

SS&C TECHNOLOGIES INC

Form 10-Q

November 10, 2010

Table of Contents

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

FORM 10-Q

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

**For the quarterly period ended September 30, 2010
OR**

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

**Commission File Number 000-28430
SS&C TECHNOLOGIES, INC.**

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1169696
(I.R.S. Employer Identification No.)

80 Lambertson Road
Windsor, CT 06095
(Address of principal executive offices, including zip code)
860-298-4500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

There were 1,000 shares of the registrant's common stock outstanding as of November 9, 2010.

**SS&C TECHNOLOGIES, INC.
INDEX**

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets at September 30, 2010 and December 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2010 and 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009</u>	5
<u>Notes to unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1A. Risk Factors</u>	26
<u>Item 6. Exhibits</u>	26
<u>SIGNATURE</u>	27
<u>EXHIBIT INDEX</u>	28
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32</u>	

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. The Company does not undertake an obligation to update its forward-looking statements to reflect future events or circumstances.

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements**

SS&C TECHNOLOGIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 86,975	\$ 19,055
Accounts receivable, net of allowance for doubtful accounts of \$1,981 and \$1,425, respectively	44,834	41,600
Prepaid expenses and other current assets	5,950	6,164
Prepaid income taxes	6,282	669
Deferred income taxes	1,467	1,780
Total current assets	145,508	69,268
Property and equipment:		
Leasehold improvements	5,363	5,358
Equipment, furniture, and fixtures	28,754	25,915
	34,117	31,273
Less accumulated depreciation	(20,953)	(17,237)
Net property and equipment	13,164	14,036
Deferred income taxes	649	499
Goodwill (Note 9)	895,182	885,517
Intangible and other assets, net of accumulated amortization of \$143,291 and \$116,670, respectively	191,136	216,321
Total assets	\$ 1,245,639	\$ 1,185,641
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 1,719	\$ 4,270
Accounts payable	2,666	4,804
Income taxes payable		703
Accrued employee compensation and benefits	12,654	14,693
Other accrued expenses	10,530	16,938
Interest payable	5,219	2,070
Deferred maintenance and other revenue	41,656	40,400

Total current liabilities	74,444	83,878
Long-term debt, net of current portion (Note 5)	288,685	392,989
Other long-term liabilities	13,570	12,779
Deferred income taxes	40,451	50,008
Total liabilities	417,150	539,654
Commitments and contingencies (Note 7)		
Stockholder's equity (Notes 3 and 4):		
Common stock, \$0.01 par value, 1 share authorized; 1 share issued and outstanding		
Additional paid-in capital	735,209	583,251
Accumulated other comprehensive income	23,743	16,436
Retained earnings	69,537	46,300
Total stockholder's equity	828,489	645,987
Total liabilities and stockholder's equity	\$ 1,245,639	\$ 1,185,641

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

SS&C TECHNOLOGIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2010	2009	2010	2009
Revenues:				
Software licenses	\$ 5,966	\$ 5,829	\$ 17,629	\$ 15,632
Maintenance	18,294	16,959	54,130	48,565
Professional services	4,896	4,283	15,384	14,872
Software-enabled services	53,847	41,826	155,652	120,801
Total revenues	83,003	68,897	242,795	199,870
Cost of revenues:				
Software licenses	1,918	2,133	5,754	6,304
Maintenance	8,224	7,025	24,305	20,352
Professional services	3,625	3,170	10,243	10,659
Software-enabled services	28,570	22,473	82,137	65,079
Total cost of revenues	42,337	34,801	122,439	102,394
Gross profit	40,666	34,096	120,356	97,476
Operating expenses:				
Selling and marketing	6,275	4,962	18,910	15,229
Research and development	7,867	6,969	23,486	19,593
General and administrative	6,939	4,502	19,165	14,683
Total operating expenses	21,081	16,433	61,561	49,505
Operating income	19,585	17,663	58,795	47,971
Interest expense, net	(6,743)	(9,147)	(23,818)	(27,791)
Other income (expense), net	653	(334)	653	(1,256)
Loss on extinguishment of debt			(5,480)	
Income before income taxes	13,495	8,182	30,150	18,924
Provision for income taxes	3,641	2,575	6,913	5,928

Net income	\$	9,854	\$	5,607	\$	23,237	\$	12,996
------------	----	-------	----	-------	----	--------	----	--------

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

SS&C TECHNOLOGIES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended September 30,	
	2010	2009
Cash flow from operating activities:		
Net income	\$ 23,237	\$ 12,996
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,356	26,707
Amortization of loan origination costs	2,896	1,724
(Gain) loss on sale or disposition of property and equipment	(1)	13
Deferred income taxes	(12,467)	(8,727)
Stock-based compensation expense	9,181	4,363
Provision for doubtful accounts	580	300
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(2,009)	2,594
Prepaid expenses and other assets	80	132
Accounts payable	(2,151)	(184)
Accrued expenses and other liabilities	90	3,491
Income taxes prepaid and payable	(2,392)	(2,224)
Deferred maintenance and other revenues	229	3,815
Net cash provided by operating activities	47,629	45,000
Cash flow from investing activities:		
Additions to property and equipment	(3,265)	(1,192)
Proceeds from sale of property and equipment	51	3
Cash paid for business acquisitions, net of cash acquired	(11,372)	(10,327)
Additions to capitalized software and other intangibles	(171)	(46)
Net cash used in investing activities	(14,757)	(11,562)
Cash flow from financing activities:		
Repayment of debt	(107,670)	(11,735)
Transactions involving SS&C Holdings common stock		(225)
Proceeds from common stock issuance, net of issuance costs	134,613	
Proceeds from the exercise of stock options	5,880	
Purchase of common stock for treasury	(1,169)	
Income tax benefit related to exercise of stock options	3,453	
Net cash provided by (used in) financing activities	35,107	(11,960)

Edgar Filing: SS&C TECHNOLOGIES INC - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents	(59)	1,684
Net increase in cash and cash equivalents	67,920	23,162
Cash and cash equivalents, beginning of period	19,055	29,299
Cash and cash equivalents, end of period	\$ 86,975	\$ 52,461

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

(unaudited)

SS&C Technologies, Inc., together with its subsidiaries, is referred to herein as SS&C, the Company, we, our, and us. SS&C Technologies Holdings, Inc., our ultimate parent company, is referred to herein as Holdings.

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These accounting principles were applied on a basis consistent with those of the audited consolidated financial statements contained in SS&C's Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission (SEC) on February 26, 2010 (the 2009 10-K). In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the condensed consolidated financial statements) necessary for a fair statement of its financial position as of September 30, 2010, the results of its operations for the three and nine months ended September 30, 2010 and 2009 and its cash flows for the nine months ended September 30, 2010 and 2009. These statements do not include all of the information and footnotes required by GAAP for annual financial statements. The financial statements contained herein should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2009, which were included in the 2009 10-K. The December 31, 2009 consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP for annual financial statements. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the expected results for the full year. The results of operations for the nine months ended September 30, 2010 include an adjustment of \$0.3 million to reduce income tax expense related to tax attributes of prior periods.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to be comparable with the current year presentation. These reclassifications have had no effect on net income, working capital or net equity.

2. The Transaction

SS&C was acquired on November 23, 2005 through a merger transaction with Holdings, a Delaware corporation formed by investment funds associated with The Carlyle Group and formerly known as Sunshine Acquisition Corporation. The acquisition was accomplished through the merger of Sunshine Merger Corporation into the Company, with the Company surviving the merger as a wholly-owned subsidiary of Holdings (the Transaction).

3. Equity and Stock-based Compensation

In April 2010, the Board of Directors of Holdings authorized 5,000,000 shares of preferred stock with a \$0.01 par value per share.

In April 2010, Holdings completed the initial public offering (IPO) of its common stock at an offering price of \$15.00 per share. The IPO included 8,225,000 newly issued shares of common stock sold by Holdings and 2,500,000 existing shares of Holdings' common stock sold by selling stockholders. On April 13, 2010, the underwriters of the IPO purchased an additional 1,608,750 shares of Holdings' common stock to cover over-allotments. The Company received total net proceeds from the offering, including the sale of shares to cover over-allotments, of approximately \$134.6 million, none of which relates to proceeds from the sale of shares by the selling stockholders or the aggregate exercise price of stock options exercised by selling stockholders.

