UNISYS CORP
Form 424B5
December 04, 2007
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This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but it is not complete and may be changed. These securities may not be sold nor may offers to buy be accepted prior to the time this prospectus supplement is delivered in final form. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(B)5
File Number 333-85650

SUBJECT TO COMPLETION, DATED DECEMBER 4, 2007

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated April 26, 2002)

$250,000,000

Unisys Corporation

% Senior Notes due 2016

Offering Price: %, plus accrued interest, if any, from December , 2007

Set forth below is a summary of the terms of the notes offered by this prospectus supplement. For more details, see Description of Notes.

- **Interest**

Interest on the notes will be paid semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2008.

- **Maturity**

The notes will mature on January 15, 2016.

- **Ranking**

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior indebtedness and senior to any future subordinated indebtedness. The notes will be effectively subordinated to all our existing and future secured debt to the extent of the value of the assets securing such debt and will be structurally subordinated to all liabilities (including trade payables) of our non-guarantor subsidiaries.

- **Guarantees**

As of the date of this prospectus supplement, none of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Our current and future domestic subsidiaries will guarantee the notes if they first guarantee certain other debt obligations or incur certain indebtedness as primary obligor.

- **Mandatory Offer to Repurchase**

If we sell certain of our assets or experience specific kinds of changes in control, we must offer to purchase the notes.

- **Optional Redemption**

We may redeem some or all of the notes at any time on or after January 15, 2012 at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest. In addition, prior to January 15, 2012, we may redeem some or all of the outstanding principal amount of the notes at a price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest. We may also redeem up to 35% of the notes at any time prior to January 15, 2011, using the proceeds of certain equity offerings at a redemption price of % of the principal amount thereof, plus accrued and unpaid interest.

	Per Note	Total
Price to public(1)	%	$
Underwriting discounts and commissions	%	$
Proceeds to Unisys (before expenses)	%	$

(1) Plus accrued interest, if any, from December , 2007.

This investment involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement.

The underwriters expect to deliver the notes to investors on December , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Bear, Stearns & Co. Inc.

Banc of America Securities LLC

Citi

Joint Lead Managers

BNP PARIBAS

Credit Suisse

Deutsche Bank Securities

JPMorgan

Scotia Capital

Co-Manager

BNY Capital Markets, Inc.

The date of this prospectus supplement is December , 2007.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

Information contained on our website does not constitute part of this prospectus supplement or the accompanying prospectus.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. These types of statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as anticipates, believes, expects, estimates, intends, plans, projects and similar expressions may iden forward-looking statements. All forward-looking statements rely on assumptions and are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from expectations. The following documents describe these assumptions, risks, uncertainties, and other factors. You should read and interpret any forward-looking statements together with the following:

- the risk factors contained in this prospectus supplement and the accompanying prospectus under the caption Risk Factors ;
- our most recent annual report on Form 10-K and quarterly reports on Form 10-Q under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations ; and
- our other SEC filings.

Any forward-looking statement speaks only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

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PROSPECTUS SUPPLEMENT SUMMARY

Company Overview

Unisys is a worldwide information technology (IT) services and solutions company. Our core offerings include systems integration and consulting services, outsourcing services, infrastructure services, maintenance services and high-end server technology. We combine these offerings with in-depth expertise in specific markets such as the public sector, financial services and other commercial markets, including transportation and communications. We serve organizations and government agencies throughout the world by helping them to use information and technology to achieve their business goals.

Our consultants, industry experts and infrastructure specialists work with clients to understand their business challenges and develop innovative IT solutions to make them more successful. We complement these services with some of the industry s most powerful, mission-critical enterprise server technology. This combination of services and technology capabilities, along with core competencies in such growing areas as outsourcing, enterprise security, open source, Microsoft solutions and real-time infrastructure, allows us to provide value-added solutions to handle an organization s most business-critical information requirements.

We operate in two business segments: Services and Technology.

