SYNCHRONOSS TECHNOLOGIES INC
Form 10-K
March 18, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10 K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000 52049

SYNCHRONOSS TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	06 1594540
(State of incorporation)	(IRS Employer Identification No.)

200 Crossing Boulevard, 8th Floor, Bridgewater, New Jersey 08807
(Address of principal executive offices, including ZIP code)
(866) 620 3940
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.0001 par value	The Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer ¨ Accelerated filer x Non accelerated filer Smaller reporting company ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ¨ No x

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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2018, the last business day of the Registrant's last completed second quarter, based upon the closing price of the common stock as reported by The Nasdaq Stock Market on such date was approximately $136.5 million. Shares of common stock held by each executive officer, director and stockholders known by the Registrant to own 10% or more of the outstanding stock based on public filings and other information known to the Registrant have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 12, 2019, a total of 42,684,573 shares of the Registrant's common stock were outstanding. The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report on Form 10-K.

DOCUMENTS INCORPORATED BY REFERENCE

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Information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to portions of the Registrant’s definitive Proxy Statement for its 2019 Annual Meeting of Stockholders (the “Proxy Statement”), which is to be filed pursuant to Regulation 14A within 120 days after the end of the Registrant’s fiscal year ended December 31, 2018. Except as expressly incorporated by reference, the Proxy Statement shall not be deemed to be a part of this report on Form 10 K.

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PART I

FORWARD LOOKING STATEMENTS

The words “Synchronoss,” “we,” “our,” “ours,” “us” and the “Company,” refer to Synchronoss Technologies, Inc. and its consolidated subsidiaries. We were incorporated in Delaware in 2000. All statements in this Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the “Form 10-K”) that are not historical are 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, including statements regarding Synchronoss’ “expectations,” “beliefs,” “hopes,” “intentions,” “anticipates,” “seeks,” “strategies,” “plans,” “targets,” “estimations,” “outlook” or the like. Such stateme based on management’s current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Past performance is not necessarily indicative of future results. Synchronoss cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors. We encourage you to read Management’s Discussion and Analysis of our Financial Condition and Results of Operations and our consolidated financial statements contained in this Form 10-K. We also encourage you to read Item 1A of Part I of this Form 10-K, entitled Risk Factors, which contains a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described in Item 1A of this Form 10-K, other unknown or unpredictable factors also could affect our results. Therefore, the information in this Form 10-K should be read together with other reports and documents that we file with the Securities and Exchange Commission from time to time, including on Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. Synchronoss expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Synchronoss’ expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

This Form 10-K includes industry and market data that we obtained from periodic industry publications, third-party studies and surveys, filings of public companies in our industry and internal company surveys. These sources include government and industry sources. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe the industry and market data incorporated into this Form 10-K to be reliable, this information could prove to be inaccurate. Industry and market data could be wrong because of the method by which sources obtained their data and because information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, we do not know all of the assumptions regarding general economic conditions or growth that were used in preparing the forecasts from the sources relied upon or cited herein.

ITEM 1. BUSINESS

Honeybee Acquisition

In May 2018, the Company completed the acquisition of the honeybee software business (“honeybee”), a provider of digital solutions targeted at optimizing the customer experience from Dixons Carphone plc which offers a digital transformation platform that makes it easier for companies to design and launch omni-channel customer journeys. For additional information about our acquisition, see Note 3. Acquisitions and Divestitures of the Notes to Consolidated Financial Statements, in Part II, Item 8 of this Form 10-K.

