the Company has not made nor is liable to make any payment under any such arrangement or agreement save in consideration for the surrender of group relief allowable to the Company by way of relief from corporation tax and equivalent to the Tax for which the Company would have been liable had it not been for the surrender; •

5.1.3 the Company has received all payments due to it under any such arrangement or agreement for surrender of group relief made by it and no such payment is liable to be repaid; and

5.1.4 save in respect of this Agreement, there have not been in existence in relation to the Company any such arrangements as are referred to in s.410 Taxes Act 1988.

5.2 Tax losses

There has not within the three years preceding the date hereof been a major change in the business of the Company within the meaning of s.768 Taxes Act 1988.

6. Close Companies

6.1 Close company

The Company is not and has not been within the last six years a close company within s.414 Taxes Act 1988.

7. Anti-avoidance

7.1 Treasury Consent

The Company has not without the prior consent of the Treasury been a party to any transaction for which consent under s.765 Taxes Act 1988 was required. Where such consent would have been required but for the provisions of s.765A(1) Taxes Act 1988, the Company has complied in full with the requirements of The Movements of Capital (Required Information) Regulations 1990 and a copy of the notification required pursuant thereto is annexed to the Disclosure Letter.

7.2 Anti-avoidance

7.2.1 The Company has not at any time entered into or been a party to a transaction or series of transactions either:

(a) containing steps inserted without any commercial or business purpose or

(b) being transactions to which any of the following provisions could apply:

ss. 703, 730, 739, 770A, 774, 776, 779, 780, 781 or 786 Taxes Act 1988

without in the appropriate cases, having received clearance in respect thereof from the Inland Revenue.

7.2.2 The Company has never been requested to furnish information pursuant to notices served under ss. 745 or 778 Taxes Act 1988.

8. Capital Assets

8.1 Base values

8.1.1 The Disclosure Letter contains full and accurate particulars of:

- (a) the extent to which the book value of an asset or a particular class of assets as shown in the Audited Accounts is in excess of either:
 - (1) the amount falling to be deducted under s.38 TCGA 1992 from the consideration receivable on a disposal of that asset, or
 - (2) the balance of the qualifying expenditure attributable to that asset or pool of assets, as the case may be, brought forward into the accounting period in which Completion will occur and save to the extent disclosed, no such excess exists; and
- (b) the extent to which provision for Tax in respect of such excess has been made in the Audited Accounts.

8.1.2 No election under s.35 TCGA 1992 is in effect in relation to the Company and full particulars are given in the Disclosure Letter of the first relevant disposal for the purposes of the said s.35.

8.1.3 The Disclosure Letter contains full and accurate particulars of all assets held by the Company on or after 6 April 1988 in respect of which relief is or would be available under Schedule 4 TCGA 1992 upon disposal.

8.2 Roll-over relief

The Disclosure Letter contains full and accurate particulars of all claims made by the Company under ss.152 to 156, s.158, ss.242 to 245, s.247 or s.248 TCGA 1992 and no such claim or other claim has been made by any other person (in particular pursuant to s.165 or s.175 TCGA 1992) which affects or could affect the amount or value of the consideration for the acquisition of any asset by the Company taken into account in calculating liability to corporation tax on chargeable gains on a subsequent disposal.

8.3 Pre-entry losses

The Company has no pre-entry losses falling within paragraph 1 (2)(a) or (b) Schedule 7A TCGA 1992.

8.4 Depreciatory transactions

No loss which might accrue on the disposal by the Company of any share in or security of any company is liable to be reduced by virtue of any depreciatory transaction within the meaning of s.176 and s.177 TCGA 1992 nor is any expenditure on any share or security liable to be reduced under s.125 TCGA 1992.

8.5 Connected party and intra-group transactions

8.5.1 The Company has not disposed of or acquired any asset to or from any person connected with it within s.839 Taxes Act 1988 or in circumstances such that the provision of s.17 TCGA 1992 could apply to such disposal or acquisition.

8.5.2 The Company has not acquired any asset (past or present) from any other company then belonging to the same group of companies as the Company within the meaning of s.170(2) to (14) TCGA 1992.

8.5.3 The Company has not made, and is not entitled to make, a claim pursuant to s.172 TCGA 1992.

8.6 Group reconstructions

The Company has not been party to any scheme of reconstruction or reorganisation to which the provisions of s.139 TCGA 1992, s.703 Taxes Act 1988 or to which s.343 Taxes Act 1988 could apply.

9. Taxation of employees and agents

9.1 P.A.Y.E.

The Company has properly operated the Pay As You Earn system, deducting tax as required by law from all payments to or treated as made to employees and ex-employees of the Company and punctually accounted to the Inland Revenue for all tax so deducted and all returns required pursuant to s.203 Taxes Act 1988 and regulations made thereunder have been punctually made and are accurate and complete in all respects.

9.2 Benefits for employees

9.2.1 The Company has not made any payment to or provided any benefit for any officer or employee or ex-officer or ex-employee of the Company which is not allowable as a deduction in calculating the profits of the Company for taxation purposes.

9.2.2 The Company has not issued any shares in the circumstances described in s.77(l) and has complied with s.85 Finance Act 1988.

9.2.3 The Company has not made any payment to which s.313 Taxes Act 1988 applies.

9.3 National insurance

The Company has paid all national insurance contributions for which it is liable and has kept proper books and records relating to the same and has not been a party to any scheme or arrangement to avoid any liability to account for primary or secondary national insurance contributions.

10. Stamp Duties

10.1 Stamp Duty

The Company has duly paid or has procured to be paid all stamp duty, including any interest or penalties, on documents to which it is a party or in which it is interested and which are liable to stamp duty.

10.2 Stamp duty reserve tax

The Company has made all returns and paid all stamp duty reserve tax, including any interest or penalties, in respect of any transaction in securities to which it has been a party or in respect of which it is liable to account for stamp duty reserve tax.

11. Value Added Tax

11.1 Compliance

The Company has complied with all statutory provisions and regulations relating to value added tax and has duly paid or provided for all amounts of value added tax for which the Company is liable.

11.2 Taxable supplies

All supplies made by the Company are taxable supplies and the Company is not and will not be denied credit for any input tax by reason of the operation of s.26 Value Added Tax Act 1994 and regulations made thereunder.

11.3 Input tax

All input tax for which the Company has claimed credit has been paid by the Company in respect of supplies made to it relating to goods or services used or to be used for the purpose of the Company's business.

11.4 VAT groups

The Company is not and has not been, for value added tax purposes a member of any group of companies (other than that comprising SSL alone) and no act or transaction has been effected in consequence whereof the Company is or may be held liable for any value added tax chargeable against some other company except where that other company is a Subsidiary.

11.5 Offences

The Company has not committed any offence contrary to s.60 or s.72 Value Added Tax Act 1994, nor has it received any penalty liability notice pursuant to s.64(3), surcharge liability notice pursuant to s.59, or written warning issued pursuant to s.76(2) of that Act.

11.6 Security

The Company has not been required to give security under paragraph 4 Schedule 11 Value Added Tax Act 1994.

11.7 Capital goods scheme

The Disclosure Letter contains full details of any assets of the Company to which the provisions of Part XV Value Added Tax Regulations 1995 (the Capital Goods Scheme) apply and in particular:

11.7.1 the identity (including in the case of leasehold property, the term of years), date of acquisition and cost of the asset; and

11.7.2 the proportion of input tax for which credit has been claimed (either provisionally or finally in a tax year and stating which).

11.8 Group Companies

The Company has not been treated as a member of a group of companies, nor has it been connected or otherwise associated with any company, in each case (i) with the exception of SSL and Kiosk and (ii) for any UK tax purpose since 11 May 2001.

SCHEDULE 6 – Pensions

1. Interpretation

1.1 Definitions

In this Schedule, where the context admits “Relevant Employee” means any past or present employee of the Company or of any predecessor to all or part of its business.

1.2 Employees

References in this Schedule to employees include directors.

2. Warranties and representations

The Warrantors hereby severally warrant to and for the benefit of the Purchaser in the following terms:

2.1 No other arrangements

Save for contributions made by the Company equivalent to 5 per cent, of basic gross salaries into Employees’ individual personal pension schemes (the “**Pension Arrangements**”), the Company is not and has never been a party to nor participates in and has never participated in nor contributes nor has ever contributed to any scheme, agreement or arrangement (whether legally enforceable or not) for the provision of any pension, retirement, death, incapacity, sickness, disability, accident or other like benefits (including the payment after cessation of employment with the Company of medical expenses) for any Relevant Employee or for the widow, widower, child or dependant of any Relevant Employee.

2.2 No assurances etc

The Company:

2.2.1 has not given any undertaking or assurance (whether legally enforceable or not) as to the continuance, introduction, improvement or increase of any benefit of a kind described in paragraph 2.1, or

2.2.2 is not paying and has not in the last two years paid any such benefit,

to (in either case) any Relevant Employee or to any widow, widower, child or dependant of any Relevant Employee.

2.3 All details disclosed

All details relating to the Pension Arrangements are contained in or annexed to the Disclosure Letter.

2.4 Contributions and expenses

Contributions under the Pension Arrangements are not paid in arrears and all contributions and other amounts which have fallen due for payment have been paid punctually and are up to date. No fee, charge or expense relating to or in connection with the Pension Arrangement has been incurred but not paid.

SCHEDULE 7 – Particulars of Premises

Leasehold Premises

<u>Demised Premises</u>	<u>Registered Proprietor</u>	<u>Title Number</u>	<u>Date of and parties to lease</u>	<u>Term</u>	<u>Current principal yearly rent</u>	<u>Current use</u>	<u>Details of any tenancy to which the Premises is subject (or any agreement for such tenancy)</u>
Unit 5H Langley Business Centre, 11–49 Station Road, Langley, Berkshire SL3 8YT	N/A	N/A	13 May 2003, Allied Dunbar Assurance Plc and SSL	13 May 2003 to March 2015	£147,153	B1 offices	Tenant is SSL

Sub–Let Premises

<u>Demised Premises</u>	<u>Present Tenant</u>	<u>Date of and parties to lease</u>	<u>Term</u>	<u>Current principal yearly rent</u>	<u>Current use</u>	<u>Details of any tenancy to which the Premises is subject (or any agreement for such tenancy)</u>
Unit 5H Langley Business Centre, 11–49 Station Road, Langley, Berkshire SL3 8YT	Mediabright Limited (“Mediabright”)	8 December 2000 between SSL and Mediabright				

SCHEDULE 8 – Vendors Protection

1. Relevant Claims

In this Schedule, “**Relevant Claim**” means any claim under this Agreement for breach of the Warranties; references to the “**Warrantors**” shall include reference to the Covenantors unless expressly stated otherwise; “**Tax Claim**” means a claim under the Tax Deed.

2. Financial Limits

The aggregate liability of the Warrantors under this Agreement in respect of breaches of the Warranties, or the Tax Deed, shall be limited to the value of the Deferred Consideration as may be due to the Warrantors (to the extent that it becomes payable) and if the Purchaser has made a Relevant Claim or Relevant Claims no later than the Deferred Consideration Payment Date, the Purchaser shall be entitled to retain such amount of the Deferred Consideration, as may be due to the Warrantors, as equals the amount claimed in respect of the Relevant Claim until settlement or otherwise of the Relevant Claim.

3. Thresholds

The Warrantors shall not be liable in respect of a Relevant Claim or a Tax Claim unless:

- 3.1 the liability of the Warrantors in respect of that Relevant Claim or a Tax Claim (and all other Relevant Claims or Tax Claims arising out of or related to the same or similar subject matter) exceeds £2,000 in aggregate; and
- 3.2 the aggregate liability of the Warrantors in respect of all Relevant Claims and/or Tax Claims exceeds £10,000 in aggregate in which case the Vendors shall be liable for the whole amount and not merely the excess over £10,000.

4. Time limits

- 4.1 The Warrantors shall have no liability in respect of any Relevant Claim unless the Purchaser shall have given notice in writing to the Vendors of such claim specifying (in reasonable detail so far as then known to the Purchaser) the matter which gives rise to the claim, the nature of the claim and (if known) the amount claimed in respect thereof not later than 31 March 2005 (“the Notice”).
- 4.2 The liabilities of the Warrantors shall absolutely determine if proceedings in respect of a Relevant Claim shall not have been commenced within six month of the service of Notice PROVIDED THAT such time limit shall not start to run in respect of an unquantifiable or contingent claim until such claim ceases to be unquantifiable or contingent.
- 4.3 Without prejudice to the provisions of sub-clause 4.1 and 4.2 the Purchaser shall in any event give reasonable detail of any matters of which it becomes aware that might constitute a Relevant Claim or a Tax Claim.
- 4.4 The Warrantors shall have no liability in respect of a Tax Claim unless it is brought before the 7th anniversary of this Agreement.

5. No duplication of recovery

5.1 No double recovery

The Purchaser shall not be entitled to recover damages or otherwise obtain reimbursement or restitution more than once in respect of the same loss.

5.2 Claims under Warranties or Tax Deed

In the event that the Purchaser is entitled to claim under the Tax Deed or under the Warranties contained in Schedule 4 or Schedule 5 in respect of the same subject matter, the Purchaser may claim under either or both but payments under the Tax Deed shall pro tanto satisfy and discharge any claim which is capable of being made under the Warranties contained in Schedule 4 or Schedule 5 in respect of the same subject matter and vice versa.

6. Relevance of limitations in circumstances of fraud etc

The provisions of this Schedule 8 shall not apply in respect of a Relevant Claim if it is (or the delay in the discovery of which is) the consequence of fraud, wilful misconduct or wilful concealment by any of the Warrantors.