Services Segment (87% of our revenue for the nine months ended September 30, 2007) We provide end-to-end IT services and solutions designed to help clients improve their competitiveness and efficiency. We design, build and manage critical IT systems and solutions for businesses and governments around the world. Our services include systems integration and consulting, outsourcing, infrastructure services and core maintenance. In systems integration and consulting, we design and develop innovative solutions for specific industries such as check processing systems, public welfare systems, airline reservations and communications messaging solutions. In outsourcing, we manage a customer s internal information systems as well as specific business processes, such as check processing, insurance claims processing, health claims processing, mortgage administration and cargo management. In infrastructure services, we design and support customers IT infrastructure, including desktops, servers, mobile and wireless systems and networks. Our core maintenance services include maintenance of Unisys proprietary products.

Technology Segment (13% of our revenue for the nine months ended September 30, 2007) We design and develop servers and related products that operate in transaction-intensive, mission-critical environments. As a pioneer in large-scale computing, Unisys brings deep experience and rich technological innovation and capabilities to the enterprise server marketplace. Major offerings include enterprise-class servers based on our Cellular MultiProcessing architecture, such as the ClearPath Plus family of servers, and the ES7000 family of servers, which provide enterprise-class attributes on Intel-based servers. Our technology offerings include operating system software and middleware to power high-end servers, as well as specialized technologies such as payment systems and third-party technology products.

In addition to a diverse solutions offering, we are highly diversified by customer, industry served and geography. The primary vertical markets we serve include the public sector, financial services and other commercial markets including communications and transportation. No single customer accounted for more than 10% of our revenue in 2006. Sales of commercial products and services to various agencies of the U.S. federal government represented 16% of our revenue in 2006. In 2006, we generated approximately 56% of our revenue in countries outside of the United States, including the United Kingdom, which represented approximately 15% of our 2006 revenue. No other country represented more than 10% of our revenue in 2006.

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We market our products and services primarily through a direct sales force. In certain foreign countries, we market primarily through distributors. Complementing our direct sales force, we make use of a select group of alliance partners to market and complement our services and product portfolio.

At September 30, 2007, we employed approximately 29,500 people worldwide.

Strategy

In October 2005, we announced a comprehensive, multi-year program to reposition the company in the marketplace and enhance our profitability. The program included:

- focusing our resources on higher-growth market segments such as outsourcing, enterprise security, open source, Microsoft solutions and real-time infrastructure while continuing to invest in our proprietary ClearPath enterprise servers;
- pooling and retraining our services delivery force around these higher-growth markets;
- focusing sales and marketing efforts on large client accounts and selected geographies;
- significantly reducing our cost structure in line with our more focused business model;
- divesting non-core areas of the business and using the proceeds to fund our restructuring efforts; and
- significantly expanding our use of lower-cost offshore delivery resources.

During 2006 and through September 30, 2007, we accomplished the following in our repositioning program:

- To drive future growth, we invested in and launched strategic programs focused on growing our business in our targeted market areas of outsourcing, enterprise security, open source solutions, Microsoft solutions and real-time infrastructure.
- To increase our share of IT services and technology spending among large organizations, we moved to a new, account-centric sales model focused on serving the needs of our top 500 customer accounts in our top 10 countries.
- To support our growth initiatives, we realigned our services delivery force by pooling and retraining services specialists in our targeted market areas.
- To access highly skilled delivery resources in lower-cost regions around the world, we significantly expanded our use of offshore sourcing people and centers in such areas as India, China and Eastern Europe.
- To reduce our cost structure, we have taken actions to reduce our global workforce by approximately 7,200 employees and to consolidate facility space. These actions resulted in total pretax charges of $396.1 million during the period from January 1, 2006

through September 30, 2007. We expect these employee reduction actions to be substantially completed by the end of 2007. Net of investments in offshore resources and outsourcing of certain internal, non-client facing functions, we anticipate that these actions will yield, on a run-rate basis, annualized cost savings in excess of $365 million by the first half of 2008. Given our recent headcount reductions and our continued move to an increasingly mobile services delivery workforce, we are currently looking at potential additional cost-savings opportunities and may take actions in the fourth quarter of 2007 to further consolidate facility space. See Risk Factors Our future results will depend on the success of our repositioning strategy.