Nasdaq Compliance

As previously described in detail, from May 2017 to May 2018, the Company was unable to satisfy certain continued listing requirements of the Nasdaq Stock Market, LLC (“Nasdaq”) relating to the Company’s failure to timely file periodic reports with the Securities and Exchange Commission (the “SEC”). During this period, the Company engaged with Nasdaq on plans to regain compliance by filing delinquent periodic reports with the SEC. On May 4, 2018, the Company informed a Nasdaq Hearings Panel (the “Panel”) of its determination that it would be unable to satisfy the May 10, 2018 deadline to file certain periodic reports with the SEC to satisfy Nasdaq’s continued listing requirements. On May 11, 2018, the Company received a notification letter from the Panel indicating that trading in the Company’s common stock was suspended effective at the open of business on May 14, 2018. The Panel also determined to delist the Company’s shares from Nasdaq after applicable appeal periods have lapsed. The Company appealed the decision to the Nasdaq Listing and Hearing Review Council.

On September 26, 2018, the Company received notice that the Nasdaq Listing Qualifications Staff approved the listing of its common stock on Nasdaq.

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On October 1, 2018, the suspension of trading in the Company's common stock on The Nasdaq Global Select Market was lifted and the Company's common stock resumed trading under the symbol "SNCR".

General

Our Digital, Cloud, Messaging and Internet of Things ("IoT") platforms help the world's leading companies, including operators, original equipment manufacturers ("OEMs"), Media and Technology providers deliver continuously transformative customer experiences that create high value engagement and new monetization opportunities. Our technologies act as a catalyst enabling and unlocking new capabilities in our customers' organizations that realize new value through new experiences for their end users.

We currently operate in and market our solutions and services directly through our sales organizations in North America, Europe and Asia-Pacific. Our platforms give our customers new opportunities in the Telecommunications, Media and Technology ("TMT") space, taking advantage of the rapidly converging services, connected devices, networks and applications. Our platforms power products and solutions across the TMT marketplace - allowing our customers to create forward-looking and compelling customer experiences with fewer resources. Our technologies give our customers faster time to market, new revenue streams - effectively monetizing services and applications across channels. Our technologies assist our customers in acquiring and retaining subscribers quickly, reliably and cost-effectively.

We deliver platforms, products and solutions including:

- Digital experience management (Platform as a Service) - including digital journey creation, and journey design products that use analytics that power digital advisor products for IT and Business Channel Owners
- Cloud sync, backup, storage, device set up, content transfer and content engagement for user generated content
- Advanced, multi-channel messaging peer-to-peer ("P2P") communications and application-to-person ("A2P") commerce solutions
- IoT management technology for Smart Cities, Smart Buildings, Automotive and more

Our technologies appeal to a diverse group of customers in a converging TMT space including: communication service providers ("CSP"); cable operators/multi-services operators ("MSO"); Media and Technology Companies with multiple digital and traditional customer-facing channels in multiple global markets, OEMs with embedded connectivity (e.g. smartphones, laptops, tablets and mobile internet devices) and IoT ecosystem participants who use a variety of technologies (e.g. Blockchain) to enable a wide array of devices (e.g. automobiles, connected homes, etc.) sensors, networks and systems that enable management and monetization of smart buildings and smart cities, as well as other customers who rely on us for easy to sell, easy to use plug and play, end-to-end solutions powering IoT use cases that can be deployed quickly and operated easily. We help our customers accelerate and monetize value-add services for secure and broadband networks and connected devices.

Our industry-leading customers include Tier 1 mobile service providers such as AT&T Inc., Verizon Wireless, Vodafone, KDDI, NTT DoCoMo, Orange, SoftBank, Sprint, T-Mobile US and Telstra, and Tier 1 cable operators/MSOs and wireline operators including AT&T Inc., BT Group, Comcast, Cablevision, Charter, CenturyLink, Mediacom and Level 3 Communications. These customers utilize our platforms, technology and services to service both consumer and business customers.

Our platforms are designed and built to be Operator-grade, secure, flexible and scalable and easy to deploy and use - enabling multiple converged communications, commerce and applications and devices - deployed across multiple distribution channels including e-commerce, m-commerce, telesales, retail stores, care and call centers, self-service, indirect and other outlets.