7. Release from liability

7.1 The Warrantors shall have no liability (or such liability shall be reduced) in respect of any Relevant Claim:

7.1.1 to the extent that provision or reserve in respect of such liability was made or reflected in the Audited Accounts (including any provision or reserve made in respect of deferred Tax) or referred to in the notes thereto or to the extent that payment or discharge of such claim has been taken into account in the Audited Accounts;

7.1.2 to the extent that such liability arises or is increased as a result of a change or changes in tax rates or in legislation made after the date of this Agreement (whether relating to taxation or otherwise) or the change or withdrawal after the date of this Agreement of any previously published practice or concession of any tax authority with retrospective effect;

7.1.3 to the extent that such liability would not have arisen but for a voluntary act or transaction carried out by the Purchaser or the Company or SSL after Completion otherwise than in the ordinary course of business of such company as such business is conducted at Completion;

7.1.4 to the extent that such liability arises as a result of transactions in the ordinary course of business of the Company or SSL after the Balance Sheet Date but on or before Completion;

7.1.5 which would not have arisen but for a cessation of trade, or a change in the nature or conduct of the trade, by the Company or SSL on or after the date hereof;

-
- 7.1.6 to the extent that such liability arises by virtue of any disclaimer or disallowance of industrial building or other capital allowances or other transaction by the Company or SSL after Completion which has the effect of increasing the liability of the Company for tax in respect of any period ending on or before the Balance Sheet Date;
- 7.1.7 to the extent that the liability arises or is increased in consequence of any failure by the Purchaser to comply with, or failure to procure the compliance of the Company or SSL with, any of their respective obligations under this Agreement or Schedule 10;
- 7.1.8 to the extent that such liability arises in respect of Valued Added Tax ("VAT") and duties relating to supplies made and imports received, the liability for which has been incurred in the ordinary course of the business of the Company or SSL;
- 7.1.9 to the extent that such liability results from or is increased by the change of the accounting reference date of the Company or SSL on Completion or any subsequent change thereafter or by any change in the accounting policies of the Company or SSL or the basis upon which the Company or SSL values its assets after Completion or the payment of any unusual or abnormal dividend; and
- 7.1.10 to the extent that such liability would not have arisen or would have been reduced or eliminated but for a failure in the part of the Company or SSL to make any claims, election, surrender or disclaimer or give any notice or consent to do anything after Completion, the making, giving, or doing of which was taken into account in the Audited Accounts.

8. Common Law duty to mitigate

Nothing in this schedule shall derogate from the Purchaser's and the Warrantors' obligations to mitigate any loss which it may suffer in consequence of a breach of the Warranties.

9. Recovery from Third Parties

- 9.1 Where the Purchaser and/or the Company or SSL is or is likely to be entitled to recover from some other person any sum in respect of any matter giving rise to a claim for breach of the Warranties then the Purchaser shall procure that reasonable steps are taken to enforce such recovery.
- 9.2 Where an amount in discharge of a Relevant Claim is recovered from a third party, then either the amount payable by the Warrantors in respect of that claim shall be reduced by an amount equal to the sum so recovered (less the reasonable costs and expenses of recovering it incurred by the Purchaser and any Tax payable by the Purchaser or the Company as a result of its receipt) or (if an amount shall already have been paid by any of the Vendors in respect of that claim) there shall be repaid to the Vendors an amount equal to the amount so recovered (less the reasonable costs and expenses of its recovery incurred by the Purchaser and any Tax payable by the Purchaser or the Company as a result of its receipt) or (if less) the amount of such payment.

9.3 Without prejudice to the generality of paragraphs 9.1 and 9.2 above, the provisions of paragraphs 9.1 and 9.2 shall apply where the Company or SSL is entitled to recover from its insurers (in respect of insurance effected on or before the Completion Date) any sum in respect of any matter giving rise to a claim under the Warranties.

10. Effect of Taxation

The amount of any claim for breach of the Warranties and/or under the Tax Deed shall take into account the amount of any relief from Taxation arising by virtue of the loss or damage in respect of which the claim is made.

11. Conduct of Relevant Claims

11.1 The Warrantors shall be afforded every opportunity at their expense of resisting in the name of the Company and/or SSL any claims against the Company and/or SSL which might constitute or result in a Relevant Claim the Warrantors shall (if they so require) be allowed to have the conduct of any negotiations, proceedings or appeals incidental thereto. The Purchaser shall and shall procure that the Company shall inter alia;

11.1.1 as soon as possible after circumstances have come to its or their notice which will or may give rise to a Relevant Claim give to the Warrantors by written notice details of such circumstances and such claim and will thereafter keep the Warrantors fully informed of all material developments relating to such circumstances and Relevant Claim;

11.1.2 if so required by the Warrantors, take all reasonable steps to avoid, resist, appeal, compromise or defend any Relevant Claim and any adjudication in respect thereof and for this purpose take all appropriate proceedings in the name of the Company or SSL (but subject to the Company or SSL being indemnified by the Warrantors against all losses, charges, costs, damages and expenses that may be incurred in connection therewith);

11.1.3 provide assistance to enable the Warrantors to avoid, resist, appeal, compromise or defend any Relevant Claim such assistance to be provided without charge to the Purchaser;

11.1.4 take (or procure that the Company and SSL shall take) all reasonable steps necessary to mitigate any loss in relation to any such action or Relevant Claim.

11.2 The Purchaser shall procure that the Company shall not admit liability in respect of or compromise or settle any matter which might constitute a breach of the Warranties without the prior written consent of the Warrantors such consent not to be unreasonably withheld or delayed.

12. Rescission

The Purchaser hereby irrevocably waives all rights to rescind this Agreement whether such rights arise under statute, law or otherwise on any grounds including grounds that a representation made or deemed to be made in this Agreement or in the negotiations preceding this Agreement was untrue or incorrect in any respect and each of the Warrantors and the Purchaser represents to the Warrantors that the foregoing provisions of this paragraph in the context of that transactions contemplated by this Agreement are reasonable.

13. Reduction in Consideration

Any amount payable by the Warrantors to the Purchaser in satisfaction of any claim made under the Warranties or under the Tax Deed shall be treated as a reduction by that amount of the purchase price.

14. Effect of Assignment

If the benefit of the Warranties or Schedule 10 is assigned, the liability of the Warrantors shall be no greater than it would have been if the Purchaser had remained the owner of the Shares and had retained the benefit of the Warranties and/or Schedule 10.

15. Purchaser's Warranties

The Purchaser warrants and represents to the Warrantors (upon which warranty and representation the Warrantors are relying in entering into this Agreement) that (save as disclosed in the Disclosure Letter) it is not aware as at the date of this Agreement of any fact, matter or circumstance which constitutes a breach of the Warranties or which might give rise to a Tax Claim.

16. Pre-Acquisition

The Purchaser shall not be entitled to make a claim against the Warrantors in respect of any matter which concerns an act or omission occurring before 11 May 2001.

SCHEDULE 9
Part I – Calculation of the Earn Out

Multiple	£ 800,000	£ 1,000,000	£ 1,200,000	£ 1,400,000	£ 1,600,000	£ 1,800,000	£ 2,000,000	£ 2,200,000	£ 2,400,000	£ 2,600,000	£ 2,800,000
4.0			—	—	—	—	—	—	—	—	—
4.0	—	—	—	—	—	—	19,975	59,975	99,975	139,975	179,975
4.0	(60,025)	19,975	99,975	179,975	259,975	339,975	419,975	499,975	579,975	659,975	739,975
4.0	80,775	195,975	311,175	426,375	541,575	656,775	771,975	887,175	1,002,375	1,117,575	1,232,775
4.0	259,975	419,975	579,975	739,975	899,975	1,059,975	1,219,975	1,379,975	1,539,975	1,699,975	1,859,975

Amount shown is net of Loan Notes and Bank of Scotland Note

Example is the EBITDA percentage used demonstrate contingent payment, EBITDA defined as Earnings before Interest, Taxes, Depreciation and Amortization

A multiple of 4x is used for any positive EBITDA

Formula for the Earnout referenced in section 1 of this letter:

The Company's Earnings before interest, taxes, depreciation and amortization (EBITDA) multiplied by 4 and minus £300,000 and minus £80,025

Calculation of Loan Note Repayment

Multiple	£ 800,000	£ 1,000,000	£ 1,200,000	£ 1,400,000	£ 1,600,000	£ 1,800,000	£ 2,000,000	£ 2,200,000	£ 2,400,000	£ 2,600,000	£ 2,800,000
4.0	16,000	20,000	24,000	28,000	32,000	36,000	40,000	44,000	48,000	52,000	56,000
4.0	24,000	30,000	36,000	42,000	48,000	54,000	60,000	66,000	72,000	78,000	80,025
4.0	32,000	40,000	48,000	56,000	64,000	72,000	80,000	80,025	80,025	80,025	80,025
4.0	64,000	80,000	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025
4.0	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025	80,025

For positive EBITDA, the loan notes are redeemed at 4x EBITDA up to the amount of the loan notes

A multiple of 4x is used for any positive EBITDA

1. Definitions

In this Schedule the following expressions shall have the following meanings:

“Disagreement Notice”	means a written notice given by the Vendors to the Purchaser stating that the Vendors disagree with the EBITDA Certificate, such notice specifying so far as practical and reasonable the monetary amount and the reasons for the adjustments (including supporting documentation when this is available to the Vendors) which in the Vendors’ opinion, should be made to the EBITDA Certificate in order to comply with the requirements of this Agreement;
“Earn-Out Accounts”	means the audited balance sheets of the Company and of SSL made up as at 31 October 2004 and the audited profit and loss accounts of the Company and SSL in respect of the financial year ended on 31 October 2004 including, in each case, the notes thereto and the directors’ report and auditors’ report;
“Earn-Out Accounts Pack”	means the earn out accounts pack set out in paragraph 3 of Part II of Schedule 9
“Earn Out Period”	means the year ending 31 October 2004
“Group”	means the Company and SSL;
“Independent Expert”	means an independent firm of chartered accounts in the United Kingdom;
“Opening Submissions”	means the initial representations made by either the Purchaser or the Vendors to the Independent Expert;
“Submissions in Reply”	means the further representations made by either the Purchaser or the Vendors to the Independent Expert in response to the Opening Submissions;
“Qualifying Adjustments”	means individual adjustments to the EBITDA Certificate which exceed £1,000;

2. The Purchaser shall, as soon as practicable following the Group’s financial year ended 31 October 2004, deliver to the Vendors the Earn-Out Accounts Pack and EBITDA Certificate as soon as is practicable and in any event by 31 March 2005 at the latest.

3. The Earn-Out Accounts Pack shall consist of:

- 3.1 an audited consolidated balance sheet of the Group as at 31 October 2004;

-
- 3.2 an audited consolidated profit and loss account for the Group for the year ended 31 October 2004;
- 3.3 notes to the financial statements, directors report etc; and
- 3.4 the EBITDA Certificate which shall set out the EBITDA of the Group for the year ended 31 October 2004.
4. If the Vendors do not within 30 Business Days of presentation to it of the Earn-Out Accounts Pack give a Disagreement Notice, the EBITDA Certificate shall be final and binding on the parties for all purposes.
5. Each party shall:
- 5.1 disclose to the other all relevant facts and information requested by it for the purposes of preparing or reviewing the Earn-Out Accounts Pack and the EBITDA Certificate;
- 5.2 promptly give to the other and the other's accounting adviser all information, assistance and access (on an audit basis) as they may reasonably require including:
- 5.2.1 access (during normal office hours) to relevant books, records and premises of or relating to the Group, including reasonable access to and assistance from employees and officers of the Group; and
- 5.2.2 the right to take copies of relevant documents for the purposes of preparing and agreeing (or having determined) the EBITDA Certificate.
6. Adjustments to the EBITDA Certificate may only be proposed for Qualifying Adjustments and where the sum of all Qualifying Adjustments exceeds £10,000.
7. If the Vendors give a valid Disagreement Notice, the Vendors and the Purchaser shall attempt in good faith to reach agreement. If they are unable to do so within 20 Business Days of the date of the Disagreement Notice, either party may by notice to the other require that the EBITDA Certificate be referred to the Independent Expert to resolve the outstanding matters in dispute.
8. The outstanding matters in dispute shall be referred to an Independent Expert. The Independent Expert shall be agreed and appointed jointly by the Purchaser and the Vendors, or in the absence of such agreement, by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either the Purchaser or the Vendors. For the avoidance of doubt, outstanding matters in dispute referred to the Independent Expert may include issues raised by the Purchaser in the event that the Vendors give a valid Disagreement Notice.
9. The Independent Expert shall be instructed to determine the matters in dispute and act on the following basis:
- 9.1 The Independent Expert shall act as an expert and not as an arbitrator.
- 9.2 His terms of reference shall be to determine the matters in dispute, including the finalisation of the form and content of the Earn-Out Accounts and calculation of the EBITDA Certificate, taking into account the provisions of this Agreement within 10 Business Days of receipt of each parties final submissions, or as soon as practicable thereafter.

9.3 The Independent Expert shall decide the procedure to be followed in the determination but shall include the following procedures:

9.3.1 If either party wishes to make Opening Submissions regarding the matters in dispute, these must be provided in writing to be received by the Independent Expert by close of business 20 Business Days after the appointment of the Independent Expert. Opening Submissions are to include each party's arguments and supporting documentation on each matter in dispute and should set out:

- (a) the nature of the matter in dispute;
- (b) an explanation of the accounting treatment in dispute;
- (c) the information and evidence that supports the view of the party in the matter in dispute; and
- (d) the calculation of the matter in dispute.

9.3.2 If either party wishes to make Submissions in Reply, they must be provided in writing to be received by the Independent Expert by close of business 20 Business Days after receipt of the other party's Opening Submissions. Submissions in Reply shall be restricted to comments on, further explanations or additional information arising from the other party's Opening Submissions and should not otherwise include new arguments.

9.3.3 The determination of the Independent Expert shall (in the absence of manifest error) be final and binding on the parties.

9.3.4 The Purchaser and the Vendors expressly waive, to the extent permitted by law, any rights of recourse to the courts they may otherwise have to challenge the Independent Expert's determination hereunder.

9.3.5 The costs of the determination by the Independent Expert shall be borne between the parties as the Independent Expert shall direct, or in the absence of any such direction, equally between the Purchaser and the Vendors.

10. The Purchaser and the Vendors shall procure that they and the Group promptly provide to each other, their respective accounting advisers, and any Independent Expert appointed under paragraph 8 above, with all information and explanations in their respective possession or control relating to the operations of the Group (as the case may be) including access at all reasonable times to all relevant books and records and all co-operation and assistance as may reasonably be required to enable the production, review and agreement or determination of the Earn-Out Accounts and calculation of EBITDA.

11. The costs (if any) of each party's accounting advisers shall be borne by the Purchaser and the Vendors respectively.

12. The expenses of the Independent Expert shall be borne as the Independent Expert shall direct or failing such direction, equally between the Purchaser, on the one hand and the Vendors, on the other.

-
13. The parties shall co-operate with the Independent Expert and comply with any reasonable requests made in connection with the carrying out of its duties under this Agreement.
 14. Subject to paragraph 13 above, nothing in this Schedule shall entitle a party or the Independent Expert access to any information or document which is protected by legal professional privilege, or which has been prepared by the other party or its accountants and other professional advisers with a view to assessing the merits of any claim or argument.

Part III – 2004 Earn-Out Accounts Pack Principles

1. The Earn-Out Accounts Pack shall be drawn up in accordance with the policies that appear, and in the order shown, below:
 - 1.1 the specific accounting policies set out in clauses 2.1 to 2.5 in Part III of Schedule 9
 - 1.2 to the extent not covered by paragraph 1.1 above and to the extent consistent with UK GAAP at Completion, the accounting policies, principles, practices and bases adopted for the preparation of the audited report and accounts of the Company for the year ended 31 October 2003; and
 - 1.3 to the extent not covered by paragraphs 1.1 or 1.2 above, in accordance with UK GAAP as at Completion.