To reduce the level and volatility of our retirement-related expenses, effective December 31, 2006, we froze the accrual of future benefits under our U.S. defined benefit pension plans and disallowed new participants. At the same time, we enhanced our U.S. defined contribution plan. As a result of the amendment to stop accruals for future benefits under our U.S. defined benefit pension plans, we recorded a pretax curtailment gain of $45.0 million in the first quarter of 2006.

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- To fund our restructuring actions, we divested non-core assets, including our shares in Nihon Unisys Ltd., certain assets of our semiconductor test equipment business and our media business for approximately $414 million in aggregate cash proceeds.

- To focus our technology business on software and services and reduce hardware-related research and development expenses, we entered into a series of alliance agreements with NEC Corporation under which we agreed to collaborate in server technology, research and development, manufacturing and solutions delivery. Under the agreements, Unisys and NEC plan to develop a common high-end, Intel-based server platform for customers of both companies.

As a result of our cost-reduction efforts and other actions, our operating profit margins improved significantly in the third quarter of 2007 compared to the prior-year period. We saw this progress particularly in our services business, which represented 87% of our revenue in the third quarter of 2007.

We achieved this progress despite two issues that continue to impact our operating profitability: (1) higher temporary contract labor costs, which have been needed to help maintain service delivery levels during the transitional period as we implement headcount reductions; and (2) lower volume in our systems integration and consulting business due to disruptions in this business related to repositioning actions. We are focused on addressing these issues while continuing to implement the repositioning program.

Our principal executive offices are located at Unisys Way, Blue Bell, Pennsylvania 19424. Our telephone number is (215) 986-4011.

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The Offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Unisys Corporation
Notes Offered	$250,000,000 aggregate principal amount of % senior notes.
Maturity Date	January 15, 2016.
Interest Payment Date	The notes will bear interest at a per annum rate of %, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2008.
Ranking	The notes will be: our senior unsecured obligations; effectively subordinated in right of payment to all our secured borrowings to the extent of the value of the assets securing such debt, including all obligations under our secured credit facility, and will be structurally subordinated to all liabilities (including trade payables) of our non-guarantor subsidiaries; and *pari passu* in right of payment with all our existing and future unsubordinated debt, including other senior notes issued by us; and senior in right of payment to any of our future subordinated debt.
Guarantees	As of the date of this prospectus supplement, none of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Our current and future domestic subsidiaries will guarantee the notes if they first guarantee certain other debt obligations or incur certain indebtedness as primary obligor. For the nine months ended September 30, 2007, revenue from our subsidiaries collectively represented approximately 56% of our total revenue. At September 30, 2007, our subsidiaries had no outstanding indebtedness (other than intercompany debt and a guarantee by Unisys Holding Corporation, one of our wholly-owned subsidiaries, pursuant to our secured credit facility). Any existing or future liabilities, including trade payables, of our non-guarantor subsidiaries would be structurally senior to the notes.

Optional Redemption	We may, at our option, redeem some or all of the notes at any time on or after January 15, 2012 at the redemption prices set forth under Description of Notes Optional Redemption , plus accrued and unpaid interest.
	In addition, prior to January 15, 2012, we may, at our option, redeem some or all of the outstanding principal amount of the notes at a price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest.