In March 2010, the Board of Directors of Holdings approved an 8.5-for-1 stock split of the common stock of Holdings to be effected in the form of a stock dividend, effective as of March 10, 2010, and an increase in authorized shares to 100,000,000 shares of Holdings' common stock and 5,000,000 shares of Holdings' Class A non-voting common stock. All share data as it relates to this Form 10-Q for prior periods has been retroactively revised to reflect the stock split and increase in authorized shares.

Table of Contents

In February 2010, the Board of Directors of Holdings amended the 2006 equity incentive plan to provide for the conversion of the outstanding superior options granted under the plan into performance-based options that vest based on EBITDA performance in 2010 and 2011. For purposes of Note 3, references to EBITDA mean the Company's Consolidated EBITDA, as further adjusted to exclude acquired EBITDA and cost savings. This amendment affected 1,680,868 outstanding options. Options to purchase the common stock of Holdings are granted to employees of the Company and result in stock-based compensation expense being recorded by the Company in accordance with relevant accounting literature.

In February 2010, the Board of Directors of Holdings established the Company's annual EBITDA target range for 2010. As of that date, the Company estimated the weighted-average fair value of the performance-based options that vest upon the attainment of the 2010 EBITDA target range to be \$6.90 per share. In estimating the common stock value, the Company valued the Company using the income approach and the guideline company method. The Company used the following weighted-average assumptions to estimate the option value: expected term to exercise of 2.5 years; expected volatility of 43.0%; risk-free interest rate of 1.2%; and no dividend yield. Expected volatility is based on the historical volatility of selected companies from the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

During the three months ended September 30, 2010, the Company recorded total stock-based compensation expense of \$3.9 million, of which \$3.1 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2010 will meet or exceed the high end of the targeted range. During the nine months ended September 30, 2010, the Company recorded total stock-based compensation expense of \$9.2 million, of which \$7.2 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2010 will meet or exceed the high end of the targeted range. The annual EBITDA target for 2011 will be determined by the Board of Directors of Holdings at the beginning of 2011. Time-based options represented the remaining \$0.8 million and \$2.0 million of compensation expense recorded during the three and nine months ended September 30, 2010, respectively.

During the three months ended September 30, 2009, the Company recorded total stock-based compensation expense of \$1.6 million, of which \$0.8 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2009 would fall within the targeted range. During the nine months ended September 30, 2009, the Company recorded total stock-based compensation expense of \$4.4 million, of which \$1.7 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2009 would fall within the targeted range and \$0.1 million related to the performance-based options that were immediately vested by the Board of Directors of Holdings in February. Time-based options represented the remaining \$0.8 million and \$2.6 million of compensation expense recorded during the three and nine months ended September 30, 2009, respectively.

The amount of stock-based compensation expense recognized in the Company's condensed consolidated statements of operations for the three and nine months ended September 30, 2010 and 2009 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Statements of operations classification				
Cost of maintenance	\$ 106	\$ 33	\$ 231	\$ 89
Cost of professional services	146	59	332	163
Cost of software-enabled services	834	315	1,924	875
Total cost of revenues	1,086	407	2,487	1,127
Selling and marketing	594	259	1,359	754
Research and development	409	169	924	467
General and administrative	1,860	734	4,411	2,015

Edgar Filing: SS&C TECHNOLOGIES INC - Form 10-Q

Total operating expenses		2,863		1,162		6,694		3,236
Total stock-based compensation expense	\$	3,949	\$	1,569	\$	9,181	\$	4,363

Table of Contents

A summary of stock option activity for the nine months ended September 30, 2010 is as follows:

	Shares of Underlying Options
Outstanding at January 1, 2010	12,737,559
Granted	2,154,135
Cancelled/forfeited	(182,330)
Exercised	(1,770,035)
Outstanding at September 30, 2010	12,939,329

4. Comprehensive Income

Items defined as comprehensive income, such as foreign currency translation adjustments and unrealized gains on interest rate swaps qualifying as hedges, are separately classified in the financial statements. The accumulated balance of other comprehensive income is reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. Total comprehensive income consists of net income and other accumulated comprehensive income disclosed in the equity section of the balance sheet.

The following table sets forth the components of comprehensive income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 9,854	\$ 5,607	\$ 23,237	\$ 12,996
Foreign currency translation gains	8,726	17,869	5,536	29,410
Unrealized gains on interest rate swaps, net of tax	585	238	1,771	1,021
Total comprehensive income	\$ 19,165	\$ 23,714	\$ 30,544	\$ 43,427

5. Debt

At September 30, 2010 and December 31, 2009, debt consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
Senior credit facility, revolving portion	\$	\$ 2,000
Senior credit facility, term loan portion, weighted-average interest rate of 2.52% and 2.39%, respectively	157,072	190,032
11 ³ / ₄ % senior subordinated notes due 2013	133,250	205,000
Capital leases	82	227
Short-term borrowings and current portion of long-term debt	290,404 (1,719)	397,259 (4,270)
Long-term debt	\$ 288,685	\$ 392,989

Capitalized financing costs of \$0.5 million and \$0.6 million were amortized to interest expense during the three-month periods ended September 30, 2010 and 2009, respectively. Capitalized financing costs of \$1.6 million and \$1.7 million were amortized to interest expense during the nine months ended September 30, 2010 and 2009, respectively.

The estimated fair value of the Company's senior subordinated notes due 2013 was \$138.9 million and \$217.3 million at September 30, 2010 and December 31, 2009, respectively. The carrying value of the Company's senior credit facility approximates its fair value given the variable rate nature of the debt.

In April 2010, the Company issued a notice of redemption for \$71.75 million in principal amount of its outstanding 11³/₄% senior subordinated notes due 2013 at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, May 24, 2010, the day such redemption was completed. The Company recorded a loss on extinguishment of debt of \$5.5 million in connection with the redemption, which includes the redemption premium of \$4.2 million and \$1.3 million of capitalized financing costs.

Table of Contents**6. Derivatives and Hedging Activities**

The Company uses interest rate swap agreements to manage a portion of its floating rate debt and follows the provisions of the accounting standards for derivative instruments and hedging activities, which requires that all derivative instruments be recorded on the balance sheet at fair value.

Quarterly variable interest payments were recognized as an increase in interest expense as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest rate swap	\$ 1,085	\$ 1,070	\$ 3,352	\$ 2,815

Changes in the fair value of the interest rate swaps are not included in earnings but are reported as a component of accumulated other comprehensive income (AOCI). For the three and nine months ended September 30, 2010 and 2009, the change in the fair value of the interest rate swaps was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Amount of gain recognized in AOCI, net of tax	\$ 585	\$ 238	\$ 1,771	\$ 1,021

The market value of the swaps recorded in AOCI may be recognized in the statement of operations if certain terms of the senior credit facility change, if the loan is extinguished or if the swap agreements are terminated prior to maturity. As of September 30, 2010, the Company held one receive-variable/pay-fixed interest rate swap with a notional value of \$100.0 million, which expires on December 31, 2010.

The Company follows the provisions of the accounting standard for fair value measurements with respect to the valuation of its interest rate swap agreements. The fair value measurement standard clarifies how companies are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, a framework for measuring fair value, and expanding disclosures about fair value measurements.

The accounting standard for fair value measurements and disclosure establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company determines the fair value of its interest rate swaps based on the amount at which each could be settled, which is referred to as the exit price. This price is based upon observable market assumptions and appropriate valuation adjustments for credit risk. The Company has categorized its interest rate swaps as Level 2. The fair value of the Company's remaining interest rate swap was a liability of \$1.1 million and \$4.2 million at September 30, 2010 and December 31, 2009, respectively, which are included in other accrued expenses in the accompanying condensed consolidated financial statements.

As of December 31, 2009, the Company's contingent consideration liability associated with TheNextRound, Inc. (TNR) of \$1.0 million was measured at fair value using estimated future cash flows based on the potential payments of the liability based on the unobservable input of the estimated post-acquisition financial results of TNR through May 2011. During the three months ended September 30, 2010, the Company reduced this liability to its current fair value of \$0.2 million. The adjustment of \$0.8 million was recorded to other income.

7. Commitments and Contingencies

From time to time, the Company is subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the Company is not involved in any litigation or proceedings by third parties that management believes could have a material adverse effect on the Company or its business.