2. **SPECIFIC ACCOUNTING POLICIES**

2.1 **General**

2.1.1 **Post Balance Sheet Events**

No account shall be taken of information becoming available more than 90 Business Days after the 31 October 2004.

2.2 **Fixed Assets**

2.2.1 There shall be no upward revaluations of any fixed assets during the year ended 31 October 2004.

2.2.2 Fixed assets acquired during the year ended 31 October 2004 shall only be capitalised where the cost of such fixed assets exceed £1,000. Amounts less than £1,000 shall be expensed through the profit and loss account.

2.2.3 **Research and development expenditure**

- (a) All research expenditure is to be written off to the profit and loss account in the year in which it is incurred;
- (b) All development expenditure is to be written-off to the profit and loss account in the year in which it is incurred unless the Purchaser is satisfied as to the technical, commercial and financial viability of the individual project, in which case the expenditure should be capitalised within fixed assets and amortised over the period which the company is expected to benefit.

2.3 **Stocks held for resale**

2.3.1 **Physical quantities**

Volumes of stocks held at 31 October 2004 will be adjusted for any differences identified between book-records of stock and actual physical stocks observed during the full physical stock-takes which are to be carried out on 31 October 2004.

2.3.2 Valuation of Stock

Stock shall be valued (on a stock-line by stock-line basis) in accordance with SSAP 9 at the lower of cost and net realisable value.

2.4 Debtors and prepayments

2.4.1 Trade debtors

Trade debtors shall only be included in the Earn-Out Accounts Pack provided that they relate to goods delivered and services supplied on or before 31 October 2004 less deduction of any settlement discount, commission payable, volume discount or specific bad debt provision assessed on a debtor-by-debtor basis.

2.4.2 A general provision for bad debts will be made using the following calculation:

5 % for all debts overdue by 90 days

10 % for all debts overdue by 180 days

2.4.3 Prepayments and other assets

Prepayments shall be recorded only in respect of amounts which have been paid prior to the 31 October 2004, to the extent that the benefit of those assets will be realised post 31 October 2004.

2.5 Creditors

2.5.1 Trade creditors and accruals

- (a) Trade creditors and accruals shall be recorded to the extent that a liability exists and is still outstanding at 31 October 2004 in respect of goods and services that have been received or supplied on or before 31 October 2004.
- (b) A holiday pay accrual, sick pay accruals and a provision for staff bonuses shall be calculated as at 31 October 2004.

2.5.2 Contract accounting

- (a) Profit on individual contracts shall only be recognised in the profit and loss account when their outcome can be foreseen with reasonable certainty in accordance with SSAP 9.
- (b) For the avoidance of doubt, all licence and other fees earned by the Group shall be booked over the life of the contract on a straight line basis.
- (c) Full provision shall be made for all known or expected losses on individual contracts as soon as such losses are foreseen in accordance with SSAP 9.

2.5.3 Accruals and prepayments relating to the normal pension contributions payable or receivable based on the normal monthly payroll made in the ordinary course of business shall be made in the Earn-Out Accounts Pack.

2.6 EBITDA Certificate

The EBITDA Certificate will be calculated as follows:

Retained earnings for the year:	
Profit or (loss) after tax as shown in the consolidated profit and loss account	XX/(XX)
Add back:	
Interest payable to third-parties in connection with loans,	X
overdrafts and finance lease agreements;	
Corporation and deferred tax charges;	X
Depreciation and amortisation charges;	X
Less:	
Interest receivable;	(X)
Profits on disposal of fixed assets;	(X)
Upward revaluation of fixed assets;	(X)
To the extent that any of the following [names of Vendors] waive salaries or bonuses in respect of the year ended 31 October 2004, the amount equivalent to the amount of waived salaries or bonuses;	(X)
In the event that a new business or company is acquired by the Group prior to 31 October 2004, any profits arising from such new businesses;	
EBITDA Certificate	XX/(XX)

1. Definitions

1.1 In this Schedule the following expressions shall have the following meanings:

“Covenantors”	means Douglas Wright and Michael Wood;
“event”	includes (without limitation) the death or the winding up or dissolution of any person, and any act, transaction or omission whatsoever, and any reference to an event occurring on or before a particular date shall include events which for Tax purposes are deemed to have, or are treated or regarded as having, occurred on or before that date;
“Purchaser’s Tax Group”	means the Purchaser and any other company or companies which either are or become after Completion, or have within the six years ending at Completion been, treated as members of the same group as, or otherwise connected or associated in any way with, the Purchaser for any Tax purpose;
“Purchaser’s relief”	means: (a) any relief arising to the Company or any Subsidiary in respect of an event occurring or period ending after Completion or arising in the ordinary course of business to the Company or any Subsidiary in respect of an event occurring or period commencing after the Balance Sheet Date; and (b) any relief arising to any member of the Purchaser’s Tax Group (other than the Company or any Subsidiary);
“relief”	includes, unless the context otherwise requires, any allowance, credit, deduction, exemption or set-off in respect of any Tax or relevant to the computation of any income, profits or gains for the purposes of any Tax, or any repayment of or saving of Tax (including any repayment supplement or interest in respect of Tax), and any reference to the use or set off of relief shall be construed accordingly and shall include use or set off in part;
“Tax authority”	means any taxing or other authority (whether within or outside the United Kingdom) competent to impose any Tax liability;
“Tax claim”	means the issue of any notice, demand, assessment, letter or other document by or on behalf of any Tax authority or the imposition of any withholding of or on account of Tax from

which it appears that a Tax liability has been incurred by or will be imposed on the Company or any Subsidiary;

“Tax liability”

means (a) a liability of the Company or any Subsidiary to make or suffer an actual payment of Tax (or an amount in respect of Tax); and (b) also the use or set off of any Purchaser’s relief in circumstances where, but for such use or set off, the Company or any Subsidiary would have had an actual Tax liability in respect of which the Purchaser would have been able to make a claim against the Covenantors under this Schedule,

and, where paragraph (b) above applies, the amount that is to be treated for the purposes of this Schedule as a Tax liability of the Company or any Subsidiary shall be determined as follows:

(i) where the Purchaser’s relief that is used or set off as mentioned in paragraph (b) is a deduction from or offset against Tax, the Tax liability shall be the amount of that relief so used or set off;

(ii) where the Purchaser’s relief that is used or set off as mentioned in paragraph (b) is a deduction from or offset against income, profits or gains, the Tax liability shall be the amount of Tax saved thereby; and

(iii) where the Purchaser’s relief that is the subject of the setting off as mentioned in paragraph (b) is a repayment of Tax, the Tax liability shall be the amount of the repayment that would have been obtained but for the use or setting off.

1.2 Any reference to income, profits or gains earned, accrued or received on or before a particular date or in respect of a particular period shall include income, profits or gains which for Tax purposes are deemed to have been or are treated or regarded as earned, accrued or received on or before that date or in respect of that period.

1.3 Persons shall be treated as connected for the purposes of this Schedule if they are connected within the meaning of section 839 of the Taxes Act 1988.

1.4 The rule known as the ejusdem generis rule shall not apply and accordingly:

1.4.1 general words shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and

1.4.2 general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.5 In this Schedule, unless the context otherwise requires:

1.5.1 references to persons include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

1.5.2 the headings are inserted for convenience only and do not affect the construction of this Schedule;

1.5.3 references to one gender include all genders;

1.5.4 any reference to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated or re-enacted; and

1.5.5 references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court official or any other legal concept is, in respect of any jurisdiction other than England, deemed to include the legal concept or term which most nearly approximates in that jurisdiction to the English legal term.

1.6 All payments made by the Covenantors to the Purchaser or by the Purchaser to the Covenantors under this Schedule, other than payments of interest, shall so far as possible, be made by way of adjustment to the consideration for the sale of the Sale Shares.

2. Covenant to Pay

The Covenantors hereby severally covenant with the Purchaser (for itself and as trustee for its successors in title) to pay to the Purchaser an amount equivalent to:

2.1 any Tax liability arising in respect of, by reference to or in consequence of:

2.1.1 any income, profits or gains earned, accrued or received on or before Completion; and

2.1.2 any event which occurs or occurred on or before Completion;

2.2 any Tax liability properly attributable to a Covenantor being a liability to inheritance tax which after Completion becomes a charge on, or gives rise to a power to sell, mortgage or charge, any of the shares in or assets of the Company.

3. Exclusions

The covenant contained in clause 2.1 shall not cover any Tax liability to the extent that:

3.1 provision in respect of that Tax liability has been made in the Audited Accounts, or the Tax liability was paid or discharged before Completion; or

3.2 the Tax liability arises in respect of, by reference to or in consequence of:

3.2.1 any income, profits or gains earned, accrued or received in respect of the period between the Balance Sheet Date and Completion to the extent that the Company or Subsidiary concerned either retains the benefit of such income, profit or gain at Completion, or such income, profit or gain has been expended in the ordinary course of business of the Company or Subsidiary; or

-
- 3.2.2 any event occurring between the Balance Sheet Date and Completion in the ordinary course of business of the Company or the Subsidiary to which the Tax liability relates; or
- 3.3 the Tax liability arises or is increased as a result of an increase in rates of Tax which is announced and comes into force after Completion or of any change in law (whether relating to Tax or otherwise) which is announced and comes into force after Completion or the change or withdrawal after Completion of any previously published practice or concession of any Tax authority with retrospective effect.
- 3.4 the Tax liability would not have arisen but for a voluntary transaction, action or omission carried out or effected by the Purchaser, the Company or the Subsidiary concerned at any time after Completion, except that this exclusion 3.4 shall not apply where any such transaction, action or omission:
- 3.4.1 is carried out or effected pursuant to a legally binding commitment created on or before Completion; or
- 3.4.2 is carried out or effected in the ordinary course of business.
- 3.5 the recovery of such Tax liability is made under the Warranties;
- 3.6 the Tax liability would not have arisen but for a cessation of trade, or a change in the nature or conduct of the trade, by the Company or the Subsidiary on or after Completion;
- 3.7 such Tax liability arises by virtue of any disclaimer or disallowance of industrial building or other capital allowances or other transaction by the Company or the Subsidiary after Completion (otherwise than in relation to an event occurring on or before Completion) which has the effect of increasing the Tax liability of the Company or the Subsidiary in respect of any period ending on or before the Balance Sheet Date;
- 3.8 such Tax liability would not have arisen or would have been reduced or eliminated but for a failure on the part of the Company or the Subsidiary to make any claims, election, surrender or disclaimer or give any notice or consent or do anything (otherwise than at the direction of the Vendors) after Completion the making, giving, or doing of which was taken into account in the Audited Accounts;
- 3.9 the Tax liability arises or is increased in consequence of any failure by the Purchaser to comply with, or failure to procure the compliance of the Company or the Subsidiary with, any of their respective obligations under this Schedule;
- 3.10 such Tax liability results from or is increased or extended by the change of the accounting reference date of the Company or the Subsidiary on Completion or any subsequent change thereafter or by any change in the accounting policies of the Company or the Subsidiary or the basis upon which the Company or the Subsidiary values its assets after Completion or the payment of any unusual or abnormal dividend;
- 3.11 the Covenantors have satisfied such Tax liability by reason of being liable for such Tax under section 767(A), 767AA or other statutory provision;

3.12 any claim by the Purchaser or the subject matter thereof has been or is made good or is otherwise compensated for (otherwise than by the Purchaser or any member of the Purchaser's Tax Group, the Company or the Subsidiary).

4. Costs and Expenses

The covenants contained in this Schedule shall extend to all reasonable costs and expenses properly incurred by the Purchaser or the Company or any Subsidiary in connection with a successful claim by the Purchaser, the Company or the Subsidiary under this Schedule or in connection with the subject matter of any such successful claim, including in connection with any action taken as referred to in paragraph 7 and any satisfaction or settlement of a Tax liability in accordance with that paragraph.

5. Withholdings

All sums payable by the Covenantors under this Schedule shall be paid free and clear of all deductions or withholdings unless the deduction or withholding is required by law, in which event the Covenantors shall pay such additional amount as shall be required to ensure that the net amount received by the Purchaser under this Schedule will equal the full amount which would have been received by it had no such deduction or withholding been required to be made.

6. Tax on covenant payments

6.1 If any Tax authority brings into charge to Tax any sum paid to the Purchaser under this Schedule, then the Covenantors shall pay such additional amount as shall be required to ensure that the total amount paid, less the Tax chargeable on such amount, is equal to the amount that would otherwise be payable under this Schedule.

6.2 Paragraph 6.1 shall apply in respect of any amount deducted or withheld as contemplated by paragraph 5 as it applies to sums paid to the Purchaser, save to the extent that in computing the Tax chargeable the Purchaser is able to obtain a credit or relief for the amount deducted or withheld.

7. Notification of claims and conduct of disputes

7.1 If the Purchaser becomes aware of any Tax claim relevant for the purposes of this Schedule, the Purchaser shall give, or shall procure that notice of that Tax claim is given, to the Covenantors as soon as reasonable practicable and in any event within 14 days and shall (subject to paragraphs 7.2 and 7.3) take (or shall procure that the Company or the relevant Subsidiary shall take) such action as the Covenantors may reasonably request, to dispute, resist, appeal, compromise or defend the Tax claim and any adjudication in respect thereof.

7.2 The Purchaser shall not be required to take any action pursuant to paragraph 7.1:

7.2.1 unless the Purchaser and the Company or the Subsidiary concerned is each promptly indemnified to the Purchaser's reasonable satisfaction by the Covenantors against all losses, costs, damages and expenses that are or may be thereby incurred; or

7.2.2 if, in the Purchaser's reasonable opinion, the action is likely to affect adversely either the future liability to Tax of the Purchaser or the Company or the

Subsidiary concerned or the business or financial interests of any of them or of any person connected with any of them.

- 7.3** If the Covenantors do not request the Purchaser to take any appropriate action within twenty eight days of notice to the Covenantors, or no action is required to be taken by virtue of any of the provisions of paragraph 7.2, the Purchaser shall be free to satisfy or settle (or to allow the Company or the Subsidiary concerned to satisfy or settle) the relevant Tax liability on such terms as it may in its absolute discretion think fit.