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	We may also, at our option, redeem up to 35% of the notes at any time prior to January 15, 2011, using the proceeds of certain equity offerings at a redemption price of % of the principal amount thereof, plus accrued and unpaid interest.
Mandatory Repurchase Offer	If we experience certain kinds of changes of control, we must offer to purchase the notes at 101% of their principal amount, plus accrued and unpaid interest. For more details, see the section Description of Notes Repurchase at the Option of Holders Change of Control.
	If we sell assets under certain circumstances, we must offer to repurchase the notes at a price equal to par plus accrued and unpaid interest as described under Description of Notes Repurchase at the Option of Holders Asset Sales.
Certain Covenants	We will issue the notes under an indenture with HSBC Bank USA, National Association which will initially act as trustee on your behalf. The indenture will, among other things, restrict our ability and the ability of our restricted subsidiaries to:

- incur or assume additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans and investments;
- incur liens;
- restrict dividends, loans or asset transfers from our subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person; and
- enter into transactions with affiliates.

	These covenants are subject to a number of important limitations and exceptions. See Description of Notes.
Absence of Public Market for the Notes	The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

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Use of Proceeds	We plan to use $200.0 million of the net proceeds from this offering to redeem the aggregate principal amount outstanding of our $7^7/_8$% senior notes due 2008. We will use the remaining proceeds from this offering for general corporate purposes. See Use of Proceeds.

You should refer to the section entitled Risk Factors for an explanation of certain risks of investing in the notes.

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RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus supplement before purchasing the notes offered pursuant to this prospectus supplement. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

Risks Relating to our Business

Our business is affected by changes in general economic and business conditions.

We continue to face a highly competitive business environment. If the level of demand for our products and services declines in the future, our business could be adversely affected. Our business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on our business.

We face aggressive competition in the information services and technology marketplace.

The information services and technology markets in which we operate include a large number of companies vying for customers and market share both domestically and internationally. Our competitors include:

- consulting and other professional services firms;
- systems integrators;
- outsourcing providers;
- infrastructure services providers;
- computer hardware manufacturers; and
- software providers.

Some of our competitors may develop competing products and services that offer better price-performance or that reach the market in advance of our offerings. Some of our competitors also have or may develop greater financial and other resources than we have, with enhanced ability to compete for market share generally in some instances through significant economic incentives to secure contracts. Some may also be better able to compete for skilled professionals. Any of these factors could have an adverse effect on our business. Our future results will depend on our ability to mitigate the effects of aggressive competition on our revenues, pricing and margins and on our ability to attract and retain talented people.

We face volatility and rapid technological change in our industry.

We operate in a highly volatile industry characterized by rapid technological change, evolving technology standards, short product life cycles and continually changing customer demand patterns. Our success will depend, in part, on our ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative products and services on a timely and cost-effective basis. We may not be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept our services and product offerings. In addition, products and services developed by our competitors may make our offerings less competitive.

Our future results will depend on the success of our repositioning strategy.

Our future results will depend in part on the success of our efforts to control and reduce costs through the development and use of low-cost subsidiaries and low-cost offshore and global sourcing models and on the

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success of our focused investment and sales and marketing strategies. These strategies are based on various assumptions, including assumptions regarding market segment growth, client demand and the proper skill set of and training for sales and marketing management and personnel, all of which are subject to change. Furthermore, our institutional stockholders may attempt to influence these strategies. In addition, we may not implement our planned headcount reductions, increase our offshore resources or reduce our use of third-party contract labor as quickly as currently planned. All of this could affect the timing of anticipated cost savings. The amount of anticipated cost savings is also subject to currency exchange rate fluctuations with regard to actions taken outside the United States.

Our future results will depend on our ability to grow profitably in our services business.

During the nine months ended September 30, 2007, our services revenue declined 1% compared to the nine months ended September 30, 2006, as growth in outsourcing revenue has been more than offset by revenue declines in systems integration and consulting, infrastructure services and core maintenance. Future results will depend in part on our ability to increase revenue and profit margins in this segment.

Outsourcing and Infrastructure Services

Our future results will depend in part on our ability to grow outsourcing and infrastructure services. Our outsourcing contracts are multi-year engagements under which we take over management of a client s technology operations, business processes or networks. In a number of these arrangements, we may hire certain of our clients employees and may become responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts may require us to make significant up-front investments. We will need to have available sufficient financial resources in order to take on these obligations and make these investments.