Table of Contents**8. Acquisitions**

On February 3, 2010, the Company purchased substantially all of the assets and related business associated with the Geller Investment Partnership Services (GIPS) division of Geller & Company LLC for approximately \$12.2 million in cash, plus the assumption of certain liabilities. GIPS provides accounting and reporting, performance, tax, administrative and investor services for private equity funds, funds of hedge funds and limited partners that invest in alternative asset classes.

The net assets and results of operations of GIPS have been included in the Company's consolidated financial statements from February 4, 2010. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of customer relationships and contracts, was determined using the income approach. Specifically, the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The contractual relationships are amortized over approximately six years, the estimated life of the asset. A portion of the purchase price was attributed to the settlement of a \$1.0 million liability associated with the Company's acquisition of TNR. The remainder of the purchase price was allocated to goodwill.

The following summarizes the preliminary allocation of the purchase price, net of the \$1.0 million described above, for the acquisition of GIPS (in thousands):

Accounts receivable	\$ 1,680
Tangible assets acquired, net of cash received	32
Acquired customer relationships and contracts	2,500
Goodwill	8,404
Deferred revenue	(1,126)
Other liabilities assumed	(118)
Consideration paid, net of cash received	\$ 11,372

The Company reported revenues of \$4.9 million from GIPS from the acquisition date through September 30, 2010. The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisitions of Evare, LLC (Evare), Unisys Corporation's MAXIMIS software (MAXIMIS), TNR, Tradeware Global Corp (Tradeware), and GIPS occurred on January 1, 2009. This unaudited pro forma information (in thousands) should not be relied upon as being indicative of the historical results that would have been obtained if the acquisition had actually occurred on that date, or of the results that may be obtained in the future.

	Three Months Ended September		Nine Months Ended September	
	30, 2010	2009	30, 2010	2009
Revenues	\$ 83,003	\$ 77,022	\$ 243,451	\$ 229,581
Net income	\$ 9,854	\$ 6,042	\$ 23,313	\$ 15,067

9. Goodwill

The change in carrying value of goodwill for the nine months ended September 30, 2010 was as follows (in thousands):

Balance at December 31, 2009	\$ 885,517
2010 acquisition	8,404
Adjustments to previous acquisitions	(352)
Income tax benefit on rollover options exercised	(3,873)
Effect of foreign currency translation	5,486

Balance at September 30, 2010

\$ 895,182

Table of Contents**10. Product and Geographic Sales Information**

The Company operates in one reportable segment. The Company attributes net sales to an individual country based upon location of the customer. The Company manages its business primarily on a geographic basis. The Company's geographic regions consist of the United States, Canada, Americas excluding the United States and Canada, Europe, Asia Pacific and Japan. The European region includes European countries as well as the Middle East and Africa.

Revenues by geography were as follows (in thousands):

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2010	2009	2010	2009
United States	\$ 58,079	\$ 43,078	\$ 164,791	\$ 127,213
Canada	12,338	10,774	36,697	30,437
Americas excluding United States and Canada	1,684	2,674	4,962	5,924
Europe	9,028	10,898	30,597	30,723
Asia Pacific and Japan	1,874	1,473	5,748	5,573
	\$ 83,003	\$ 68,897	\$ 242,795	\$ 199,870

Revenues by product group were as follows (in thousands):

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2010	2009	2010	2009
Portfolio management/accounting	\$ 66,837	\$ 57,224	\$ 194,388	\$ 163,716
Trading/treasury operations	9,650	5,379	29,810	17,455
Financial modeling	2,309	2,296	6,905	6,592
Loan management/accounting	1,232	981	3,263	3,271
Property management	1,233	1,328	3,451	3,818
Money market processing	1,117	993	3,100	2,894
Training	625	696	1,878	2,124
	\$ 83,003	\$ 68,897	\$ 242,795	\$ 199,870

11. Supplemental Guarantor Condensed Consolidating Financial Statements

On November 23, 2005, in connection with the Transaction, the Company issued \$205.0 million aggregate principal amount of 11³/₄% senior subordinated notes due 2013. The senior subordinated notes are jointly and severally and fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly-owned domestic subsidiaries of the Company (collectively Guarantors). All of the Guarantors are 100% owned by the Company. None of the other subsidiaries of the Company, either direct or indirect, guarantee the senior subordinated notes (Non-Guarantors). The Guarantors also unconditionally guarantee the senior secured credit facilities. There are no significant restrictions on the ability of the Company or any of the subsidiaries that are Guarantors to obtain funds from its subsidiaries by dividend or loan. For the purposes of the Guarantor financial information, the investments in subsidiaries are accounted for under the equity method.

Table of Contents

Condensed consolidating financial information as of September 30, 2010 and December 31, 2009 and the three and nine months ended September 30, 2010 and 2009 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows:

	At September 30, 2010				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash and cash equivalents	\$ 76,149	\$ 1,491	\$ 9,335	\$	\$ 86,975
Accounts receivable, net	24,281	7,841	12,712		44,834
Prepaid income taxes	6,282				6,282
Prepaid expenses and other current assets	2,412	658	2,880		5,950
Deferred income taxes	1,022	140	305		1,467
Property and equipment, net	7,684	1,147	4,333		13,164
Investment in subsidiaries	213,991			(213,991)	
Intercompany balances	101,525	1,197	(102,722)		
Deferred taxes, long-term	(109)	208	550		649
Goodwill, intangible and other assets, net	741,300	57,733	287,285		1,086,318
Total assets	\$ 1,174,537	\$ 70,415	\$ 214,678	\$ (213,991)	\$ 1,245,639
Current portion of long-term debt	\$ 1,436	\$	\$ 283	\$	\$ 1,719
Accounts payable	1,275	149	1,242		2,666
Accrued expenses and other liabilities	19,911	2,831	5,661		28,403
Income taxes payable	(4,506)	3,640	866		
Deferred maintenance and other revenue	30,034	3,466	8,156		41,656
Long-term debt, net of current portion	261,876		26,809		288,685
Other long-term liabilities	6,426	228	6,916		13,570
Deferred income taxes, long-term	29,596	2,529	8,326		40,451
Total liabilities	346,048	12,843	58,259		417,150
Stockholder's equity	828,489	57,572	156,419	(213,991)	828,489
Total liabilities and stockholder's equity	\$ 1,174,537	\$ 70,415	\$ 214,678	\$ (213,991)	\$ 1,245,639
	At December 31, 2009				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash and cash equivalents	\$ 6,226	\$ 1,087	\$ 11,742	\$	\$ 19,055

Edgar Filing: SS&C TECHNOLOGIES INC - Form 10-Q

Accounts receivable, net	24,958	5,898	10,744		41,600
Prepaid expenses and other current assets	3,440	575	2,149		6,164
Prepaid income taxes	669				669
Deferred income taxes	1,321	220	239		1,780
Property and equipment, net	7,998	1,620	4,418		14,036
Investment in subsidiaries	193,769			(193,769)	
Intercompany balances	104,903	(6,353)	(98,550)		
Deferred income taxes, long-term			499		499
Goodwill, intangible and other assets, net	754,745	60,997	286,096		1,101,838
Total assets	\$ 1,098,029	\$ 64,044	\$ 217,337	\$ (193,769)	\$ 1,185,641
Current portion of long-term debt	\$ 3,725	\$	\$ 545	\$	\$ 4,270
Accounts payable	1,935	1,043	1,826		4,804
Accrued expenses	23,733	3,813	6,155		33,701
Income taxes payable	739	(63)	27		703
Deferred maintenance and other revenue	29,308	2,888	8,204		40,400
Long-term debt, net of current portion	351,624		41,365		392,989
Other long-term liabilities	3,482	384	6,898		10,764
Deferred income taxes, long-term	37,496	3,265	11,262		52,023
Total liabilities	452,042	11,330	76,282		539,654
Stockholder s equity	645,987	52,714	141,055	(193,769)	645,987
Total liabilities and stockholder s equity	\$ 1,098,029	\$ 64,044	\$ 217,337	\$ (193,769)	\$ 1,185,641