8. Due date of payment and interest

- 8.1** Where a claim under this Schedule relates to a liability to make or suffer an actual payment or increased payment of Tax or an amount in respect thereof, the Covenantors shall pay to the Purchaser the amount claimed under this Schedule in respect thereof on or before the date which is the later of the date ten Business Days after demand is made therefor under this Schedule and the fifth Business Day prior to:

8.1.1 in the case of Tax in respect of which there is no provision for payment by installments, the latest date on which the Tax in question can be paid to the relevant Tax authority in order to avoid a liability to interest or penalties accruing; or

8.1.2 in the case of Tax in respect of which there is provision for payment by installments, each date on which an installment of such Tax becomes payable (and so that on each such date an appropriate proportion of the amount claimed shall be paid, such proportion to be notified by the Purchaser to the Covenantors at least five Business Days prior to each such date),

provided that, if the date on which Tax to which this paragraph applies can be recovered is deferred following application to the appropriate Tax authority and the Covenantors indemnify the Purchaser and the Company or relevant Subsidiary to the Purchaser's reasonable satisfaction in accordance with paragraphs 4 and 7.2, the date for payment by the Covenantors shall be the earlier of the date on which the Tax becomes recoverable by the relevant Tax authority (notwithstanding any initial deferral) and such date when the amount of Tax is finally and conclusively determined. For this purpose, an amount of Tax shall be deemed to be finally determined when, in respect of such amount, an agreement under section 54 of the Taxes Management Act 1970 or any legislative provision corresponding to that section is made, or a decision of a court or tribunal is given or any binding agreement or determination is made from which either no appeal lies or in respect of which no appeal is made within the prescribed time limit.

- 8.2** Where a claim under this Schedule relates to the loss or set off of a Purchaser's relief that is a repayment of Tax, the Covenantors shall pay to the Purchaser the amount claimed under this Schedule in respect thereof on or before the date which is the later of the date ten Business Days after demand is made therefor under this Schedule and the date when such repayment would have been due were it not for such setting off.

- 8.3** Where a claim under this Schedule relates to the loss, use or set off of any Purchaser's relief other than a repayment of Tax, the Covenantors shall pay to the Purchaser the amount claimed under this Schedule in respect thereof on or before the date which is the later of the date ten Business Days after demand is made therefor under this Schedule, and in the case of a relief which is used or set off, the date or dates referred

to in paragraph 8.1.1 or 8.1.2 that would have applied to the Tax saved by the use or set off of the relief if that Tax had been payable.

- 8.4** Paragraphs 8.1, 8.2 and 8.3 shall apply to any additional amount payable under paragraphs 4, 5 and 6 so that such amount shall be paid on the later of the date ten Business Days after demand is made therefor by or on behalf of the claimant and such other date or dates determined under paragraphs 8.1, 8.2 and 8.3 in relation to the Tax or relief to which the claim under paragraph 2 in respect of which such additional amount is due, relates.

9. Recovery from third parties

- 9.1** Without prejudice to the Covenantors obligation to make any payment hereunder, where the Purchaser or the Company or the Subsidiary concerned is entitled to recover from any person other than the Purchaser or the Company or the Subsidiary concerned or any person connected with any of them a payment or relief in respect of the Tax liability in question, the Purchaser shall procure that the Company or the Subsidiary shall as soon as reasonably practicable following it becoming aware of its entitlement notify the Covenantors and if so required by the Covenantors and at their expense, take all appropriate steps to enforce such recovery (keeping the Covenantors fully informed of the progress of any action taken) and shall pay to the Covenantors an amount equal to the amount received or the amount that the Purchaser or the Company or the Subsidiary concerned will save by virtue of the receipt of the relief (less the amount of all costs and expenses in obtaining such payment or relief, and net of any Tax payable on the amount received or that would have been payable but for the use or set off of any relief) to the extent that the payment to the Covenantors does not exceed the payment originally made by the Covenantors (net of any Tax suffered thereon), and to the extent that the right to such payment or relief is not prejudiced thereby.
- 9.2** Where the Purchaser or the Company or the Subsidiary concerned receives a relief as referred to in paragraph 9.1, a payment shall not be made to the Covenantors before the date on which the Tax that would have been payable but for the relief would have become recoverable by the appropriate Tax authority, and shall not be made to the extent that, but for the use of such relief, the Company or the Subsidiary concerned would have had an actual Tax liability in respect of which the Purchaser would have been able to make a claim against the Covenantors under this Schedule.

10. Management of pre-Completion Tax affairs

- 10.1** In this paragraph 10:

“accounting period”	means any period by reference to which any income, profits or gains, or any other amounts relevant for the purposes of Tax, are measured or determined;
“pre-Completion Tax affairs”	means the Tax affairs of the Company and the Subsidiaries for which the Purchaser is responsible under this paragraph 10;
“Tax documents”	means the Tax returns, claims and other documents which the Purchaser is required to prepare on behalf

of the Company and the Subsidiary under paragraphs 10.2.1 and 10.2.2;

“Tax return”

means any return required to be made to any Tax authority of income, profits or gains or of any other amounts or information relevant for the purposes of Tax, including any related accounts, computations and attachments; and

“time limit”

means the latest date on which a Tax document can be executed or delivered to a relevant Tax authority either without incurring interest or a penalty, or in order to ensure that such Tax document is effective.

10.2 Subject to and in accordance with the provisions of this paragraph the Purchaser or its duly authorised agents shall, in respect of all accounting periods ending on or before Completion:

10.2.1 prepare the Tax returns of the Company and each of the Subsidiaries;

10.2.2 prepare on behalf of the Company and each of the Subsidiaries all claims, elections, surrenders, disclaimers, notices and consents for the purposes of Tax; and

10.2.3 (subject to paragraph 7) deal with all matters relating to Tax which concern or affect the Company and each of the Subsidiaries, including the conduct of all negotiations and correspondence and the reaching of all agreements relating thereto or to any Tax documents.

10.3 The Purchaser shall procure that:

10.3.1 the Covenantors are kept fully informed of the progress of all matters relating to the pre-Completion Tax affairs;|

10.3.2 the Covenantors promptly receive copies of all written correspondence with any Tax authority in so far as it is relevant to the pre-Completion Tax affairs;

10.3.3 no correspondence is submitted to any Tax authority without the Covenantors being given a reasonable opportunity to review and comment on the terms of such correspondence.

10.4 The Purchaser shall at the Covenantors' request procure that the Company or the Subsidiary:

10.4.1 uses such available reliefs (other than Purchaser's reliefs arising in the Company or the Subsidiary) available to them in priority to any Purchaser's reliefs;

10.4.2 at the Covenantors' request and expense deliver to the Covenantors a certificate from the Company's auditors for the time being confirming that all such reliefs have been so used.

10.5 The Covenantors shall procure that the Purchaser and its duly authorised agents are afforded such access (including the taking of copies) to any books, accounts and

records of the Company and such other assistance as it or they reasonably require to enable the Purchaser to discharge its obligations under paragraph 10.2.

11. Purchaser's Covenants

- 11.1** The Purchaser hereby covenants with the Covenantors to pay to the Covenantors an amount equal to any Tax for which the Covenantors are or may be liable as a result of the application of section 767AA Taxes Act 1988 where the taxpayer company (as defined in section 767A(i)(a) and section 767AA(i)(a) respectively) is the Company or the Subsidiary but only in circumstances where the Tax is directly or primarily chargeable against or attributable to the Company or the Subsidiary and arises in respect of income profits or gains earned, accrued or received in respect of any period after Completion or as a result of the failure of the Purchaser, the Company or the Subsidiary to apply an amount provided for in the Audited Accounts or an amount paid by the Covenantors to the Purchaser under this Schedule to discharge a liability to which the amounts relates together with any reasonable costs and expenses reasonably and properly incurred by the Covenantors in connection with any such Tax liability or in taking any action under this clause.
- 11.2** Where the Purchaser becomes liable to make any payment under clause 11.1 the due date for the making of that payment should be the later of the date that is the date on which the Tax is finally due to the Tax authority demanding the same and five business days after written demand thereof by the Covenantors to the Purchaser.
- 11.3** Where the Purchaser fails to make a payment in satisfaction of a liability under clause 11.1 by the due date for the making of that payment, the liability of the Purchaser shall be increased to include interest on such sum from the date on which the Purchaser becomes liable to make payment to the date of such payment at the rate per annum being four per cent above the base rate from time to time of Lloyds TSB Bank plc compounded quarterly (such interest to accrue after as well as before judgment).

SIGNED by K. Asquith	)	K. Asquith by her attorney /s/ Illegible
SIGNED by S.Davies	)	S.Davies by his attorney /s/ Illegible
SIGNED by H. Dhand	)	H. Dhand by his attorney /s/ Illegible
SIGNED by M. Goodridge	)	/s/ M. Goodridge
SIGNED by C. Hatchard	)	C. Hatchard by his attorney /s/ Illegible
SIGNED by N. Rogers	)	N. Rogers by his attorney /s/ Illegible
SIGNED by J. Street	)	/s/ Jennifer Street
SIGNED by M. Wood	)	/s/ M.A. Wood
SIGNED by D. Wright	)	/s/ D. Wright
SIGNED by F. Wright	)	/s/ Fiona Wright
SIGNED by John Curtis duly authorised for and on behalf of Telecommunication Services Inc.	))))	/s/ John Curtis
Signed by J HARRINGTON	)	/s/ J Harrington

SENIOR MANAGEMENT AGREEMENT

THIS SENIOR MANAGEMENT AGREEMENT (this "Agreement") is made as of December 8, 2003, by and among TSI Telecommunication Holdings, LLC, a Delaware limited liability company (the "Company"), TSI Telecommunication Services Inc., a Delaware corporation ("Employer"), and F. Terry Kremian ("Executive").

The Company and Executive desire to enter into an agreement pursuant to which Executive will purchase from the Company, and the Company will sell 900,900.90 of the Company's Common Units (the "Common Units"). The Common Units acquired by Executive pursuant to Section 1(a) of this Agreement are referred to herein as "Carried Units". Certain definitions are set forth in Section 9 of this Agreement.

Certain provisions of this Agreement are intended for the benefit of, and will be enforceable by, GTCR Fund VII, L.P., a Delaware limited partnership ("GTCR Fund VII"), GTCR Fund VII/A, L.P., a Delaware limited partnership ("GTCR Fund VII/A"), GTCR Co-Invest, L.P., a Delaware limited partnership ("GTCR Co-Invest", together with GTCR Fund VII, GTCR Fund VII/A and any other investment fund managed by GTCR Golder Rauner, L.L.C., each an "Investor" and collectively, the "Investors").

Employer desires to employ Executive on the terms and conditions set forth herein, and Executive is willing to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

PROVISIONS RELATING TO CARRIED UNITS

1. Purchase and Sale of Carried Units.

(a) Upon execution of this Agreement, Executive will purchase, and the Company will sell, 900,900.90 Common Units at a price of \$0.0333 per unit. The Company will deliver to Executive copies of the certificates representing such Common Units, and Executive will deliver to the Company a cashier's or certified check or wire transfer of immediately available funds in an aggregate amount of \$30,000 as payment for such Common Units. Executive shall also execute and deliver to the Company the joinder agreements attached hereto as Exhibit C with respect to each of the Limited Liability Company Agreement, the Securityholders Agreement, and the Registration Agreement, each dated February 14, 2002, by and among the Company and the other parties thereto.

(b) Within 30 days after the purchase of the Carried Units hereunder, Executive will make an effective election with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code and the regulations promulgated thereunder in the form of Exhibit A attached hereto.

(c) Until the occurrence of a Sale of the Company, any certificates evidencing Carried Units shall be held by the Company for the benefit of Executive and the other holder(s) of Carried Units. Upon the occurrence of a Sale of the Company, the Company will return any such certificates for the Carried Units to the record holders thereof. Upon the occurrence of a Public Offering, the Company will return to the record holders thereof any certificates representing Vested Units.

(d) In connection with the purchase and sale of the Carried Units, Executive represents and warrants to the Company that:

(i) The Carried Units to be acquired by Executive pursuant to this Agreement will be acquired for Executive's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Carried Units will not be disposed of in contravention of the Securities Act or any applicable state securities laws.

(ii) Executive is an executive officer of the Employer or a Subsidiary, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Carried Units.

(iii) Executive is able to bear the economic risk of his investment in the Carried Units for an indefinite period of time because the Carried Units have not been registered under the Securities Act and, therefore, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

(iv) Executive has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of Carried Units and has had full access to such other information concerning the Company as he has requested.

(v) This Agreement constitutes the legal, valid and binding obligation of Executive, enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by Executive does not and will not conflict with, violate or cause a breach of any agreement, contract or instrument to which Executive is a party or any judgment, order or decree to which Executive is subject.

(vi) Executive is a resident of the State of Washington.

(e) As an inducement to the Company to issue the Carried Units to Executive, and as a condition thereto, Executive acknowledges and agrees that neither the issuance of the Carried Units to Executive nor any provision contained herein shall entitle Executive to remain in the employment of the Company, Employer or their respective Subsidiaries or affect the right of the Company, Employer or their respective Subsidiaries to terminate Executive's employment at any time for any reason.

(f) Concurrently with the execution of this Agreement, Executive shall execute in blank ten security transfer powers in the form of Exhibit B attached hereto (the "Security Powers") with respect to the Carried Units and shall deliver such Security Powers to the Company. The Security Powers shall authorize the Company to assign, transfer and deliver the Carried Units to the appropriate acquiror thereof pursuant to Section 3 below and Section 6 of the Securityholders Agreement and under no other circumstances.

(g) Except as set forth on Schedule 1(g) attached hereto, Executive is neither a party to, nor bound by, any other employment agreement, consulting agreement, noncompete agreement, nonsolicitation agreement or confidentiality agreement.

2. Vesting of Carried Units.

(a) The Carried Units shall be subject to vesting in the manner specified in this Section 2. Except as otherwise provided in Section 2(b) below, 5% of the Carried Units will become vested on each Quarter Date such that on December 8, 2008 the Carried Units will be 100% vested, in each case, however, if and only if as of each such Quarter Date Executive has been continuously employed by the Company, Employer or any of their respective Subsidiaries from the date of this Agreement through and including such Quarter Date.

(b) Upon the occurrence of a Sale of the Company, all Carried Units that have not yet become vested shall become vested at the time of such event, if as of the date of such event Executive is still employed by the Company, Employer or any of their respective Subsidiaries. Carried Units that have become vested are referred to herein as "Vested Units." All Carried Units that have not vested are referred to herein as "Unvested Units."

3. Repurchase Option.

(a) In the event Executive ceases to be employed by the Company, Employer or their respective Subsidiaries for any reason (the "Separation"), the Carried Units (whether held by Executive or one or more of Executive's transferees, other than the Company and the Investors) will be subject to repurchase, in each case by the Company and the Investors pursuant to the terms and conditions set forth in this Section 3 (the "Repurchase Option"). The Company may assign its repurchase rights set forth in this Section 3 to any Person; provided that the Company may not assign to any Person its right to pay any portion of the Repurchase Price for Carried Units repurchased hereunder in the form of Class A Preferred, as set forth in Section 3(e).