Recoverability of outsourcing assets is dependent on various factors, including the timely completion and ultimate cost of the outsourcing solution and realization of expected profitability of existing outsourcing contracts. These risks could result in an impairment of a portion of the associated assets, which are tested for recoverability quarterly.

As long-term relationships, outsourcing contracts provide a base of recurring revenue. However, outsourcing contracts are highly complex and can involve the design, development, implementation and operation of new solutions and the transitioning of clients from their existing business processes to the new environment. In the early phases of these contracts, gross margins may be lower than in later years when an integrated solution has been implemented, the duplicate costs of transitioning from the old to the new system have been eliminated and the work force and facilities have been rationalized for efficient operations. Future results will depend on our ability to effectively and timely complete these implementations, transitions and rationalizations. Future results will also depend on our ability to continue to effectively address our challenging outsourcing operations through negotiations or operationally and to fully recover the associated outsourcing assets.

Systems Integration and Consulting

Future results will also depend in part on our ability to drive profitable growth in systems integration and consulting. Our ability to grow profitably in this business will depend on the level of demand for systems integration projects and the portfolio of solutions we offer for specific industries. It will also depend on an improvement in our utilization of services delivery personnel and on our ability to work through disruptions in this business related to our repositioning actions. In addition, profit margins in this business are largely a function of the rates we are able to charge for our services and the chargeability of our professionals. If we are not able to attain sufficient rates or appropriate chargeability for our professionals, our profit margins will suffer. The rates we are able to charge for our services are affected by a number of factors, including: our clients perception of

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our ability to add value through our services; introduction of new services or products by us or our competitors; pricing policies of our competitors; and general economic conditions. Chargeability is also affected by a number of factors, including: our ability to transition employees from completed projects to new engagements; and our ability to forecast demand for our services and thereby maintain an appropriate head count.

Our future results will depend on market demand for our high-end enterprise servers and customer acceptance of the new models we introduced in 2006.

In our technology business, high-end enterprise servers and maintenance on these servers continue to experience secular revenue declines. We continue to apply our resources to develop value-added software capabilities and optimized solutions for these server platforms which provide competitive differentiation. Future results will depend, in part, on customer acceptance of our new ClearPath systems and our ability to maintain our installed base for ClearPath and to develop next-generation ClearPath products that are purchased by the installed base. In addition, future results will depend, in part, on our ability to generate new customers and increase sales of our Intel-based ES7000 line. We believe there is growth potential in the market for high-end, Intel-based servers running Microsoft and Linux operating system software. However, our ability to succeed will depend on our ability to compete effectively against enterprise server competitors with more substantial resources and on our ability to achieve market acceptance of the ES7000 technology by clients, systems integrators and independent software vendors. Future results of the technology business will also depend, in part, on the successful implementation of our arrangements with NEC.

Our contracts may not be as profitable or provide the level of revenues that we expect, and our contracts with U.S. governmental agencies may also be subject to audits, civil and criminal penalties, sanctions and other expenses and fines.

We frequently enter into contracts with governmental entities. U.S. government agencies, including the Defense Contract Audit Agency and the Department of Labor (DOL), routinely audit government contractors. These agencies review a contractor s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. government also may review the adequacy of, and a contractor s compliance with, its systems and policies, including the contractor s purchasing, property, estimating, accounting, compensation and management information systems. Any costs found to be overcharged or improperly allocated to a specific contract will be subject to reimbursement to the government. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government. Other risks and uncertainties associated with government contracts include the availability of appropriated funds and contractual provisions that allow governmental entities to terminate agreements at their discretion before the end of their terms. In addition, if our performance is unacceptable to the customer under a government contract, the government retains the right to pursue remedies under the affected contract, which could include termination.

A number of our long-term contracts for infrastructure services, outsourcing, help desk and similar services do not provide for minimum transaction volumes. As a result, revenue levels are not guaranteed. In addition, some of these contracts may permit customer termination or may impose other penalties if we do not meet the performance levels specified in the contracts.