Table of Contents

	For the three months ended September 30, 2010				
	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenue	\$ 37,997	\$ 24,582	\$ 20,895	\$ (471)	\$ 83,003
Cost of revenue	21,181	14,128	7,499	(471)	42,337
Gross profit	16,816	10,454	13,396		40,666
Operating expenses:					
Selling & marketing	3,723	1,022	1,530		6,275
Research & development	4,167	1,716	1,984		7,867
General & administrative	5,313	507	1,119		6,939
Total operating expenses	13,203	3,245	4,633		21,081
Operating income	3,613	7,209	8,763		19,585
Interest expense, net	(4,076)		(2,667)		(6,743)
Other income (expense), net	914	(148)	(113)		653
Loss on extinguishment of debt					
(Loss) income before income taxes	451	7,061	5,983		13,495
(Benefit) provision for income taxes	297	1,307	2,037		3,641
Equity in net income of subsidiaries	9,700			(9,700)	
Net income	\$ 9,854	\$ 5,754	\$ 3,946	\$ (9,700)	\$ 9,854

	For the three months ended September 30, 2009				
	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenue	\$ 32,074	\$ 17,062	\$ 20,119	\$ (358)	\$ 68,897
Cost of revenue	16,691	10,572	7,896	(358)	34,801
Gross profit	15,383	6,490	12,223		34,096
Operating expenses:					
Selling & marketing	3,039	599	1,324		4,962
Research & development	4,079	897	1,993		6,969
General & administrative	3,322	311	869		4,502
Total operating expenses	10,440	1,807	4,186		16,433
Operating income	4,943	4,683	8,037		17,663
Interest expense, net	(6,153)		(2,994)		(9,147)
Other income (expense), net	384	(147)	(571)		(334)
	(826)	4,536	4,472		8,182

(Loss) income before income taxes					
(Benefit) provision for income taxes	560	973	1,042		2,575
Equity in net income of subsidiaries	6,993			(6,993)	
Net income	\$ 5,607	\$ 3,563	\$ 3,430	\$ (6,993)	\$ 5,607

For the nine months ended September 30, 2010

	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Revenue	\$ 109,343	\$ 70,542	\$ 64,097	\$ (1,187)	\$ 242,795
Cost of revenue	59,826	40,275	23,525	(1,187)	122,439
Gross profit	49,517	30,267	40,572		120,356
Operating expenses:					
Selling & marketing	11,067	3,143	4,700		18,910
Research & development	12,373	5,116	5,997		23,486
General & administrative	13,811	1,932	3,422		19,165
Total operating expenses	37,251	10,191	14,119		61,561
Operating income	12,266	20,076	26,453		58,795
Interest expense, net	(15,806)		(8,012)		(23,818)
Other income (expense), net	1,624	(298)	(673)		653
Loss from extinguishment of debt	(5,480)				(5,480)
(Loss) income before income taxes	(7,396)	19,778	17,768		30,150
(Benefit) provision for income taxes	(1,741)	3,809	4,845		6,913
Equity in net income of subsidiaries	28,892			(28,892)	
Net income	\$ 23,237	\$ 15,969	\$ 12,923	\$ (28,892)	\$ 23,237

Table of Contents

	For the nine months ended September 30, 2009				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Revenue	\$ 87,097	\$ 54,046	\$ 59,958	\$ (1,231)	\$ 199,870
Cost of revenue	47,326	33,430	22,869	(1,231)	102,394
Gross profit	39,771	20,616	37,089		97,476
Operating expenses:					
Selling & marketing	9,056	2,179	3,994		15,229
Research & development	11,376	2,584	5,633		19,593
General & administrative	11,034	792	2,857		14,683
Total operating expenses	31,466	5,555	12,484		49,505
Operating income	8,305	15,061	24,605		47,971
Interest expense, net	(18,967)		(8,824)		(27,791)
Other income (expense), net	1,013	(480)	(1,789)		(1,256)
(Loss) income before income taxes	(9,649)	14,581	13,992		18,924
(Benefit) provision for income taxes	(1,595)	2,863	4,660		5,928
Equity in net income of subsidiaries	21,050			(21,050)	
Net income	\$ 12,996	\$ 11,718	\$ 9,332	\$ (21,050)	\$ 12,996

	For the nine months ended September 30, 2010				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash Flow from Operating Activities:					
Net income	\$ 23,237	\$ 15,969	\$ 12,923	\$ (28,892)	\$ 23,237
Non-cash adjustments	(6,798)	3,858	4,593	28,892	30,545
Changes in operating assets and liabilities	(3,181)	27	(2,999)		(6,153)
Net cash provided by operating activities	13,258	19,854	14,517		47,629
Cash Flow from Investment Activities:					
Intercompany transactions	19,410	(19,202)	(208)		
Cash paid for business acquisitions, net	(11,372)				(11,372)
Proceeds from sale of property and equipment	52	79	(80)		51

Additions to capitalized software and other intangibles	(171)			(171)
Additions to property and equipment	(1,994)	(327)	(944)	(3,265)
Net cash provided by (used in) investing activities	5,925	(19,450)	(1,232)	(14,757)
Cash Flow from Financing Activities:				
Net repayments of debt	(92,037)		(15,633)	(107,670)
Proceeds from common stock issuance, net of issuance costs	134,613			134,613
Proceeds from the exercise of stock options	5,880			5,880
Purchase of common stock for treasury	(1,169)			(1,169)
Income tax benefit related to exercise of stock options	3,453			3,453
Net cash provided by (used in) financing activities	50,740		(15,633)	35,107
Effect of exchange rate changes on cash			(59)	(59)
Net increase (decrease) in cash and cash equivalents	69,923	404	(2,407)	67,920
Cash and cash equivalents, beginning of period	6,226	1,087	11,742	19,055
Cash and cash equivalents, end of period	\$ 76,149	\$ 1,491	\$ 9,335	\$ 86,975

Table of Contents

	For the nine months ended September 30, 2009				
	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Cash Flow from Operating Activities:					
Net income	\$ 12,996	\$ 11,718	\$ 9,332	\$ (21,050)	\$ 12,996
Non-cash adjustments	(4,275)	2,600	5,005	21,050	24,380
Changes in operating assets and liabilities	8,883	3,344	(4,603)		7,624
Net cash provided by operating activities	17,604	17,662	9,734		45,000
Cash Flow from Investment Activities:					
Intercompany transactions	28,685	(19,963)	(8,722)		
Additions to property and equipment	(936)	(52)	(250)		(1,238)
Cash paid for business acquisitions, net of cash acquired	(10,456)	129			(10,327)
Proceeds from sale of property and equipment			3		3
Net cash provided by (used in) investing activities	17,293	(19,886)	(8,969)		(11,562)
Cash Flow from Financing Activities:					
Net repayments of debt	(11,437)		(298)		(11,735)
Transactions involving SS&C Technologies Holdings, Inc. common stock	(225)				(225)
Net cash used in financing activities	(11,662)		(298)		(11,960)
Effect of exchange rate changes on cash			1,684		1,684
Net increase (decrease) in cash and cash equivalents	23,235	(2,224)	2,151		23,162
Cash and cash equivalents, beginning of period	10,329	5,180	13,790		29,299
Cash and cash equivalents, end of period	\$ 33,564	\$ 2,956	\$ 15,941	\$	\$ 52,461

12. Recent Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance related to multiple-deliverable revenue arrangements. This updated literature establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. The standard provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this standard also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require disclosure regarding the significant judgments made and changes to those judgments and regarding the effect of the application of the relative selling-price method on the timing or amount of revenue recognition. The Company adopted the new requirements upon the effective date of the guidance and such adoption did not affect the Company's results of operations, cash flows or financial position.