(b) In the event of a Separation: (i) the purchase price for each Unvested Unit will be the lesser of (A) Executive's Original Cost for such Unit and (B) the Fair Market Value of such Unit as of the date of Separation; and (ii) the purchase price for each Vested Unit will be the Fair Market Value of such unit as of the date of the Separation.

(c) The Board may elect to purchase all or any portion of the Unvested Units or the Vested Units by delivering written notice (the "Repurchase Notice") to the holder or holders of the Carried Units within one year after the Separation. The Repurchase Notice will set forth the number of Unvested Units and Vested Units to be acquired from each holder, the aggregate consideration to be paid for such units and the time and place for the closing of the transaction. The number of Carried Units to be repurchased by the Company shall first be satisfied to the extent possible from the Carried Units held by Executive at the time of delivery of the Repurchase Notice. If the number of Carried Units then held by Executive is less than the total number of Carried Units which the Company has elected to purchase, the Company shall

purchase the remaining Carried Units elected to be purchased from the other holder(s) of Carried Units under this Agreement, pro rata according to the number of Carried Units held by such other holder(s) at the time of delivery of such Repurchase Notice (determined as nearly as practicable to the nearest unit). The number of Unvested Units and Vested Units to be repurchased hereunder will be allocated among Executive and the other holders of Carried Units (if any) pro rata according to the number of Carried Units to be purchased from such Person.

(d) If for any reason the Company does not elect to purchase all of the Carried Units pursuant to the Repurchase Option, the Investors shall be entitled to exercise the Repurchase Option for all or any portion of the Carried Units the Company has not elected to purchase (the “Available Units”). As soon as practicable after the Company has determined that there will be Available Units, but in any event within ten months after the Separation, the Company shall give written notice (the “Option Notice”) to the Investors setting forth the number of Available Units and the purchase price for the Available Units. The Investors may elect to purchase any or all of the Available Units by giving written notice to the Company within one month after the Option Notice has been given by the Company. If the Investors elect to purchase an aggregate number greater than the number of Available Units, the Available Units shall be allocated among the Investors based upon the number of Common Units owned by each Investor. As soon as practicable, and in any event within ten days after the expiration of the one-month period set forth above, the Company shall notify each holder of Carried Units as to the number of units being purchased from such holder by the Investors (the “Supplemental Repurchase Notice”). At the time the Company delivers the Supplemental Repurchase Notice to the holder(s) of Carried Units, the Company shall also deliver written notice to each Investor setting forth the number of units such Investor is entitled to purchase, the aggregate purchase price and the time and place of the closing of the transaction. The number of Unvested Units and Vested Units to be repurchased hereunder shall be allocated among the Company and the Investors pro rata according to the number of Carried Units to be purchased by each of them.

(e) The closing of the purchase of the Carried Units pursuant to the Repurchase Option shall take place on the date designated by the Company in the Repurchase Notice or Supplemental Repurchase Notice, which date shall not be more than one month nor less than five days after the delivery of the later of either such notice to be delivered. The Company will pay for the Carried Units to be purchased by it pursuant to the Repurchase Option by first offsetting amounts outstanding under any bona fide debts owed by Executive to the Company and will pay the remainder of the purchase price by, at its option, (A) a check or wire transfer of funds, (B) issuing in exchange for such securities a number of the Company’s Class A Preferred (having the rights and preferences set forth in the LLC Agreement) equal to (x) the aggregate portion of the repurchase price for such Carried Units to be paid by the issuance of Class A Preferred divided by (y) 1,000, and for purposes of the LLC Agreement each such Class A Preferred unit shall as of its issuance be deemed to have Capital Contributions (as defined in the LLC Agreement) made with respect to such Class A Preferred unit equal to \$1,000, or (C) any combination of (A) and (B) as the Board may elect in its discretion. Each Investor will pay for the Carried Units purchased by it by a check or wire transfer of funds. The Company and the Investors will be entitled to receive customary representations and warranties from the sellers regarding such sale and to require that all sellers’ signatures be guaranteed.

By way of example only for the purpose of clarifying the mechanics of Section 3(e)(B), if the Company intends to repurchase 45,045 Carried Units by issuance of Class A Preferred and the aggregate repurchase price determined in accordance with this Section 3 is \$1,500, then the Company would issue to Executive 1.5 units of Class A Preferred and for purposes of the LLC Agreement the whole unit of Class A Preferred issued to Executive would as of its issuance be deemed to have Capital Contributions made for such Class A Preferred of \$1,000 and the Capital Contributions made for the one-half unit of Class A Preferred would be \$500.

(f) Notwithstanding anything to the contrary contained in this Agreement, all repurchases of Carried Units by the Company pursuant to the Repurchase Option shall be subject to applicable restrictions contained in the Delaware Limited Liability Company Act, the Delaware General Corporation Law or such other governing corporate law, and in the Company's and its Subsidiaries' debt and equity financing agreements. If any such restrictions prohibit (i) the repurchase of Carried Units hereunder which the Company is otherwise entitled to make or (ii) dividends or other transfers of funds from one or more Subsidiaries to the Company to enable such repurchases, then the Company may make such repurchases as soon as it is permitted to make repurchases or receive funds from Subsidiaries under such restrictions.

(g) Notwithstanding anything to the contrary contained in this Agreement, if the Fair Market Value of the Carried Units is finally determined to be an amount at least 10% greater than the per unit repurchase price for such Carried Units in the Repurchase Notice or in the Supplemental Repurchase Notice, each of the Company and the Investors shall have the right to revoke its exercise of the Repurchase Option for all or any portion of the Carried Units elected to be repurchased by it by delivering notice of such revocation in writing to the holders of Carried Units during the thirty-day period beginning on the date that the Company and/or the Investors are given written notice that the Fair Market Value of Carried Units was finally determined to be an amount at least 10% greater than the per unit repurchase price for Carried Units set forth in the Repurchase Notice or in the Supplemental Repurchase Notice.

(h) The provisions of this Section 3 shall terminate with respect to Vested Units upon the first to occur of the consummation of a Public Offering and the consummation of a Sale of the Company.

4. Restrictions on Transfer of Carried Units.

(a) Transfer of Carried Units. The holders of Carried Units shall not Transfer any interest in any Carried Units, except pursuant to (i) the provisions of Section 3 hereof, (ii) the provisions of Section 3 of the Securityholders Agreement (a "Participating Sale"), (iii) an "Approved Sale" (as defined in Section 6 of the Securityholders Agreement), or (iv) the provisions of Section 4(b) below.

(b) Certain Permitted Transfers. The restrictions in this Section 4 will not apply with respect to any Transfer of Carried Units made (i) pursuant to applicable laws of descent and distribution or to such Person's legal guardian in the case of any mental incapacity or among such Person's Family Group, or (ii) at such time as the Investors sell Common Units in a Public Sale, but in the case of this clause (ii) only an amount of units (the "Transfer Amount")

equal to the lesser of (A) the number of Vested Units owned by Executive and (B) the number of Common Units owned by Executive multiplied by a fraction (the "Transfer Fraction"), the numerator of which is the number of Common Units sold by the Investors in such Public Sale and the denominator of which is the total number of Common Units held by the Investors prior to the Public Sale; provided that, if at the time of a Public Sale of units by the Investors, Executive chooses not to Transfer the Transfer Amount, Executive shall retain the right to Transfer an amount of Common Units at a future date equal to the lesser of (x) the number of Vested Units owned by Executive at such future date and (y) the number of Common Units owned by Executive at such future date multiplied by the Transfer Fraction; provided further that the restrictions contained in this Section 4 will continue to be applicable to the Carried Units after any Transfer of the type referred to in clause (i) above and the transferees of such Carried Units must agree in writing to be bound by the provisions of this Agreement. Any transferee of Carried Units pursuant to a Transfer in accordance with the provisions of this Section 4(b)(i) is herein referred to as a "Permitted Transferee." Upon the Transfer of Carried Units pursuant to this Section 4(b), the transferring holder of Carried Units will deliver a written notice (a "Transfer Notice") to the Company. In the case of a Transfer pursuant to clause (i) hereof, the Transfer Notice will disclose in reasonable detail the identity of the Permitted Transferee(s).

(c) Termination of Restrictions. The restrictions set forth in this Section 4 will continue with respect to each unit of Carried Units until the earlier of (i) the date on which such Carried Units have been transferred in a Public Sale permitted by this Section 4, or (ii) the consummation of an Approved Sale.

5. Additional Restrictions on Transfer of Carried Units.

(a) Legend. The certificates representing the Carried Units will bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED AS OF DECEMBER 8, 2003, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, CERTAIN REPURCHASE OPTIONS AND CERTAIN OTHER AGREEMENTS SET FORTH IN A SENIOR MANAGEMENT AGREEMENT BETWEEN THE COMPANY AND AN EXECUTIVE OF THE COMPANY DATED AS OF DECEMBER 8, 2003. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE."

(b) Opinion of Counsel. No holder of Carried Units may Transfer any Carried Units (except pursuant to an effective registration statement under the Securities Act) without first delivering to the Company a written notice describing in reasonable detail the proposed Transfer, together with an opinion of counsel (reasonably acceptable in form and substance to

the Company) that neither registration nor qualification under the Securities Act and applicable state securities laws is required in connection with such transfer. In addition, if the holder of the Carried Units delivers to the Company an opinion of counsel that no subsequent Transfer of such Carried Units shall require registration under the Securities Act, the Company shall promptly upon such contemplated Transfer deliver new certificates for such Carried Units which do not bear the Securities Act portion of the legend set forth in Section 5(a). If the Company is not required to deliver new certificates for such Carried Units not bearing such legend, the holder thereof shall not Transfer the same until the prospective transferee has confirmed to the Company in writing its agreement to be bound by the conditions contained in this Section 5.

PROVISIONS RELATING TO EMPLOYMENT

6. Employment. Employer agrees to employ Executive and Executive accepts such employment for the period beginning as of the date hereof and ending upon his separation pursuant to Section 6(d) hereof (the "Employment Period").

(a) Position and Duties.

(i) During the Employment Period, Executive shall serve as the Chief Operating Officer of Employer and its Subsidiaries and shall have the normal duties, responsibilities and authority implied by such position, subject to the power of the Chief Executive Officer and the Board to expand or limit such duties, responsibilities and authority and to override actions of the Chief Operating Officer.

(ii) Executive shall report to the Chief Executive Officer of Employer and Executive shall devote his best efforts and his full business time and attention to the business and affairs of the Company, Employer and their Subsidiaries.

(b) Salary, Bonus and Benefits. During the Employment Period, Employer will pay Executive a base salary (the "Annual Base Salary") of \$225,000 per annum and increased to \$275,000 per annum as of April 1, 2004, subject to any further increases as determined by the Board based upon the Company's achievements of budgetary and other objectives set by the Board. For any fiscal year, Executive shall be eligible for an annual bonus of up to 50% of the Executive's then applicable Annual Base Salary based upon the achievement by the Company, Employer and their Subsidiaries of budgetary and other objectives set by the Board; provided that with respect to the first year for which Executive is eligible for a bonus, such bonus shall be paid on a pro rata basis based upon that portion of the year that remained after the date of this Agreement. Further, Employer will pay Executive a signing bonus in an aggregate amount equal to \$50,000 after December 31, 2003 but on or prior to January 8, 2004. In addition, during the Employment Period, Executive will be entitled to such other benefits approved by the Board and made available to the senior management of the Company, Employer and their Subsidiaries. If at any time during the Employment Period, any action or proceeding is commenced against Executive for any breach of that certain Severance Agreement and Full General Release, dated as of June 6, 2003, by and between VeriSign, Inc. ("VeriSign") and Executive (the "Severance Agreement"), the Company shall reimburse Executive for reasonable attorneys' fees of one counsel, which counsel shall be acceptable to the Company, in an aggregate amount not to exceed \$250,000 and if Executive is required to forfeit to such former

employer all or any portion of his severance payment received from such former employer pursuant to Section A.1. of the Severance Agreement, the Company shall reimburse Executive for such amount; provided that Employer shall have the right, at its option, to participate in the defense and jointly control the handling of any claim, suit, judgment or matter for which reimbursement is sought pursuant to this Section 6(b). Executive shall not admit any liability with respect to, settle, compromise or discharge any such claim, suit, judgment or matter without Employer's prior written consent, which consent shall not be unreasonably withheld. In addition, Executive agrees to cooperate in the defense of any claim, suit, judgment or matter which is brought against the Company or Employer in connection with the Severance Agreement, including, without limitation, by providing to the Company and Employer records and information that are reasonably relevant to such claim, suit, judgment or matter and making himself available to provide additional information and explanation of any materials provided hereunder. If Executive has been continuously employed by the Company, Employer or any of their respective Subsidiaries from the date of this Agreement through and including June 8, 2005 and the Company has not become obligated as of such date to reimburse Executive for reasonable attorneys' fees pursuant to this Section 6(b) in excess of an aggregate of \$100,000, Employer will pay Executive an additional bonus in an aggregate amount equal to \$50,000 on or prior to July 8, 2005.

(c) Location. Executive's work location and travel shall follow a three-week cycle pursuant to which Executive will work out of Employer's Tampa office during the first two weeks of the cycle and will work out of Employer's Seattle office during the third week of the cycle (it being understood that Executive will, as a general matter, travel to Tampa on the first Monday of such cycle and return to Seattle on the second Friday of such cycle). All reasonable living expenses in Tampa and reasonable travel expenses for travel between Seattle and Tampa will be paid by Employer.

(d) Separation. The Employment Period will continue until (i) Executive's resignation without Good Reason, disability (as determined by the Board in its good faith judgment) or death or (ii) Employer decides to terminate Executive's employment with Cause; (iii) Employer decides to terminate Executive's employment without Cause or (iv) Executive terminates his employment for Good Reason. If Executive's employment is terminated by Employer without Cause pursuant to clause (iii) above or by Executive for Good Reason pursuant to clause (iv) above, during the six-month period commencing on the date of termination (the "Initial Severance Period"), Employer shall pay to Executive each month during the Initial Severance Period an aggregate amount equal to $1/12^{\text{th}}$ of his Annual Base Salary in effect as of the end of the Employment Period, payable in equal installments on the Employer's regular salary payment dates; provided that, if Executive has been continuously employed by the Company, Employer or any of their respective Subsidiaries from the date of this Agreement through and including December 31, 2004, the Initial Severance Period will be automatically extended as of such date for an additional six-month period. Employer may (in its sole discretion) elect to extend the Initial Severance Period for up to three additional six-month periods (each an "Additional Severance Period") by providing Executive written notice of such extension no less than 60 days prior to the last day of the Initial Severance Period or the then effective Additional Severance Period and paying Executive during each month of any such Additional Severance Period an additional amount equal to $1/12^{\text{th}}$ of his Annual Base Salary, payable in equal installments on the Employer's regular salary payment dates. (The Initial

Severance Period and all applicable Additional Severance Periods are collectively referred to herein as the “Severance Period”). The amounts payable pursuant to this Section 6(d) shall be reduced by the amount of any compensation Executive earns or receives with respect to any other employment during the period in which he is receiving severance. Upon request from time to time, Executive shall furnish Employer with a true and complete certificate specifying any such compensation earned or received by him while receiving any severance payments from Employer.