Some of our outsourcing agreements require that our prices be benchmarked and provide for a downward adjustment to those prices if the pricing for similar services in the market has changed. As a result, anticipated revenues from these contracts may decline.

Some of our systems integration contracts are fixed-price contracts under which we assume the risk for the delivery of the contracted services and products at an agreed-upon fixed price. At times we have experienced

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problems in performing some of these fixed-price contracts on a profitable basis, and we have provided periodically for adjustments to the estimated cost to complete them. Our future results will depend on our ability to perform these services contracts profitably.

We may face damage to our reputation or legal liability if our clients are not satisfied with our services or products.

The success of our business is dependent on strong, long-term client relationships and on our reputation for responsiveness and quality. As a result, if a client is not satisfied with our services or products, our reputation could be damaged and our business adversely affected. Allegations by private litigants or regulators of improper conduct, as well as negative publicity and press speculation about us, whatever the outcome and whether or not valid, may harm our reputation. For example, in September 2007, an article in the Washington Post alleged that the FBI is investigating us in connection with our alleged failure to detect cyber intrusions at the Department of Homeland Security, one of our clients, and our alleged failure to disclose these security breaches once detected. We disputed the allegations made in the article. In addition to the harm to our reputation, if we fail to meet our contractual obligations, we could be subject to legal liability, which could adversely affect our business, operating results and financial condition.

Our future results will depend in part on the performance and capabilities of third parties.

We have commercial relationships with suppliers, channel partners and other parties that have complementary products, services or skills. We have announced that alliance partnerships with select IT companies are a key factor in the development and delivery of our refocused portfolio. Our future results will depend, in part, on the performance and capabilities of these third parties, on the ability of external suppliers to deliver components at reasonable prices and in a timely manner, and on the financial condition of, and our relationship with, distributors and other indirect channel partners.

We are subject to the risks of doing business internationally.

We derive more than half of our total revenue from international operations, so we are subject to the risks of doing business internationally, which include:

- foreign currency exchange rate fluctuations;
- changes in political or economic conditions;
- trade protection measures;
- import or export licensing requirements;
- multiple and possibly overlapping and conflicting tax laws and new tax legislation;
- weaker intellectual property protections in some jurisdictions; and
- additional legal and regulatory compliance requirements applicable to businesses that operate internationally, including the Foreign Corrupt Practices Act and non-U.S. laws and regulations.

Our services or products may infringe upon the intellectual property rights of others.

We cannot be sure that our services and products do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or against our clients. These claims could cost us money, prevent us from offering some services or products or damage our reputation.

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Risks Relating to the Notes

Our level of indebtedness could limit cash flow available for our operations and could adversely affect our ability to service our debt or obtain additional financing, if necessary.

We have now and, after the offering, will continue to have a significant amount of indebtedness. As of September 30, 2007, on an as adjusted basis giving effect to this offering and the application of the net proceeds therefrom, we would have had total indebtedness of $1.1 billion. Our level of indebtedness could restrict our operations and make it more difficult for us to satisfy our obligations under the notes. Among other things, our substantial indebtedness could:

- limit our ability to obtain additional financing for working capital, capital expenditures, research and development efforts, debt service requirements, acquisitions and general corporate purposes;
- make it more difficult for us to satisfy our financial obligations, including those with respect to the notes;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we compete; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, the indenture, the indentures governing our other outstanding notes and our secured credit facility contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the indenture, the indentures governing our other outstanding notes and the agreements governing our secured credit facility do not fully prohibit us or our subsidiaries from doing so. As of September 30, 2007, there was no indebtedness outstanding under our secured credit facility, there were letters of credit of $43.7 million issued under the facility, and $231.3 million was available for additional borrowing under the facility, all of which borrowings would rank senior to the notes to the extent of the collateral securing such facility. If new debt or liabilities are added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify.

We could face business and financial risk in implementing future acquisitions or dispositions.