13. Subsequent Events

On October 1, 2010, the Company purchased all of the outstanding stock of thinkorswim Technologies, Inc. (MC Marketlink) from TD Ameritrade Holding Corporation for approximately \$5.2 million in cash, plus the costs of effecting the transaction and the assumption of certain liabilities. MC Marketlink is an Internet-deployed trade order management system, execution system, and liquidity engine that provides connectivity to algorithmic trading systems. The net assets and results of operations of MC Marketlink will be included in the Company's consolidated financial statements from October 1, 2010. The relevant business combination disclosures will be included in our financial statements once the preliminary accounting has been finalized.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
CRITICAL ACCOUNTING POLICIES

Certain of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry, information provided by our clients and information available from other outside sources, as appropriate. Actual results may differ significantly from the estimates contained in our consolidated financial statements. There have been no material changes to our critical accounting estimates and assumptions or the judgments affecting the application of those estimates and assumptions since the filing of the 2009 10-K. Our critical accounting policies are described in the 2009 10-K and include:

Revenue Recognition

Allowance for Doubtful Accounts

Long-Lived Assets, Intangible Assets and Goodwill

Acquisition Accounting

Income Taxes

Stock-Based Compensation

Results of Operations for the Three Months and Nine Months Ended September 30, 2010 and 2009

The following table sets forth revenues (in thousands) and changes in revenues for the periods indicated:

	Three months ended			Nine months ended		
	September 30, 2010	September 30, 2009	% Change	September 30, 2010	September 30, 2009	% Change
Revenues:						
Software licenses	\$ 5,966	\$ 5,829	2%	\$ 17,629	\$ 15,632	13%
Maintenance	18,294	16,959	8%	54,130	48,565	11%
Professional services	4,896	4,283	14%	15,384	14,872	3%
Software-enabled services	53,847	41,826	29%	155,652	120,801	29%
Total revenues	83,003	68,897	20%	242,795	199,870	21%

The following table sets forth the percentage of our revenues represented by each of the following sources of revenues for the periods indicated:

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenues:				
Software licenses	7%	8%	7%	8%
Maintenance	22%	25%	22%	24%
Professional services	6%	6%	7%	8%
Software-enabled services	65%	61%	64%	60%
Total revenues	100%	100%	100%	100%

Table of Contents**Revenues**

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues. As a general matter, our software license and professional services revenues fluctuate based on the number of new licensing clients, while fluctuations in our software-enabled services revenues are attributable to the number of new software-enabled services clients as well as the number of transactions provided to our existing clients and total assets under management in our clients' portfolios. Maintenance revenues vary based on the rate by which we add or lose maintenance clients over time and, to a lesser extent, on the annual increases in maintenance fees, which are generally tied to the consumer price index.

Revenues for the three months ended September 30, 2010 were \$83.0 million compared to \$68.9 million for the same period in 2009. The revenue increase of \$14.1 million, or 20%, was primarily a result of revenues from products and services that we acquired through our acquisitions of TNR in November 2009, Tradeware in December 2009, and GIPS in February 2010, which added \$7.6 million in revenues in the aggregate, and a \$6.0 million increase in revenues for businesses and products that we have owned for at least 12 months, or organic revenues. Additionally, the favorable impact from foreign currency translation accounted for \$0.5 million of the total increase, resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar. Revenues for the nine months ended September 30, 2010 were \$242.8 million, increasing 21% from \$199.9 million for the same period in 2009. The increase was primarily a result of revenues from products and services that we acquired through our acquisitions of Evare in March 2009, MAXIMIS in May 2009, TNR, Tradeware, and GIPS, which added \$26.9 million in revenues in the aggregate. Organic revenues increased \$11.5 million, and the favorable impact from foreign currency translation accounted for \$4.5 million of the total increase, resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar.

Software Licenses. Software license revenues were \$6.0 million and \$5.8 million for the three months ended September 30, 2010 and 2009, respectively. The increase in software license revenues of \$0.2 million was primarily due to an increase of revenues from acquisitions, which contributed \$0.3 million, partially offset by a decrease of \$0.1 million in organic software license revenues. Software license revenues were \$17.6 million and \$15.6 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in software license revenues of \$2.0 million was primarily due to revenues from acquisitions, which contributed \$1.0 million, an increase of \$0.9 million in organic software license revenues and an increase of \$0.1 million related to foreign currency translation. Software license revenues will vary depending on the timing, size and nature of our license transactions. For example, the average size of our software license transactions and the number of large transactions may fluctuate on a period-to-period basis. For the three months ended September 30, 2010, the number of perpetual license transactions increased from those for the comparable period in 2009, while the average size of perpetual license transactions and revenues from term licenses decreased from the prior year period. For the nine months ended September 30, 2010, the average size and number of perpetual license transactions increased from those for the comparable period in 2009, while the revenues from term licenses decreased from the prior year period. Additionally, software license revenues will vary among the various products that we offer, due to differences such as the timing of new releases and variances in economic conditions affecting opportunities in the vertical markets served by such products.

Maintenance. Maintenance revenues were \$18.3 million and \$17.0 million for the three months ended September 30, 2010 and 2009, respectively. The increase in maintenance revenues of \$1.3 million, or 8%, was primarily due to revenues from acquisitions, which contributed \$0.9 million in the aggregate, and an increase in organic maintenance revenues of \$0.4 million. Maintenance revenues were \$54.1 million and \$48.6 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in maintenance revenues of \$5.5 million, or 11%, was primarily due to revenues from acquisitions, which contributed \$5.5 million in the aggregate, and the favorable impact from foreign currency translation of \$0.3 million. These increases were partially offset by a decrease in organic maintenance revenues of \$0.3 million. We typically provide maintenance services under one-year renewable contracts that provide for an annual increase in fees, which are generally tied to the percentage change in the consumer price index. Future maintenance revenue growth is dependent on our ability to retain existing clients, add new license clients, and increase average maintenance fees.

Professional Services. Professional services revenues were \$4.9 million and \$4.3 million for the three months ended September 30, 2010 and 2009, respectively. The increase of \$0.6 million was primarily due to an increase of \$0.2 million in organic professional services revenues and revenues from acquisitions, which contributed \$0.4 million in the aggregate. Professional services revenues were \$15.4 million and \$14.9 million for the nine months ended September 30, 2010 and 2009, respectively. The increase of \$0.5 million was primarily due to revenues from acquisitions, which contributed \$1.6 million in the aggregate, and the favorable impact from foreign currency translation of \$0.3 million, partially offset by a decrease of \$1.4 million in organic professional services revenues. The decrease in organic revenues for the nine month period was primarily due to a one-time significant project fee recognized in the second quarter of 2009. Our overall software license revenue levels and market demand for professional services will continue to have an effect on our professional services revenues.

Table of Contents

Software-Enabled Services. Software-enabled services revenues were \$53.8 million and \$41.8 million for the three months ended September 30, 2010 and 2009, respectively. The increase in software-enabled services revenues of \$12.0 million, or 29%, was primarily due to revenues from acquisitions, which contributed \$6.0 million, an increase of \$5.5 million in organic software-enabled services revenues and the favorable impact from foreign currency translation of \$0.5 million. Software-enabled services revenues were \$155.7 million and \$120.8 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in software-enabled services revenues of \$34.9 million, or 29%, was primarily due to revenues from acquisitions, which contributed \$18.8 million, an increase of \$12.3 million in organic software-enabled services revenues and the favorable impact from foreign currency translation of \$3.8 million. Future software-enabled services revenue growth is dependent on our ability to retain existing clients, add new clients and increase the level of services provided or average fees.

Cost of Revenues

The total cost of revenues was \$42.3 million and \$34.8 million for the three months ended September 30, 2010 and 2009, respectively. The gross margin was 49% for each of the three-month periods ended September 30, 2010 and 2009. Our costs of revenues increased by \$7.5 million primarily as a result of acquisitions, which added costs of revenues of \$3.8 million, an increase of \$2.0 million in costs to support organic revenue growth, an increase of \$0.8 million in amortization expense, an increase in stock-based compensation of \$0.7 million and an increase in costs of \$0.2 million related to foreign currency translation. The total cost of revenues was \$122.4 million and \$102.4 million for the nine months ended September 30, 2010 and 2009, respectively. The gross margin was 50% for the nine months ended September 30, 2010 compared to 49% for the comparable period in 2009. Our costs of revenues increased by \$20.0 million primarily as a result of acquisitions, which added costs of revenues of \$11.8 million, an increase of \$3.1 million in amortization expense, an increase in costs of \$2.1 million related to foreign currency translation, an increase of \$1.6 million in costs to support organic revenue growth and an increase in stock-based compensation of \$1.4 million. The increase in amortization expense for the three-month and nine-month periods ended September 30, 2010 is primarily related to recent acquisitions.

Cost of Software Licenses. Cost of software license revenues consists primarily of amortization expense of completed technology, royalties, third-party software, and the costs of product media, packaging and documentation. The cost of software license revenues was \$1.9 million and \$2.1 million for the three months ended September 30, 2010 and 2009, respectively. The decrease in cost of software licenses was primarily due to a reduction of \$0.2 million in amortization expense. The cost of software license revenues was \$5.8 million and \$6.3 million for the nine months ended September 30, 2010 and 2009, respectively. The decrease in cost of software licenses was primarily due to a reduction of \$0.5 million in amortization expense.