7. Confidential Information.

(a) Obligation to Maintain Confidentiality. Executive acknowledges that the information, observations and data obtained by him during the course of his performance under this Agreement concerning the business and affairs of the Company, Employer and their respective Subsidiaries and Affiliates are the property of the Company, Employer or such Subsidiaries and Affiliates, including information concerning acquisition opportunities in or reasonably related to the Company’s and Employer’s and their respective Subsidiaries’ business or industry of which Executive becomes aware during the Employment Period. Therefore, Executive agrees that he will not disclose to any unauthorized Person or use for his own account any of such information, observations or data without the Board’s prior written consent, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive’s acts or omissions to act. Executive agrees to deliver to the Company at a Separation, or at any other time the Company may request in writing, all memoranda, notes, plans, records, reports and other documents (and copies thereof) relating to the business of the Company, Employer and their respective Subsidiaries and Affiliates (including, without limitation, all acquisition prospects, lists and contact information) which he may then possess or have under his control.

(b) Ownership of Property. Executive acknowledges that all inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, and all similar or related information (whether or not patentable) that relate to the Company’s, Employer’s or any of their respective Subsidiaries’ or Affiliates’ actual or anticipated business, research and development, or existing or future products or services and that are conceived, developed, contributed to, made, or reduced to practice by Executive (either solely or jointly with others) while employed by the Company, Employer or any of their respective Subsidiaries or Affiliates (including any of the foregoing that constitutes any proprietary information or records) (“Work Product”) belong to the Company, Employer or such Subsidiary or Affiliate and Executive hereby assigns, and agrees to assign, all of the above Work Product to the Company, Employer or to such Subsidiary or Affiliate. Any copyrightable work prepared in whole or in part by Executive in the course of his work for any of the foregoing entities shall be deemed a “work made for hire” under the copyright laws, and the Company, Employer or such Subsidiary or Affiliate shall own all rights therein. To the extent that any such copyrightable work is not a “work made for hire,” Executive hereby assigns and agrees to assign to the Company, Employer or such Subsidiary or Affiliate all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Executive shall promptly disclose such Work Product and copyrightable work to the Board and perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm the Company’s, Employer’s or such Subsidiary’s or Affiliate’s ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments).

(c) Third Party Information. Executive understands that the Company, Employer and their respective Subsidiaries and Affiliates will receive from third parties confidential or proprietary information (“Third Party Information”) subject to a duty on the Company’s, Employer’s and their respective Subsidiaries’ and Affiliates’ part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 7(a) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company, Employer or their respective Subsidiaries or Affiliates who need to know such information in connection with their work for the Company, Employer or their respective Subsidiaries or Affiliates) or use, except in connection with his work for the Company, Employer or their respective Subsidiaries or Affiliates, Third Party Information unless expressly authorized by a member of the Board in writing or required by applicable law or by judicial, legislative or regulatory process.

(d) Use of Information of Prior Employers. During the Employment Period, Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Executive has an obligation of confidentiality, and will not make use of in the performance of his duties or bring onto the premises of the Company, Employer or any of their respective Subsidiaries or Affiliates any unpublished documents or any property belonging to any former employer or any other Person to whom Executive has an obligation of confidentiality unless consented to in writing by the former employer or Person. Executive represents that he has delivered to all such former employers as of the date hereof all memoranda, notes, plans, records, reports and other documents (and copies thereof) relating to the business of such former employers (including, without limitation, all acquisition prospects, lists and contact information). Executive acknowledges and agrees that Executive’s employment with the Company is not in any way conditioned upon Executive’s possession or use of such information. Executive will use in the performance of his duties only information which is (i) generally known and used by Persons with training and experience comparable to Executive’s and that is (x) common knowledge in the industry or (y) is otherwise legally in the public domain, (ii) is otherwise provided or developed by the Company, Employer or any of their respective Subsidiaries or Affiliates or (iii) in the case of confidential or trade secret materials, property or information belonging to any former employer or other Person to whom Executive has an obligation of confidentiality, approved for such use in writing by such former employer or Person. Executive agrees to promptly notify the Chief Executive Officer of the Company if in the performance of his duties Executive would be required to use information other than as permitted by the immediately preceding sentence. In such event, the Company shall make appropriate arrangements such that Executive will not be required to use such information.

8. Noncompetition and Nonsolicitation. Executive acknowledges that in the course of his employment with Employer he will become familiar with the Company's, Employer's and their respective Subsidiaries' trade secrets and with other confidential information concerning the Company, Employer and such Subsidiaries and that his services will be of special, unique and extraordinary value to the Company and Employer and such Subsidiaries. Therefore, Executive agrees that:

(a) Noncompetition. During the Employment Period and (i) in the event of a termination of Executive's employment by Employer without Cause or the Executive for Good Reason, the Severance Period or (ii) in the event of a termination of Executive's employment for any other reason, for a period of two years thereafter (collectively, the "Noncompete Period"), he shall not, anywhere in the world, directly or indirectly (A) own, manage, control, participate in, consult with, render services for, any of the businesses listed on Schedule 8(a) attached hereto or any business in which the Company, Employer or any of their respective Subsidiaries has entertained discussions or has requested and received information relating to the acquisition of such business by the Company, Employer or their respective Subsidiaries during the six-month period immediately prior to the Separation, or (B) start or in any way participate in the creation of any business relating primarily to the provision of interoperability solutions, clearing and settlement services, software and network services and related services to telecommunications companies and other third parties that compete with the businesses of the Company, Employer or their respective Subsidiaries; provided, however, that the Executive may own up to 1% of any class of an issuer's publicly traded securities. Subject to Executive's consent (which consent shall not be unreasonably withheld), Employer will be entitled to update Schedule 8(a) from time to time as appropriate to reflect the addition of competing businesses that may emerge after the date of this Agreement that provide solutions and services that compete directly with the businesses of the Company, Employer or their respective Subsidiaries.

(b) Nonsolicitation.

(i) The parties hereto acknowledge and agree that Executive's performance of his duties under this Agreement is intended to comply with the restrictions set forth in the Severance Agreement. Accordingly, for the period extending from the date hereof through June 6, 2005, Executive shall not directly or indirectly (A) induce or attempt to induce any employee of VeriSign or a Subsidiary of VeriSign as of June 6, 2003 to leave the employ of such former employer or such Subsidiary or in any way interfere with the relationship between such former employer or any such Subsidiary and any employee thereof, (B) sell, or be involved in any effort to sell, products or services to any customer of VeriSign Telecommunication Services as of June 6, 2003 for products or services of the type offered by Employer, unless such customer is a customer of the Employer as of the date hereof, or (C) induce or attempt to induce any customer or supplier of VeriSign Telecommunication Services as of June 6, 2003 to cease doing business with VeriSign or a Subsidiary of VeriSign or in any way interfere with the relationship between any such customer or supplier and VeriSign or a Subsidiary of VeriSign.

(ii) During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company, Employer or their respective Subsidiaries to leave the employ of the Company, Employer or such Subsidiary, or in any way interfere with the relationship between the Company, Employer and any of their respective Subsidiaries and any employee thereof, (ii) hire any person who was an employee of the Company, Employer or any of their respective Subsidiaries within one year prior to the time such employee was hired by Executive, (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company, Employer or any of their respective Subsidiaries to

cease doing business with the Company, Employer or such Subsidiary or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company and any Subsidiary or (iv) directly or indirectly acquire or attempt to acquire an interest in any business relating to the business of the Company, Employer or any of their respective Subsidiaries and with which the Company, Employer and any of their respective Subsidiaries has entertained discussions or has requested and received information relating to the acquisition of such business by the Company, Employer or any of their respective Subsidiaries in the two-year period immediately preceding a Separation.

(c) Enforcement. If, at the time of enforcement of Section 7 or this Section 8, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because Executive's services are unique and because Executive has access to confidential information, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company, Employer, their respective Subsidiaries or Affiliates or their successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

(d) Additional Acknowledgments. Executive acknowledges that the provisions of this Section 8 are in consideration of: (i) employment with the Employer, (ii) the issuance of the Carried Units by the Company and (iii) additional good and valuable consideration as set forth in this Agreement. In addition, Executive agrees and acknowledges that the restrictions contained in Section 7 and this Section 8 do not preclude Executive from earning a livelihood, nor do they unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive acknowledges (i) that the business of the Company, Employer and their respective Subsidiaries will be international in scope and without geographical limitation, (ii) notwithstanding the state of incorporation or principal office of the Company, Employer or any of their respective Subsidiaries, or any of their respective executives or employees (including the Executive), it is expected that the Company and Employer will have business activities and have valuable business relationships within its industry throughout the world, and (iii) as part of his responsibilities, Executive will be traveling in furtherance of Employer's business and its relationships. Executive agrees and acknowledges that the potential harm to the Company and Employer and their respective Subsidiaries of the non-enforcement of Section 7 and this Section 8 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Company and Employer now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

9. Definitions.

“Affiliate” means, (i) with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person, and (ii) with respect to any Investor, any general or limited partner of such Investor, any employee or owner of any such partner, or any other Person controlling, controlled by or under common control with such Investor.

“Board” means the Board of Managers of the Company.

“Class A Preferred” means the Class A Preferred Units as defined in the LLC Agreement.

“Carried Units” will continue to be Carried Units in the hands of any holder other than Executive (except for the Company and the Investors and except for transferees in a Public Sale), and except as otherwise provided herein, each such other holder of Carried Units will succeed to all rights and obligations attributable to Executive as a holder of Carried Units hereunder. Carried Units will also include equity of the Company (or a corporate successor to the Company) issued with respect to Carried Units (i) by way of a unit split, unit dividend, conversion, or other recapitalization (excluding any Class A Preferred issued herein) or (ii) by way of reorganization or recapitalization of the Company in connection with the incorporation of a corporate successor prior to a Public Offering. Notwithstanding the foregoing, all Unvested Units shall remain Unvested Units after any Transfer thereof.

“Cause” means (i) the commission of a felony or a crime involving moral turpitude or the commission of any other act or omission involving material dishonesty or fraud with respect to the Company, Employer or any of their respective Subsidiaries or any of their customers or suppliers, (ii) conduct tending to bring the Company, Employer or any of their respective Subsidiaries into substantial public disgrace or disrepute, (iii) substantial and repeated failure to perform duties of the office held by Executive as reasonably directed by the Board, (iv) gross negligence or willful misconduct with respect to the Company, Employer or any of their respective Subsidiaries, (v) any breach of Sections 6(a)(ii), 7 or 8 of this Agreement, (vi) a determination by a court or tribunal of competent jurisdiction that Executive has breached the terms of any severance or non-compete agreement with a former employer or (vii) Executive being enjoined or otherwise prohibited from carrying out any of his duties under this Agreement in connection with Executive’s obligations under the Severance Agreement.

“Fair Market Value” of Carried Units means the average of the closing prices of the sales of such Carried Units on all securities exchanges on which such Carried Units may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such Carried Units is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such Carried Units are not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National

Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which the Fair Market Value is being determined and the 20 consecutive business days prior to such day. If at any time such Carried Units are not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the Fair Market Value will be the fair value of such Carried Units as determined in good faith by the Board. If Executive reasonably disagrees with such determination, Executive shall deliver to the Board a written notice of objection within ten days after delivery of a Repurchase Notice (or if no Repurchase Notice is delivered, then within ten days after delivery of the Supplemental Repurchase Notice). Upon receipt of Executive's written notice of objection, the Board and Executive will negotiate in good faith to agree on such Fair Market Value. If such agreement is not reached within 30 days after the delivery of the Repurchase Notice (or if no Repurchase Notice is delivered, then within 30 days after the delivery of the Supplemental Repurchase Notice), Fair Market Value shall be determined by an appraiser jointly selected by the Board and Executive, which appraiser shall submit to the Board and Executive a report within 30 days of its engagement setting forth such determination. If the parties are unable to agree on an appraiser within 45 days after delivery of the Repurchase Notice or the Supplemental Repurchase Notice, within seven days, each party shall submit the names of four nationally recognized firms that are engaged in the business of valuing non-public securities, and each party shall be entitled to strike two names from the other party's list of firms, and the appraiser shall be selected by lot from the remaining four firms. The expenses of such appraiser shall be borne by Executive unless the appraiser's valuation is more than 10% greater than the amount determined by the Board, in which case, the expenses of the appraiser shall be borne by the Company. The determination of such appraiser as to Fair Market Value shall be final and binding upon all parties.

"Family Group" means, with respect to a Person who is an individual, such Person's spouse and descendants (whether natural or adopted), and any trust, family limited partnership, limited liability company or other entity wholly owned, directly or indirectly, by such Person or such Person's spouse and/or descendants that is and remains solely for the benefit of such Person and/or such Person's spouse and/or descendants and any retirement plan for such Person.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Good Reason" means without the Executive's consent, (i) other than as provided in Section 6(c), requiring Executive to be permanently relocated outside of a 100 mile radius from Seattle, Washington (it being understood that Executive shall be required to travel to the extent necessary to meet the needs of Employer and its business); (ii) the removal of Executive's title as chief operating officer; (iii) Executive ceasing to report to the Chief Executive Officer; or (v) any material reduction, in the aggregate, of the benefits or salary provided to Executive pursuant to Section 6(b), other than in connection with a reduction in benefits or salary generally applicable to senior executives of the Employer.

"LLC Agreement" means the Limited Liability Company Agreement of the Company, as amended from time to time pursuant to its terms.

“Original Cost” means, with respect to each Common Unit purchased hereunder, \$0.0333 (as proportionately adjusted for all subsequent unit splits, unit dividends and other recapitalizations).

“Person” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

“Public Offering” means the sale in an underwritten public offering registered under the Securities Act of equity securities of the Company or a corporate successor to the Company.

“Public Sale” means (i) any sale pursuant to a registered public offering under the Securities Act or (ii) any sale to the public pursuant to Rule 144 promulgated under the Securities Act effected through a broker, dealer or market maker (other than pursuant to Rule 144(k) prior to a Public Offering).