As part of our business strategy, we may from time to time consider acquiring complementary technologies, products and businesses and disposing of existing technologies, products and businesses that may no longer be in alignment with our strategic direction, including transactions of a material size. Although we regularly engage in discussions, we do not currently have any definitive understandings, commitments or agreements relating to any material acquisitions or dispositions.

Any acquisitions may result in the incurrence of substantial additional indebtedness or contingent liabilities. Acquisitions could also result in potentially dilutive issuances of equity securities and an increase in amortization

expenses related to goodwill and other intangible assets. Additional risks we could face with respect to acquisitions include integration difficulties; difficulties in maintaining or enhancing the profitability of any acquired business; risks of entering markets in which we have no or limited prior experience; potential loss of employees or failure to maintain or renew any contracts of any acquired business; and expenses of any undiscovered or potential liabilities of the acquired product or business, including relating to employee benefits contribution obligations or environmental requirements.

Risks we could face with respect to dispositions include difficulty finding buyers or alternative exit strategies on acceptable terms in a timely manner; potential loss of employees; and dispositions at unfavorable prices or on unfavorable terms, including relating to retained liabilities. Further, with respect to both acquisitions and dispositions, management s attention could be diverted away from other business concerns.

The risks associated with acquisitions and dispositions could have a material adverse effect upon our business, financial condition and results of operations. We cannot assure you that we will be successful in consummating future acquisitions or dispositions on favorable terms or at all.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. Our future operating performance and financial results will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings or other facilities will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. For example, we currently have an agreement to sell, on an on-going basis, through our wholly-owned receivables subsidiary, interests in up to $300 million of eligible U.S. trade accounts receivable. The receivables facility is terminable by the purchasers if our corporate rating is below B by S&P or B2 by Moody s and requires the maintenance of certain ratios related to the sold receivables. The facility is renewable annually in November at the purchasers option until November 2008. In November 2007, the annual renewal date was extended to December 28, 2007. We are currently in discussions to renew the receivables facility, however we cannot assure you that the purchasers will elect to do so or, if renewed, that it will be for the full period or at its current size. Usage of the facility has ranged between $100 million and $170 million for the last four quarterly reporting periods. At September 30, 2007, we had sold $100 million of receivables under the facility.

If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt, including the notes;
- obtain additional financing;
- sell some of our assets or operations;
- reduce or delay capital expenditures, research and development efforts and acquisitions; or
- revise or delay our strategic plans.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments.

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The covenants in the indenture governing the notes, the indentures governing our existing notes and the agreements governing our secured credit facility impose restrictions that may limit our ability and the ability of our subsidiaries to take certain actions. Our failure to comply with these covenants could result in the acceleration of our outstanding indebtedness.

The indenture governing the notes, the indentures governing our existing notes and the agreements governing our secured credit facility contain various covenants that limit the ability of Unisys and our subsidiaries to:

- incur or assume additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans and investments;
- incur liens;
- restrict dividends, loans or asset transfers from our subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person; and
- enter into transactions with affiliates.

Additionally, most of the restrictive covenants in the indenture governing the notes will cease to apply if such notes achieve investment grade ratings from Moody s Investor Services Inc. or Standard & Poor s Rating Services, and no default or event of default has occurred. If these restrictive covenants cease to apply, we may take actions, such as incur additional debt or make certain dividends or distributions that would otherwise be prohibited under the indenture.

In addition, our secured credit facility contains covenants customary for credit facilities of this nature, including financial covenants requiring us to maintain certain interest coverage, leverage and asset coverage ratios and a minimum amount of liquidity. Events beyond our control can affect our ability to meet those covenants. Our ability to borrow under our secured credit facility will depend upon satisfaction of these covenants. As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs.