Cost of Maintenance. Cost of maintenance revenues consists primarily of technical client support, costs associated with the distribution of products and regulatory updates and amortization of intangible assets. The cost of maintenance revenues was \$8.2 million and \$7.0 million for the three months ended September 30, 2010 and 2009, respectively. The increase in cost of maintenance revenues of \$1.2 million, or 17%, was primarily due to acquisitions, which added \$0.5 million in costs, an increase of \$0.4 million in amortization expense, an increase of \$0.2 million in costs to support organic revenue growth, and an increase in stock-based compensation of \$0.1 million. Cost of maintenance revenues as a percentage of these revenues was 45% for the three months ended September 30, 2010 compared to 41% for the three months ended September 30, 2009. The cost of maintenance revenues was \$24.3 million and \$20.3 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in cost of maintenance revenues of \$4.0 million, or 19%, was primarily due to acquisitions, which added \$2.0 million in costs, an increase of \$1.6 million in amortization expense, an increase in costs of \$0.4 million related to foreign currency translation and an increase in stock-based compensation of \$0.3 million, partially offset by a decrease in costs to support organic maintenance revenues of \$0.3 million. Cost of maintenance revenues as a percentage of these revenues was 45% for the nine months ended September 30, 2010 compared to 42% for the nine months ended September 30, 2009. The increase in costs as a percentage of revenues for both periods is primarily related to our recent acquisitions. The increase in amortization expense for the three-month and nine-month periods ended September 30, 2010 is primarily related to recent acquisitions.

Cost of Professional Services. Cost of professional services revenues consists primarily of the cost related to personnel utilized to provide implementation, conversion and training services to our software licensees, as well as system integration, custom programming and actuarial consulting services. The cost of professional services revenues was \$3.6 million and \$3.2 million for the three months ended September 30, 2010 and 2009, respectively. The increase in costs of professional services revenues of \$0.4 million, or 14%, was primarily due to acquisitions, which added \$0.3 million in costs, and an increase in stock-based compensation of \$0.1 million. Cost of professional services revenues as a percentage of these revenues was 74% for each of the three-month periods ended September 30, 2010 and 2009. The cost of professional services revenues was \$10.2 million and \$10.7 million for the nine months ended September 30, 2010 and 2009, respectively. The decrease in costs of professional services revenues of \$0.5 million, or 4%, was primarily related to a reduction of \$2.0 million in costs to support organic professional services revenues, primarily as a result of one significant implementation project that occurred during 2009, partially offset by our acquisitions, which added \$1.2 million in costs, an increase in costs of \$0.2 million related to foreign currency translation and an increase in stock-based compensation of \$0.1 million. Cost of professional services revenues as a percentage of these revenues was 67% for the nine months ended September 30, 2010 compared to 72% for the nine months ended September 30, 2009.

Table of Contents

Cost of Software-Enabled Services. Cost of software-enabled services revenues consists primarily of the cost related to personnel utilized in servicing our software-enabled services clients and amortization of customer relationship intangible assets. The cost of software-enabled services revenues was \$28.6 million and \$22.5 million for the three months ended September 30, 2010 and 2009, respectively. The increase in costs of software-enabled services revenues of \$6.1 million, or 27%, was primarily related to our acquisitions, which added \$3.0 million in costs, an increase of \$1.8 million in costs to support the growth of organic software-enabled services revenues, an increase of \$0.6 million in amortization expense, an increase in stock-based compensation of \$0.5 million, and an increase in costs of \$0.2 million related to foreign currency translation. Cost of software-enabled services revenues as a percentage of these revenues was 53% for the three months ended September 30, 2010 compared to 54% for the three months ended September 30, 2009. The cost of software-enabled services revenues was \$82.1 million and \$65.1 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in costs of software-enabled services revenues of \$17.0 million, or 26%, was primarily related to our acquisitions, which added \$8.6 million in costs, an increase of \$3.9 million in costs to support the growth of organic software-enabled services revenues, an increase of \$2.0 million in amortization expense, an increase in costs of \$1.5 million related to foreign currency translation and an increase in stock-based compensation of \$1.0 million. Cost of software-enabled services revenues as a percentage of these revenues was 53% for the nine months ended September 30, 2010 compared to 54% for the nine months ended September 30, 2009. The increase in amortization expense for the three-month and nine-month periods ended September 30, 2010 is primarily related to recent acquisitions.

Operating Expenses

Total operating expenses were \$21.1 million and \$16.4 million for the three months ended September 30, 2010 and 2009, respectively. The increase in total operating expenses of \$4.7 million, or 28%, was primarily due to our acquisitions, which added \$1.7 million in costs, an increase in stock-based compensation of \$1.7 million, an increase of \$1.2 million in costs to support organic revenue growth and an increase in costs of \$0.1 million related to foreign currency translation. Total operating expenses as a percentage of total revenues were 25% for the three-month period ended September 30, 2010 compared to 24% for the three-month period ended September 30, 2009. Total operating expenses were \$61.6 million and \$49.5 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in total operating expenses of \$12.1 million, or 24%, was primarily due to our acquisitions, which added \$7.0 million in costs, an increase in stock-based compensation of \$3.5 million, an increase in costs of \$1.0 million related to foreign currency translation and an increase of \$0.7 million in costs to support organic revenues. These increases were partially offset by a decrease of \$0.1 million in amortization expense related to intangible assets acquired in prior years. Total operating expenses as a percentage of total revenues were 25% for each of the nine-month periods ended September 30, 2010 and 2009.

Selling and Marketing. Selling and marketing expenses consist primarily of the personnel costs associated with the selling and marketing of our products, including salaries, commissions and travel and entertainment. Such expenses also include amortization of trade name intangible assets, the cost of branch sales offices, trade shows and marketing and promotional materials. Selling and marketing expenses were \$6.3 million and \$5.0 million for the three months ended September 30, 2010 and 2009, respectively, representing 8% and 7%, of total revenues in each of those periods, respectively. The increase in selling and marketing expenses of \$1.3 million, or 26%, was primarily related to our acquisitions, which added \$0.8 million in costs, an increase in stock-based compensation of \$0.3 million and an increase of \$0.2 million in costs to support organic revenue growth. Selling and marketing expenses were \$18.9 million and \$15.2 million for the nine months ended September 30, 2010 and 2009, respectively, representing 8% of total revenues in each of those periods. The increase in selling and marketing expenses of \$3.7 million, or 24%, was primarily related to our acquisitions, which added \$2.6 million in costs, an increase in stock-based compensation of \$0.6 million, an increase of \$0.4 million in costs to support organic revenues and an increase in costs of \$0.2 million related to foreign currency translation. These increases were partially offset by a decrease of \$0.1 million in amortization expense related to intangible assets acquired in prior years.

Table of Contents

Research and Development. Research and development expenses consist primarily of personnel costs attributable to the enhancement of existing products and the development of new software products. Research and development expenses were \$7.9 million and \$7.0 million for the three months ended September 30, 2010 and 2009, respectively, representing 9% and 10% of total revenues in those periods, respectively. The increase in research and development expenses of \$0.9 million, or 13%, was primarily related to our acquisitions, which added \$0.7 million in costs and an increase in stock-based compensation of \$0.2 million. Research and development expenses were \$23.5 million and \$19.6 million for the nine months ended September 30, 2010 and 2009, respectively, representing 10% of total revenues in each of those periods. The increase in research and development expenses of \$3.9 million, or 20%, was primarily related to our acquisitions, which added \$2.8 million in costs, an increase in costs of \$0.5 million related to foreign currency translation, an increase in stock-based compensation of \$0.5 million and an increase of \$0.1 million in costs to support organic revenue growth.