“Purchase Agreement” means that certain unit purchase agreement between the Company and the Investors, dated as of February 14, 2002, as amended from time to time in accordance with its terms.

“Quarter Date” means March, June, September and December of each year beginning on March 8, 2004 and ending on December 8, 2008.

“Sale of the Company” means any transaction or series of transactions pursuant to which any Person or group of related Persons other than the Investors or their Affiliates in the aggregate acquire(s) (i) equity securities of the Company possessing the voting power (other than voting rights accruing only in the event of a default, breach or event of noncompliance) to elect a majority of the Company’s board of managers (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company’s equity, securityholder or voting agreement, proxy, power of attorney or otherwise) or (ii) all or substantially all of the Company’s assets determined on a consolidated basis; provided that a Public Offering shall not constitute a Sale of the Company.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Securityholders Agreement” means the Securityholders Agreement of even date herewith among the Company and certain of its securityholders, as amended from time to time pursuant to its terms.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of

partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"Transfer" means to sell, transfer, assign, pledge or otherwise dispose of (whether with or without consideration and whether voluntarily or involuntarily or by operation of law).

10. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated:

If to Employer:

TSI Telecommunication Services Inc.
201 North Franklin Street
Tampa, Florida 33602
Attention: Robert Garcia, Jr.

with copies to:

GTCR Fund VII, L.P.
GTCR Fund VII/A, L.P.
GTCR Co-Invest, L.P.
c/o GTCR Golder Rauner, L.L.C.
6100 Sears Tower
Chicago, Illinois 60606-6402
Attention: David A. Donnini
Collin E. Roche

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Stephen L. Ritchie, P.C.

If to the Company:

TSI Telecommunication Holdings, LLC
201 North Franklin Street
Tampa, Florida 33602
Attention: Robert Garcia, Jr.

with copies to:

GTCR Fund VII, L.P.
GTCR Fund VII/A, L.P.
GTCR Co-Invest, L.P.
c/o GTCR Golder Rauner, L.L.C.
6100 Sears Tower
Chicago, Illinois 60606-6402
Attention: David A. Donnini
Collin E. Roche

and

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Stephen L. Ritchie, P.C.

If to Executive:

Terry Kremian
12919 53rd Avenue, N.W.
Gig Harbor, WA. 98332

If to the Investors:

GTCR Fund VII, L.P.
GTCR Fund VII/A, L.P.
GTCR Co-Invest, L.P.
c/o GTCR Golder Rauner, L.L.C.
6100 Sears Tower
Chicago, Illinois 60606-6402
Attention: David A. Donnini
Collin E. Roche

with a copy to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Stephen L. Ritchie, P.C.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement will be deemed to have been given when so delivered or sent or, if mailed, five days after deposit in the U.S. mail.

11. General Provisions.

(a) Transfers in Violation of Agreement. Any Transfer or attempted Transfer of any Carried Units in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Carried Units as the owner of such equity for any purpose.

(b) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(d) Counterparts. This Agreement may be executed in separate counterparts (including by means of facsimile), each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(e) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by Executive, the Company, the Employer, the Investors and their respective successors and assigns (including subsequent holders of Carried Units); provided that the rights and obligations of Executive under this Agreement shall not be assignable except in connection with a permitted transfer of Carried Units hereunder.

(f) Choice of Law. The limited liability company law of the State of Delaware will govern all questions concerning the relative rights of the Company and its securityholders. All other questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto will be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(g) Remedies. Each of the parties to this Agreement (including the Investors as third-party beneficiaries) will be entitled to enforce its rights under this Agreement

specifically, to recover damages and costs (including attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(h) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company, Employer, Executive and the Majority Holders (as defined in the Purchase Agreement).

(i) Insurance. The Company or Employer, at its discretion, may apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered available. Executive agrees to cooperate in any medical or other examination, supply any information, and to execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

(j) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

(k) Indemnification and Reimbursement of Payments on Behalf of Executive. The Company, Employer and their respective Subsidiaries shall be entitled to deduct or withhold from any amounts owing from the Company or any of its Subsidiaries to Executive any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its Subsidiaries or Executive's ownership interest in the Company, including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity. In the event the Company or its Subsidiaries does not make such deductions or withholdings, Executive shall indemnify the Company and its Subsidiaries for any amounts paid with respect to any such Taxes, together with any interest, penalties and related expenses thereto.

(l) Reasonable Expenses. The Company agrees to pay the reasonable fees and expenses of Executive's counsel arising in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated by this Agreement.

(m) Termination. This Agreement (except for the provisions of Sections 6(a) and (b)) shall survive a Separation and shall remain in full force and effect after such Separation.

(n) Adjustments of Numbers. All numbers set forth herein that refer to unit prices or amounts will be appropriately adjusted to reflect unit splits, unit dividends, combinations of units and other recapitalizations affecting the subject class of equity.

(o) Deemed Transfer of Carried Units. If the Company (and/or the Investors and/or any other Person acquiring securities) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Carried Units to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the Person from whom such units are to be repurchased shall no longer have any rights as a holder of such units (other than the right to receive payment of such consideration in accordance with this Agreement), and such units shall be deemed purchased in accordance with the applicable provisions hereof and the Company (and/or the Investors and/or any other Person acquiring securities) shall be deemed the owner and holder of such units, whether or not the certificates therefor have been delivered as required by this Agreement.

(p) No Pledge or Security Interest. The purpose of the Company's retention of Executive's certificates and executed security powers is solely to facilitate the repurchase provisions set forth in Section 3 herein and Section 6 of the Securityholders Agreement and does not constitute a pledge by Executive of, or the granting of a security interest in, the underlying equity.

(q) Rights Granted to GTCR Fund VII and its Affiliates. Any rights granted to GTCR Fund VII, GTCR Fund VII/A, GTCR Co-Invest and their Affiliates hereunder may also be exercised (in whole or in part) by their respective designees (which designees may be Affiliates of GTCR Fund VII, GTCR Fund VII/A and/or GTCR Co-Invest).

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Senior Management Agreement on the date first written above.

TSI TELECOMMUNICATION HOLDINGS, LLC

By: /s/ G. Edward Evans

Its: Chief Executive Officer

TSI TELECOMMUNICATION SERVICES INC.

By: /s/ G. Edward Evans

Its: Chief Executive Officer

/s/ F. Terry Kremian

F. Terry Kremian

Agreed and Accepted:

GTCR FUND VII, L.P.

By: GTCR Partners VII, L.P.

Its: General Partner

By: GTCR Golder Rauner, L.L.C.

Its: General Partner

By: /s/ Collin E. Roche

Name: Collin E. Roche

Its: Principal

GTCR FUND VII/A, L.P.

By: GTCR Partners VII, L.P.

Its: General Partner

By: GTCR Golder Rauner, L.L.C.

Its: General Partner

By: /s/ Collin E. Roche

Name: Collin E. Roche

Its: Principal

GTCR CO-INVEST, L.P.

By: GTCR Golder Rauner, L.L.C.

Its: General Partner

By: /s/ Collin E. Roche

Name: Collin E. Roche

Its: Principal

Ratio of Earnings to Fixed Charges
Syniverse Holdings, LLC and Predecessor
(dollars in thousands)

	Predecessor				Successor	Successor
	Year Ended December 31,			Period from January 1 to February 13, 2002	Period from February 14 to December 31, 2002	Year Ended December 31, 2003
	1999	2000	2001			
Net Income	\$ 46,104	\$ 51,051	\$ 69,258	\$ 6,917	\$ 631	\$ (57,926)
Provision for income taxes	28,156	32,548	43,895	4,418	9,320	10,057
Income before income taxes	\$ 74,260	\$ 83,599	\$ 113,153	\$ 11,335	\$ 9,951	\$ (47,869)
Fixed charges:						
Interest expensed	\$ 2,822	\$ 22	\$ —	\$ —	\$ 45,428	\$ 46,235
Amortization of deferred financing costs and discount	—	—	—	—	8,677	11,893
Estimated interest factor on operating leases (see below)	343	403	463	59	864	871
Total fixed charges	3,165	425	463	59	54,969	58,999
Earnings:						
Income before income taxes	74,260	83,599	113,153	11,335	9,951	(47,869)
Fixed charges	3,165	425	463	59	54,969	58,999
Total earnings	\$ 77,425	\$ 84,024	\$ 113,616	\$ 11,394	\$ 64,920	\$ 11,130
Ratio of earnings to fixed charges	24.46	197.70	245.39	193.12	1.18	0.19

CODE OF
BUSINESS CONDUCT

A MESSAGE TO EMPLOYEES

As an independent, world-class organization, Syniverse is committed to the highest standards of business conduct. The following Code of Business Conduct is your guide for ensuring Syniverse conducts its business in a legal and ethical manner. It condenses our company's previous Code and combines it with Syniverse's Proprietary Rights Acknowledgment Statement.

Our Code applies to all employees and agents of Syniverse, regardless of your geographic location. Each of us is responsible for upholding this Code and complying with the laws and highest standards of business ethics anywhere Syniverse does business.

Syniverse Technologies, Inc. Code of Business Conduct (8/02)

Since the Code cannot address every possible situation, employees with questions regarding the applicability or interpretation of the Code should send their questions to the departments or individuals set forth in this document. All of us are responsible for abiding by Syniverse's standards, as well as taking actions that preserve and uphold our company's integrity.

You are accountable for familiarizing yourself with this Code and keeping it handy for your ongoing reference.

As a condition of your employment, you must sign and return the Acknowledgment that has been included with this Code to Syniverse's HR team.

Our ongoing success depends on our ability to perform to the highest standards of business conduct with each other, our customers and our many business partners.

A handwritten signature in black ink, appearing to read 'Ed Evans', with a long horizontal flourish extending to the right.

Ed Evans
Chief Executive Officer

TABLE OF CONTENTS

NOTICE	iii
INTRODUCTION	1
COMPLIANCE WITH THE LAW	1
CONFLICT OF INTEREST	2
CONFIDENTIAL INFORMATION	3
PROPRIETARY RIGHTS ACKNOWLEDGMENT STATEMENT	3
GIFTS AND ENTERTAINMENT	4
COMPANY ENDORSEMENTS AND TESTIMONIALS	5
PERSONAL USE OF COMPANY PROPERTY	5
ACCURACY, INTEGRITY OF BOOKS AND RECORDS AND PROTECTION OF COMPANY FUNDS	5
INSIDER TRADING AND CORPORATE DISCLOSURE POLICY	6
NON-DISCRIMINATION, EQUAL EMPLOYMENT OPPORTUNITY AND HARASSMENT	6
DRUG FREE WORK PLACE	6
EXPORT AND DIRECT PAYMENTS	6
IMPLEMENTATION OF THE CODE	7

NOTICE

This Code of Business Conduct is not an employment contract in any form, although adherence to these standards is a condition of employment. This code does not give you rights of any kind, and may be changed by the Company at any time without notice. United States employees and U.S. International Assignees of the Company and its subsidiaries must understand that there is no fixed duration and there are no fixed terms or conditions to the employment relationship. Employees can terminate their employment whenever they wish and for whatever reason they might have with or without notice, just as the Company or its subsidiaries can terminate their employment or change the terms and conditions of their employment at any time and for any reason or no reason, with or without cause, and with or without notice. This is known as employment-at-will. This at-will employment relationship may not be modified except in a written agreement signed by the employee and an authorized representative of the Company that employs the employee, and with concurrence from the Company's Legal Department.

INTRODUCTION

This Code of Business Conduct (the “Code”) is a general statement of policies and procedures of Syniverse Technologies, Inc., (“Syniverse” or “Company”) for conducting its business in a legal and ethical manner. It is not an exhaustive list of employees’ duties and responsibilities.

The Code includes provisions from existing Corporate Policies and is intended to provide an accessible reference for all employees.

All policies and procedures in the Code apply to all employees and agents of the Company whether operating inside or outside of the United States.

The policy of the Company is to prevent the occurrence of illegal or unethical behavior, to halt any illegal or unethical behavior that may occur as soon as reasonably possible after its discovery, and to discipline those who violate the Code, including individuals responsible for the failure to exercise proper supervision and oversight to detect and report any violations by their subordinate employees. Discipline may, when appropriate, include dismissal.

An employee who has a question regarding the applicability or interpretation of the Code should utilize the procedure specified in the section entitled “IMPLEMENTATION OF THE CODE.”

COMPLIANCE WITH THE LAW

The employees of the Company shall comply with the laws and highest standards of business ethics and conduct in every country in which the Company does business. Such laws include but are not limited to:

1. Safety and Health Laws – The Company is committed to providing its employees with a safe and healthy work environment. Employees shall comply with all applicable occupational health and safety laws and regulations.
2. Antitrust Laws – All employees shall comply with the antitrust laws. In order to avoid activities that may raise inferences of a violation or result in allegation of a violation of the antitrust laws, the following policies shall apply:
 - No employee shall enter into any understanding, agreement, plan or scheme which the employee has reason to believe is illegal under any of the antitrust laws.
 - No employee shall exchange or discuss with any competitor information relating to Company prices or pricing policies, distribution policies, suppliers or customer selection or classifications, credit policies or any other similar competitive information.
 - No employee shall knowingly participate in any formal or informal meeting with third parties at which agreements or understandings of the type described in bullet 1 above are being made or at which information of the type described in bullet 2 above is being exchanged or discussed.

-
3. Environmental Laws – All employees of the Company and all of its facilities and operations shall comply with all applicable environmental laws, rules and regulations, including those dealing with emissions to the atmosphere, discharges to surface or underground works, drinking water supplies, solid and hazardous waste management, releases of hazardous substances, community emergency response planning and toxic substances control.
 4. Intellectual Property Laws – All employees of the Company shall comply with copyright, trademark and other applicable laws governing Company and third party intellectual property.

CONFLICT OF INTEREST

Each employee must avoid any investment, interest, or association that interferes or might interfere with the independent exercise of his or her own individual best judgment, and with such employee's obligation to perform his or her responsibilities in the best interest of the Company.

Specifically:

All employees shall deal with all suppliers, customers and all other persons doing business with the Company in a completely fair and objective manner without favor or preference based upon personal financial considerations.