If we are unable to meet the terms of our financial covenants, or if we breach any of these covenants, a default could occur. A default, if not waived, would entitle our lenders to declare all amounts borrowed under the breached agreement or instrument to become immediately due and payable, which could also cause the acceleration of obligations under certain other agreements and the termination of our trade accounts receivable facility. In the event of acceleration of our outstanding indebtedness, we cannot assure you that we would be able to repay our debt or obtain new financing to refinance our debt. Even if new financing is made available to us, it may not be on terms acceptable to us.

The notes are unsecured, and are effectively subordinated to our current and future secured indebtedness.

The notes are unsecured, and would be effectively subordinated to all secured indebtedness we have incurred or may incur to the extent of the assets securing such indebtedness. As of September 30, 2007, there was no indebtedness outstanding under our secured credit facility, there were letters of credit of $43.7 million issued under the facility, and $231.3 million was available for additional borrowing under the facility. The indenture governing the notes will permit us to incur a substantial amount of additional secured indebtedness. In addition, the indenture governing the notes and the indentures governing our existing notes require, in most cases, the granting of collateral in favor of those notes to the extent that we incur certain secured indebtedness.

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We will be permitted to borrow substantial additional indebtedness in the future under the terms of the indenture. See Description of Notes. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, we may not have sufficient assets to pay amounts due on any or all of the notes then outstanding. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of the notes may receive less, ratably, than holders of our secured indebtedness.

As of the date of this prospectus supplement, none of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Your right to receive payments on the notes could be adversely affected if any of our non-guarantor subsidiaries declare bankruptcy, liquidate, or reorganize.

As of the date of this prospectus supplement, none of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Under the indenture, we are obligated to cause our current and future domestic subsidiaries to guarantee the notes only if they first guarantee certain other debt obligations or incur certain indebtedness as primary obligor. See Description of Notes Certain Covenants Future Subsidiary Guarantees. For the nine months ended September 30, 2007, revenue from our subsidiaries collectively represented approximately 56% of our total revenue. At September 30, 2007, our subsidiaries collectively had no outstanding indebtedness (other than intercompany debt and a guarantee by Unisys Holding Corporation, one of our wholly-owned subsidiaries, pursuant to our secured credit facility). Any existing or future liabilities, including trade payables, of our non-guarantor subsidiaries would be structurally senior to the notes.

Our right to receive assets from any of our non-guarantor subsidiaries upon their liquidation or reorganization, and the right of holders of the notes to participate in those assets, is structurally subordinated to claims of that subsidiary s creditors, including trade creditors. Even if one or more of our domestic subsidiaries does guarantee the notes, any such guarantee would be subordinate to any security interest granted with respect to the assets of any such subsidiary. Further, none of our subsidiaries is under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to satisfy our obligations on the notes.

We may not have access to sufficient cash to make payments on the notes.

Unisys has direct operations only in the United States. We conduct operations outside the United States through our non-U.S. operating subsidiaries. As a result, we are dependent in part upon dividends and other payments from our subsidiaries to generate the funds necessary to meet our outstanding debt service and other obligations. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the notes. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law and monetary transfer restrictions in the jurisdictions in which our subsidiaries operate. In addition, payments to us by our subsidiaries will be contingent upon our subsidiaries earnings or financial condition and various business considerations. Our subsidiaries are permitted under the terms of our indebtedness, including the indenture governing the notes, to incur additional indebtedness that may restrict payments from our subsidiaries to us. We cannot assure you that agreements governing current and future indebtedness of our subsidiaries will permit them to provide us with sufficient cash to fund payments on the notes when due.

Our subsidiaries are separate and distinct legal entities and, except for subsidiaries that become guarantors of the notes, they will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. In addition, any guarantee of the notes will be effectively subordinated to any indebtedness of a guarantor that is secured, to the extent of the value of the collateral securing such guarantee.

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We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Upon the occurrence of certain specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our other indebtedness will not allow such repurchases. Our failure to repay holders tendering notes upon a change of control would result in an event of default under the notes. A change of control, or an event of default under the notes, may also result in an event of default under our secured credit facility, which may result in the acceleration of the indebtedness under that facility requiring us to repay that indebt