General and Administrative. General and administrative expenses consist primarily of personnel costs related to management, accounting and finance, information management, human resources and administration and associated overhead costs, as well as fees for professional services. General and administrative expenses were \$6.9 million and \$4.5 million for the three months ended September 30, 2010 and 2009, respectively, representing 8% and 7%, of total revenues in each of those periods, respectively. The increase in general and administrative expenses of \$2.4 million, or 54%, was primarily related to an increase in stock-based compensation of \$1.1 million, an increase of \$1.1 million in costs to support organic revenues and our acquisitions, which added \$0.2 million in costs. The increase in costs to support organic revenues includes approximately \$0.3 million related to one-time items in either the current or prior year period. The remaining increase of approximately \$0.8 million was related to normal business activity, primarily capital-based taxes and insurance. General and administrative expenses were \$19.2 million and \$14.7 million for the nine months ended September 30, 2010 and 2009, respectively, representing 8% and 7%, of total revenues in each of those periods, respectively. The increase in general and administrative expenses of \$4.5 million, or 31%, was primarily related to an increase in stock-based compensation of \$2.4 million, our acquisitions, which added \$1.6 million in costs, an increase in costs of \$0.3 million related to foreign currency translation and an increase in costs of \$0.2 million to support organic revenues.

Interest Expense, Net. Net interest expense for the three months ended September 30, 2010 and 2009 was \$6.7 million and \$9.2 million, respectively. Net interest expense for the nine months ended September 30, 2010 and 2009 was \$23.8 million and \$27.8 million, respectively. Net interest expense is primarily related to interest expense on debt outstanding under our senior credit facility and 11³/₄% senior subordinated notes due 2013. The decrease in interest expense for both periods was primarily due to a decrease in outstanding debt and lower average interest rates. During the nine-month period ended September 30, 2010, we used proceeds from Holdings IPO to redeem \$71.75 million in principal amount of our 11³/₄% senior subordinated notes due 2013 (see *Liquidity and Capital Resources*).

Other Income (Expense), Net. Other income, net for the three months and nine months ended September 30, 2010 consisted primarily of the \$0.8 million reduction of our contingent consideration liability associated with our acquisition of TNR, partially offset by foreign currency transaction losses. Other expense, net for the three months and nine months ended September 30, 2009 consisted primarily of foreign currency transaction losses.

Loss on Extinguishment of Debt. Loss from extinguishment of debt for the nine months ended September 30, 2010 consisted of \$4.2 million in note redemption premiums and \$1.3 million from the write-offs of deferred financing costs associated with the redemption of \$71.75 million our notes, which is discussed further in *Liquidity and Capital Resources*.

Provision for Income Taxes. We had effective tax rates of 27.0% and 31.5% for the three months ended September 30, 2010 and 2009, respectively. We had effective tax rates of 22.9% and 31.3% for the nine months ended September 30, 2010 and 2009, respectively. The expected effective tax rate for the year ended December 31, 2010 is forecasted to be between 25% and 27%. The difference between the September 30, 2010 effective tax rate and the forecasted tax rate for the year ended December 31, 2010 is attributable to a release of uncertain income tax positions, refunds and enacted rate changes in the first quarter of 2010.

Table of Contents**Liquidity and Capital Resources**

Our principal cash requirements are to finance the costs of our operations pending the billing and collection of client receivables, to fund payments with respect to our indebtedness, to invest in research and development and to acquire complementary businesses or assets. We expect our cash on hand, cash flows from operations and availability under the revolving credit portion of our senior credit facilities to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for at least the next twelve months.

Our cash and cash equivalents at September 30, 2010 were \$87.0 million, an increase of \$67.9 million from \$19.1 million at December 31, 2009. The increase in cash is due primarily to proceeds from the Holdings IPO of \$134.6 million and cash provided by operations, which was partially offset by repayments of debt, cash used for an acquisition and capital expenditures.

Net cash provided by operating activities was \$47.6 million for the nine months ended September 30, 2010. Cash provided by operating activities was primarily due to net income of \$23.2 million adjusted for non-cash items of \$30.5 million, partially offset by changes in our working capital accounts (excluding the effect of acquisitions) totaling \$6.1 million. The changes in our working capital accounts were driven by decreases in accounts payable and by increases in prepaid income taxes and accounts receivable, partially offset by increases in deferred revenues and accrued expenses and other liabilities and decreases in prepaid expenses and other assets. The increase in accounts receivable was primarily due to the increase in revenue, partially offset by an improvement in days sales outstanding. The increase in prepaid income taxes was primarily related to a prepayment of income taxes.

Investing activities used net cash of \$14.8 million for the nine months ended September 30, 2010, primarily related to \$11.4 million cash paid for our acquisition of GIPS and \$3.4 million net cash paid for capital expenditures.

Financing activities provided net cash of \$35.1 million for the nine months ended September 30, 2010, representing \$134.6 million in net proceeds received from Holdings IPO in April 2010, \$5.9 million received from the exercise of stock options and related income tax benefits of \$3.5 million, partially offset by \$107.7 million in net repayments of debt and \$1.2 million in purchases of common stock for treasury. The repayment of debt during the period is due to our use of proceeds from Holdings IPO to redeem \$71.75 million in principal amount of our outstanding 1³/₄% senior subordinated notes due 2013 at a redemption price of 105.875% of the principal amount and approximately \$35.9 million of repayments on our senior credit facility.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is or would be material to investors.

Senior Credit Facilities

Our borrowings under the senior credit facilities bear interest at either a floating base rate or a Eurocurrency rate plus, in each case, an applicable margin. In addition, we pay a commitment fee in respect of unused revolving commitments at a rate that is adjusted based on our leverage ratio. We are obligated to make quarterly principal payments on the term loan totaling \$1.6 million per year. Subject to certain exceptions, thresholds and other limitations, we are required to prepay outstanding loans under the senior credit facilities with the net proceeds of certain asset dispositions and certain debt issuances and 50% of our excess cash flow (as defined in the agreements governing our senior credit facilities), which percentage will be reduced based on our reaching certain leverage ratio thresholds.

The obligations under our senior credit facilities are guaranteed by Holdings and all of our existing and future material wholly-owned U.S. subsidiaries, with certain exceptions as set forth in our credit agreement. The obligations of the Canadian borrower are guaranteed by Holdings, us and each of our U.S. and Canadian subsidiaries, with certain exceptions as set forth in the credit agreement. The obligations under the senior credit facilities are secured by a perfected first priority security interest in all of our capital stock and all of the capital stock or other equity interests held by Holdings, us and each of our existing and future U.S. subsidiary guarantors (subject to certain limitations for equity interests of foreign subsidiaries and other exceptions as set forth in our credit agreement) and all of Holdings and our tangible and intangible assets and the tangible and intangible assets of each of our existing and future U.S. subsidiary guarantors, with certain exceptions as set forth in the credit agreement. The Canadian borrower's borrowings under the senior credit facilities and all guarantees thereof are secured by a perfected first priority security

interest in all of our capital stock and all of the capital stock or other equity interests held by Holdings, us and each of our existing and future U.S. and Canadian subsidiary guarantors, with certain exceptions as set forth in the credit agreement, and all of Holdings' and our tangible and intangible assets and the tangible and intangible assets of each of our existing and future U.S. and Canadian subsidiary guarantors, with certain exceptions as set forth in the credit agreement.

Table of Contents

The senior credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our (and our restricted subsidiaries) ability to incur additional indebtedness, pay dividends and distributions on capital stock, create liens on assets, enter into sale and lease-back transactions, repay subordinated indebtedness, make capital expenditures, engage in certain transactions with affiliates, dispose of assets and engage in mergers or acquisitions. In addition, under the senior credit facilities, we are required to satisfy and maintain a maximum total leverage ratio and a minimum interest coverage ratio. We were in compliance with all covenants at September 30, 2010.

11³/₄% Senior Subordinated Notes due 2013

The 11³/₄% senior subordinated notes due 2013 are unsecured senior subordinated obligations that are subordinated in right of payment to all existing and future senior debt, including the senior credit facilities. The senior subordinated notes will be *pari passu* in right of payment to all future senior subordinated debt.

The senior subordinated notes are redeemable in whole or in part, at our option, at any time at varying redemption prices that generally include premiums, which are defined in the indenture. In addition, upon a change of control, we are required to make an offer to redeem all of the senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest. In April 2010, we issued a notice of redemption for \$71.75 million in principal amount of our outstanding 11³/₄% senior subordinated notes due 2013 at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest on May 24, 2010, the date of redemption. The indenture governing the senior subordinated notes contains a number of covenants that restrict, subject to certain exceptions, our ability and the ability of our restricted subsidiaries to incur additional indebtedness, pay dividends, make certain investments, create liens, dispose of certain assets and engage in mergers or acquisitions.