1. Employees shall not accept from or give to any supplier, customer or competitor any gift or entertainment except as permitted under "GIFTS AND ENTERTAINMENT."
2. No employee shall do business with a close relative on behalf of the Company, unless the transaction is on arms-length terms and is disclosed, in writing, to the General Counsel of the Company who determines that the transaction is not inconsistent with the purposes of this policy.
3. No employee shall, directly or indirectly, own any material financial interest (which excludes publicly traded stocks that are purchased for personal investment purposes) in or hold any employment or managerial position with any firm or corporation which is a competitor of or which does or seeks to do business with the Company if such interest or position may influence any decision that such employee might make in the performance of his or her regular duties.
4. No employee shall, directly or indirectly, hold any employment or managerial position with any firm or corporation which might interfere in the performance of his or her regular duties.
5. All employees have the affirmative duty to disclose to the corporate officer responsible for their function the existence of any personal material financial interest (which excludes publicly traded stocks that are purchased for personal investment purposes) in or employment or managerial position with any firm or corporation which is a competitor of or which seeks to do or does business with the Company. Each corporate officer shall review each such case with the CEO of the Company, and they shall determine whether

the existence of such interest or position is or may be in conflict with this policy or otherwise detrimental to the best interest of the Company or any of its operations. If it is determined that such conflict or detrimental effect may occur, such steps as are necessary to correct the situation will be immediately instituted.

CONFIDENTIAL INFORMATION

The disclosure of Confidential Information regarding Company business whether intentional or accidental, can adversely affect the financial stability of the Company and the job security of its employees.

Because of this risk of harm to the Company and its employees, no employee shall, without the written consent of the Company, during the term of employment or thereafter, use, directly or indirectly, for the benefit of such employee or others, or disclose to others, any Confidential Information obtained during the course of employment.

“Confidential Information” means all discoveries, inventions, improvements and innovations, whether or not patentable or copyrightable, methods, processes, techniques, practices, computer software, equipment, research data, marketing and sales information, personnel data, customer lists, financial data, plans and all other know-how and trade secrets which are in the possession of the Company and which have not been published or disclosed to the general public.

Each employee shall promptly report to the appropriate immediate supervisor any attempt by outsiders to obtain Confidential Information or any unauthorized use or disclosure of Confidential Information by other employees.

PROPRIETARY RIGHTS ACKNOWLEDGMENT STATEMENT

In consideration of employment or, if now employed, the continuation of employment by the Company, or any of its subsidiaries, or any other corporation controlled directly or indirectly by the Company, each employee agrees as follows:

1. I will disclose to the Company all proprietary property, including ideas, concepts, inventions, software, writings, mask works, processes, and/or improvements, whether patentable or unpatentable, made or conceived by me either solely or jointly with others during my employment by the Company and along the line of the businesses and investigations of the Company or resulting from or suggested by any work which I may do for the Company or at the Company’s request.
2. I will assign and hereby do assign to the Company (or to the Company’s nominees) my entire right, title, and interest in all such proprietary property and in all patent applications covering such proprietary property protectable under copyright law shall be considered a “work made for hire.” To the extent that such proprietary property is protectable under copyright law, but does not constitute a “work made for hire,” I will assign and hereby do assign to the Company (or to the Company’s nominees) my entire right, title, and interest in all copyrights in such proprietary property.
3. My obligation to assign rights to the Company under the preceding Paragraph 2 shall not include any rights in proprietary property developed entirely on my own time and without the use of any of the Company facilities or resources unless (a) the proprietary property so developed relates directly to any present business of the Company or to any actual or demonstrably anticipated business or investigation of the Company, or (b) the proprietary property so developed results from any work performed by me for the Company.

-
4. I will, both during and after my employment by the Company, assist the Company at the Company's expense, in obtaining and enforcing any legal rights in proprietary property assigned or to be assigned to the Company or entrusted to the Company by any third party.
 5. I will, both during and after my employment by the Company, neither disclose to any other person or company without the permission of the Company nor use for any unauthorized purpose any confidential or proprietary information, including technical and business information of the Company or entrusted to the Company by any third party.
 6. Upon termination of my employment with the Company, I will not take from the Company any material, tangible or intangible, containing confidential or proprietary information of the Company or entrusted to the Company by any third party. Prior to such termination, I will return or deliver to the Company all such materials.
 7. I acknowledge that the Company requires that, in the performance of my duties for the Company, I shall not disclose or use any trade secrets or proprietary information of others. Accordingly, I agree not to disclose or use, in the performance of my duties for the Company, trade secrets or proprietary information in violation of the rights of others.
 8. If any provision of this Proprietary Rights Acknowledgment Statement is held to be void or unenforceable for any reason, such provision shall be disregarded and shall not affect any other provision of this Acknowledgment Statement, or a court may interpret such provision to be valid and enforceable to the extent permitted by law.
 9. This Proprietary Rights Acknowledgment Statement shall be binding on my executors, administrators, representatives, and assignees.
 10. This Proprietary Rights Acknowledgment Statement supersedes any prior agreement that I have as an employee of the Company covering proprietary property and/or confidential and proprietary information.
 11. I acknowledge that this Proprietary Rights Acknowledgment Statement is not intended and does not constitute a contract between me and the Company limiting the right of either of us to terminate my employment for any reason, with or without notice.

GIFTS AND ENTERTAINMENT

No employee shall seek or accept, or offer or give any payments, fees, loans, services or gifts from or to any person or firm as a condition or result of doing business with the Company.

The Company's policy is intended to permit gifts of reasonable value; normal business meals and entertainment; the exchange of customary reciprocal courtesies between employees of the Company and their business associates; and similar customary and reasonable expenditures to promote general business goodwill. Reasonable expenditures for gifts to and the entertainment of business contacts by Company employees may be made if the expenditures have been appropriately authorized and are correctly recorded on the books of the paying entity. However, entertainment or gifts shall not be of substantial monetary value nor exceed that value customarily and openly provided by responsible competitors of the Company in the area involved.

COMPANY ENDORSEMENTS AND TESTIMONIALS

No employee shall give an endorsement or testimonial on behalf of the Company without specific prior approval of the Marketing Services Department and, if warranted, the Legal Department, whether or not any payment or consideration is offered in return. This includes requests to use the Company's name in any external or internal vendor company announcement. When seeking approval, you must disclose whether you have been offered or anticipate being offered any consideration. In certain instances, your manager or the Legal Department can require that you decline the consideration.

PERSONAL USE OF COMPANY PROPERTY

Company property is intended to be used for business purposes. However, limited personal use may be permissible when authorized by your manager and it does not:

- Interfere with your work responsibilities or business operations.
- Involve interests in personal outside business and/or other non-authorized organizations and activities (which may include soliciting or promoting personal commercial ventures and political or religious causes).
- Lead to inappropriate costs to the company.
- Violate the standards contained in this code, or any other Company policies and procedures, including the prohibitions and restrictions on the use of Company Proprietary and Confidential Information.
- Violate any applicable laws, or infringe or misappropriate any Company or third party intellectual property rights.

ACCURACY, INTEGRITY OF BOOKS AND RECORDS AND PROTECTION OF COMPANY FUNDS

All Company books, records and accounts must accurately reflect the nature of the transactions recorded. All assets and liabilities of the Company must be recorded in the regular books of account. No undisclosed or unrecorded fund or asset shall be established in any amount for any purpose. No false or artificial entries shall be made for any purpose. No payment shall be made, or purchase price agreed to, with the intention or understanding that any part of such payment is to be used for any purpose other than that described in the document supporting the payment.

Each employee shall:

- Protect all Company funds.
- Abide by Company policies for the security of Company funds.
- Ensure that the Company receives good value in exchange for Company funds or personal funds that will be reimbursed by the Company.
- Only seek reimbursement for expenses that are reasonable, actual and authorized.

-
- Accurately, honestly and timely prepare records of funds and related transactions.

INSIDER TRADING AND CORPORATE DISCLOSURE POLICY

Inappropriately trading or passing on information about sensitive Company or business partner activities or opportunities can harm these partners and the Company's corporate strategy, depriving us of valuable opportunities to improve our services to customers. In addition, trading on the basis of inside information, or passing inside information on to others who may trade (even if we receive no financial benefit), is a crime and can result in significant fines or imprisonment.

Each employee shall be responsible for reviewing and adhering to the Company's Corporate Disclosure Policy located at Syniverse's Intranet and Intraspect.

NON-DISCRIMINATION, EQUAL EMPLOYMENT OPPORTUNITY AND HARASSMENT

It is the policy of the Company to provide employment opportunities without regard to race, religion, color, national origin, sex, age, ancestry, citizenship, veteran status, marital status, sexual orientation or disability, or any other reason prohibited by the law, and to maintain a work environment free from harassment. Decisions as to hiring, promotion and other aspects of the employment relationship must be based solely upon job-related qualifications.

DRUG FREE WORKPLACE

It is the policy of the Company to provide a Drug Free Workplace and all employees shall comply with all applicable policies regarding the maintaining of a drug free work environment.

EXPORT AND DIRECT PAYMENTS

All employees will obtain appropriate authorization and/or licensing before:

- Exporting any product, service, or technical information from the United States or moving it between or among countries. (Technical information can consist of manufacturing processes, product use or commercial and technical know-how, data or software.)
- Providing any product, service or technical information to parties that previously have been denied an export license.
- Discussing with or displaying to non-U.S. nationals any Company technical data, equipment or nonpublic information or its application, whether in the United States or abroad, either on Company or personal business.
- Discussing or displaying any Company technical data, equipment or nonpublic information or its application while abroad, either on Company or personal business.

Each employee will determine with the Legal Department situations that may require written assurance by non-U.S. recipients that they will abide by United States export control regulations.

No employee shall authorize or provide payments, related offers, or any other benefit to improperly influence an official outside the United States or other person's decision-making to secure, retain, or direct business. Doing so could constitute a violation of United States and other countries' laws and the Company's standards.

IMPLEMENTATION OF THE CODE

Corporate Compliance Officer

The Director of Human Resources is the Corporate Compliance Officer responsible for implementation of the Company's Code of Business Conduct.

Questions Regarding the Code

An employee who has a question regarding the applicability or interpretation of the Code should direct the question in writing or e-mail to:

- His or her manager
- A member of the Company's senior management team
- A member of the Company's HR or Legal team

Questions may also be directed to the Corporate Compliance Officer.

Reporting of Violations

If an employee knows of a violation or possible violation of the Code, the employee should immediately report it in writing or e-mail to:

- His or her manager
- A member of the Company's senior management team
- A member of the Company's HR or Legal team

Any manager receiving such a report must immediately advise the Corporate Compliance Officer. There shall be no reprisals for good faith reporting of actual or possible violations of the Code.

Investigation of Violations

All reported violations of the Code will be promptly investigated by the Company and will be treated confidentially to the extent consistent with the Company's interests and its legal obligations. In certain instances, employees' names may be provided to those involved in the investigations with a "need to know" about the situation.

All investigations by the Company of wrongdoing will be directed by the Corporate Compliance Officer. Employees are expected to cooperate in the investigation of an alleged violation of the Code. If the result of the investigation indicates that corrective action is required, the Company will decide what steps it should take, including, when appropriate, legal proceedings, to rectify the problem and avoid the likelihood of its recurrence.

Discipline for Violations

Disciplinary actions may be taken for:

- Authorization or participation in actions that violated the Code.
- Failure to report a violation of the Code.
- Refusal to cooperate in the investigation of a violation of the Code.
- Failure by a violator's manager(s) to detect and report a violation of the Code, if such failure reflects inadequate supervision or lack of oversight.
- Retaliation against an individual for reporting a violation of the Code.

Corrective Action and Discipline

Employees who violate Company standards may be disciplined up to and including dismissal, as well as be subject to civil and criminal charges. If misconduct occurs, Syniverse is committed to taking prompt and responsive action to correct the situation and discipline responsible individuals.

Management employees may be disciplined if they condone misconduct, do not report misconduct, do not take reasonable measures to detect misconduct, or do not demonstrate the appropriate leadership to ensure compliance. Managers who have supervisory responsibility must use appropriate measures to ensure that disciplinary action for their employees is consistent and appropriate to the situation.

Acknowledgment

The Company requires that all employees sign the attached Acknowledgment confirming that they have received, read, understand, and agree to abide by the Code.

Acknowledgment Form

The undersigned acknowledges that he/she has received, read, understands and agrees to abide by Syniverse Technologies, Inc.'s Code of Business Conduct, including, without limitation, the Proprietary Rights Acknowledgment Statement.

By: _____

Print Name: _____

Date: _____

Return form to HR at MC 8F

Syniverse Technologies, Inc. Code of Business Conduct

SUBSIDIARIES OF REGISTRANT

SYNIVERSE HOLDINGS, LLC
SUBSIDIARIES OF REGISTRANT
AS OF DECEMBER 31, 2003

SUBSIDIARY NAME	STATE OR OTHER JURISDICTION OF INCORPORATION
Syniverse Holdings, Inc.	Delaware
Syniverse Technologies, Inc.	Delaware
Syniverse Finance Inc.	Delaware
Syniverse Networks, Inc.	Delaware
Syniverse Technologies, BV	Netherlands
Syniverse Brience, LLC	Delaware
Syniverse Holdings Limited	United Kingdom
Syniverse Technologies Limited	United Kingdom

CERTIFICATIONS

I, G. Edward Evans, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of **Syniverse Holdings, LLC** (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [reserved]
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Syniverse Holdings, LLC

Date: March 26, 2004

By: /s/ G. Edward Evans

G. Edward Evans
Chief Executive Officer

CERTIFICATIONS

I, G. Edward Evans, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of **Syniverse Technologies, Inc.** (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [reserved]
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Syniverse Technologies, Inc.

Date: March 26, 2004

By: /s/ G. Edward Evans

G. Edward Evans
Chief Executive Officer

CERTIFICATIONS

I, Raymond L. Lawless, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of **Syniverse Holdings, LLC** (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [reserved]
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Syniverse Holdings, LLC

Date: March 26, 2004

By: /s/ Raymond L. Lawless

Raymond L. Lawless
Chief Financial Officer

CERTIFICATIONS

I, Raymond L. Lawless, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of **Syniverse Technologies, Inc.** (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [reserved]
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Syniverse Technologies, Inc.

Date: March 26, 2004

By: /s/ Raymond L. Lawless

Raymond L. Lawless
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Syniverse Holdings, LLC and Syniverse Technologies, Inc. (the "Companies") on Form 10-K for the year ended December 31, 2004 (the "Report"), I, G. Edward Evans, Chief Executive Officer of the Company, hereby certify that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

Dated: March 26, 2004

/s/ G. EDWARD EVANS

G. Edward Evans
Chief Executive Officer

The above certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Form 10-K or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Syniverse Holdings, LLC and Syniverse Technologies, Inc. (the "Companies") on Form 10-K for the year ended December 31, 2004 (the "Report"), I, Raymond L. Lawless, Chief Financial Officer of the Company, hereby certify that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

Dated: March 26, 2004

/s/ RAYMOND L. LAWLESS

Raymond L. Lawless
Chief Financial Officer

The above certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Form 10-K or as a separate disclosure document.

Created by 10KWizard Technology www.10KWizard.com