Covenant Compliance

Under the senior credit facilities, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of September 30, 2010, we were in compliance with the financial and non-financial covenants. Our continued ability to meet these financial ratios and tests can be affected by events beyond our control, and we provide no assurance that we will continue to meet these ratios and tests in the future. A breach of any of these covenants could result in a default under the senior credit facilities. Upon the occurrence of any event of default under the senior credit facilities, the lenders could elect to declare all amounts outstanding under the senior credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Any such acceleration would also result in a default under the indenture.

Consolidated EBITDA is a non-GAAP financial measure used in key financial covenants contained in our senior credit facilities, which are material facilities supporting our capital structure and providing liquidity to our business. Consolidated EBITDA is defined as earnings before interest, taxes, depreciation and amortization (EBITDA), further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under our senior credit facilities. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Consolidated EBITDA is appropriate to provide additional information to investors to demonstrate compliance with the specified financial ratios and other financial condition tests contained in our senior credit facilities.

Management uses Consolidated EBITDA to gauge the costs of our capital structure on a day-to-day basis when full financial statements are unavailable. Management believes that providing this information allows our investors greater transparency and a better understanding of our ability to meet our debt service obligations and make capital expenditures.

The breach of covenants in our senior credit facilities that are tied to ratios based on Consolidated EBITDA could result in a default under that agreement, in which case the lenders could elect to declare all amounts borrowed due and payable and to terminate any commitments they have to provide further borrowings. Any such acceleration would also result in a default under our indenture. Any default and subsequent acceleration of payments under our debt agreements would have a material adverse effect on our results of operations, financial position and cash flows. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Consolidated EBITDA.

Table of Contents

Consolidated EBITDA does not represent net income or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. Further, our senior credit facilities require that Consolidated EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

Consolidated EBITDA is not a recognized measurement under GAAP, and investors should not consider Consolidated EBITDA as a substitute for measures of our financial performance and liquidity as determined in accordance with GAAP, such as net income, operating income or net cash provided by operating activities. Because other companies may calculate Consolidated EBITDA differently than we do, Consolidated EBITDA may not be comparable to similarly titled measures reported by other companies. Consolidated EBITDA has other limitations as an analytical tool, when compared to the use of net income (loss), which is the most directly comparable GAAP financial measure, including:

Consolidated EBITDA does not reflect the provision of income tax expense in our various jurisdictions;
Consolidated EBITDA does not reflect the significant interest expense we incur as a result of our debt leverage;

Consolidated EBITDA does not reflect any attribution of costs to our operations related to our investments and capital expenditures through depreciation and amortization charges;

Consolidated EBITDA does not reflect the cost of compensation we provide to our employees in the form of stock option awards; and

Consolidated EBITDA excludes expenses that we believe are unusual or non-recurring, but which others may believe are normal expenses for the operation of a business.

The following is a reconciliation of net income to Consolidated EBITDA as defined in our senior credit facilities.

	Three Months Ended		Nine Months Ended		Twelve Months
	September 30,		September 30,		Ended
	2010	2009	2010	2009	September 30, 2010
Net income	\$ 9,854	\$ 5,607	\$ 23,237	\$ 12,996	\$ 29,259
Interest expense (1)	6,743	9,147	29,298	27,791	38,370
Income taxes	3,641	2,575	6,913	5,928	10,789
Depreciation and amortization	10,059	9,109	30,356	26,707	39,677
EBITDA	30,297	26,438	89,804	73,422	118,095
Purchase accounting adjustments (2)	(87)	(58)	(124)	(163)	(54)
Unusual or non-recurring charges (3)	(533)	400	(449)	1,683	(142)
Acquired EBITDA and cost savings (4)			192	2,025	2,121
Stock-based compensation	3,949	1,569	9,181	4,363	10,425
Capital-based taxes	407	(4)	861	672	984
Other (5)	(47)	337	114	977	338
Consolidated EBITDA	\$ 33,986	\$ 28,682	\$ 99,579	\$ 82,979	\$ 131,767

(1) Interest expense includes loss from

extinguishment of debt shown as a separate line item on our Statement of Operations.

(2) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase rent expense by the amount that would have been recognized if lease obligations were not adjusted to fair value at the date of the Transaction.

(3) Unusual or non-recurring charges include foreign currency gains and losses, the adjustment to the TNR contingent consideration liability, proceeds from legal and other settlements and other one-time

expenses.

- (4) Acquired EBITDA and cost savings reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period and cost savings to be realized from such acquisitions.
- (5) Other includes management fees and related expenses paid to The Carlyle Group and the non-cash portion of straight-line rent expense.

Table of Contents

Our covenant restricting capital expenditures for year ending December 31, 2010 limits expenditures to \$25.5 million. Actual capital expenditures through September 30, 2010 were \$3.3 million. Our covenant requirements for total leverage ratio and minimum interest coverage ratio and the actual ratios for the twelve months ended September 30, 2010 are as follows:

	Covenant Requirements	Actual Ratios
Maximum consolidated total leverage to Consolidated EBITDA ratio ⁽¹⁾	5.50x	1.98x
Minimum Consolidated EBITDA to consolidated net interest coverage ratio	2.25x	4.30x

(1) Calculated as the ratio of funded debt, less cash on hand up to a maximum of \$30.0 million, to Consolidated EBITDA, as defined by our senior credit facility, for the period of four consecutive fiscal quarters ended on the measurement date. Funded debt is comprised of indebtedness for borrowed money, notes, bonds or similar instruments, and capital lease obligations. This covenant is applied at the end of each quarter.

Recent Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance related to multiple-deliverable revenue arrangements. This updated literature establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. The standard provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this standard also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including

information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require disclosure regarding the significant judgments made and changes to those judgments and regarding the effect of the application of the relative selling-price method on the timing or amount of revenue recognition. We adopted the new requirements upon the effective date of the guidance and such adoption did not affect our results of operations, cash flows or financial position.

Table of Contents**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At September 30, 2010, excluding capital leases, we had total debt of \$290.3 million, including \$157.0 million of variable interest rate debt. We have an interest rate swap agreement with a notional value of \$100.0 million that effectively fixes our interest rate at 6.78% and expires in December 2010. During the period when this swap agreement is effective, a 1% change in interest rates would result in a change in interest expense of approximately \$0.6 million per year. Upon the expiration of the interest rate swap agreement in December 2010, a 1% change in interest rates would result in a change in interest expense of approximately \$1.6 million per year.

At September 30, 2010, \$27.1 million of our debt was denominated in Canadian dollars. We expect that our foreign denominated debt will be serviced through our Canadian operations.

For the nine months ended September 30, 2010, approximately 32% of our revenues were from clients located outside the United States. A portion of the revenues from clients located outside the United States is denominated in foreign currencies, the majority being the Canadian dollar. While revenues and expenses of our foreign operations are primarily denominated in their respective local currencies, some subsidiaries do enter into certain transactions in currencies that are different from their functional currency. These transactions consist primarily of cross-currency intercompany balances and trade receivables and payables. As a result of these transactions, we have exposure to changes in foreign currency exchange rates that result in foreign currency transaction gains or losses, which we report in other income (expense). These outstanding amounts were reduced during 2009 and we do not believe that our foreign currency transaction gains or losses will be material during the remainder of 2010. The amount of these balances can fluctuate in the future as we bill customers and buy products or services in currencies other than our functional currency, which could increase our exposure to foreign currency exchange rates in the future. We continue to monitor our exposure to foreign currency exchange rates as a result of our foreign currency denominated debt, our acquisitions and changes in our operations. We do not enter into any market risk sensitive instruments for trading purposes.

The foregoing risk management discussion and the effect thereof are forward-looking statements. Actual results in the future may differ materially from these projected results due to actual developments in global financial markets. The analytical methods used by us to assess and minimize risk discussed above should not be considered projections of future events or losses.

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2010. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2010, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the risks and uncertainties that could materially affect our business, financial condition or future results, which we believe are most important for you to consider, are discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal quarter ended December 31, 2009 as filed with the SEC on February 26, 2010. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately preceding such exhibits are filed as part of this Report.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SS&C TECHNOLOGIES, INC.

Date: November 10, 2010

By: /s/ Patrick J. Pedonti
Patrick J. Pedonti
Senior Vice President and Chief Financial
Officer
(Principal Financial and Accounting Officer)

Table of Contents

Exhibit Index

Exhibit Number	Description
31.1	Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the Registrant s Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002