Our Synchronoss Digital Experience Platform (“DXP”) is a purpose-built experience management toolset that sits between our customers’ end-user facing applications and their existing back end systems, enabling the authoring and management of customer journeys in a cloud-native no/low-code environment. This platform uses products such as Journey Creator, Journey Advisor, CX Baseline and Digital Coach to create a wide variety of insight-driven customer experiences across existing channels (digital and analogue) including creating the ability to pause and resume continuous, intelligent experiences in an Omni-channel environment. DXP can be operated by IT professionals and “citizen developers (business analysts, etc.) enabling our customers to bring more compelling and complex experiences to market in less time with fewer and more diverse resources in a real-time, collaborative environment.

The Synchronoss Personal Cloud Platform™ is a secure and highly scalable white label platform designed to store and sync subscriber’s personally created content seamlessly to and from current and new devices. This allows our carriers’ customers to protect, engage with and manage their personal content and gives our Operator customers the ability to increase average revenue per user (“ARPU”) through a new monthly recurring charge (“MRC”) and opportunities to mine valuable data that will give

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subscribers accesses to new, beneficial services. Additionally, our Personal Cloud Platform performs and expanding set of value-add services including facilitating an Operator's initial device setup and enhancing visibility and control across disparate devices within subscribers' smart homes.

The Synchronoss Messaging Platform powers hundreds of millions of subscribers' mail boxes worldwide. Our Advanced Messaging Product is a powerful, secure and intelligent white label messaging platform that expands capabilities for Operators and TMT companies to offer P2P messaging via Rich Communications Services ("RCS"). Additionally, our Advanced Messaging Product powers commerce and a robust ecosystem for Operators, brands and advertisers to execute Application to Person ("A2P") commerce and data-rich dialogue with subscribers.

The Synchronoss IoT Platform creates an easy to use environment and extensible ecosystem making the management of disparate devices, sensors, data pools and networks easier to manage by IoT administrators and drives the propagation of new IoT applications and monetization models for TMT companies. Our IoT platform utilizes Synchronoss platforms (DXP, Cloud, Messaging), products and solutions to make IoT more accessible and actionable for Smart Building facility managers, Smart City planners, Automotive OEMs and TMT ecosystem players.

Markets We Serve

Our platforms, products and solutions operate in a white label capacity to a diverse range of customers in a converging TMT and IoT markets.

Telecommunications, Media and Technology

TMT companies operate and/or market white label instantiations of Synchronoss Digital, Cloud, Messaging and IoT platforms, products and solutions to power new, digitally enhanced experiences for their subscribers and employees. TMT companies use Synchronoss platforms, to author and manage new work flows and customer experiences; orchestrate data from existing back office systems and create personalized customer experiences across channels and touch points (e.g. online, mobile apps, call centers and care, retail, self-service, etc.). This creates new ways to interface with their customers and subscribers that lower cost, increase revenue and satisfaction.

Operators

A telecommunications subset of TMT and a foundational focus of Synchronoss, CSPs and MSOs market white label implementations of our Synchronoss Digital, Cloud, Messaging and IoT platforms, products and solutions to their subscribers around the world. CSPs and MSOs market and re-sell the value-added services powered by our technology to their subscribers as part of stand-alone subscriptions, value-added bundles or use our technologies directly to enhance their digital offerings and work flow. CSPs and MSOs license Synchronoss Personal Cloud to enhance their value-added service offerings to subscribers who purchase and lease mobile devices and network connectivity - storing and syncing their user generated content (e.g., videos, photos, documents, contacts, music etc.). CSPs and MSOs license Synchronoss Advanced Messaging and Email to enable white label multichannel messaging services including advanced P2P, A2P transactions and brand/advertiser ecosystems. CSPs and MSOs also re-sell our IoT solutions such as Smart Buildings as part of a revitalized set of Operator technology offers.

Internet of Things

Companies in the TMT space as well as OEMs and technology suppliers use Synchronoss Cloud, Messaging and Digital platforms, products and solutions to enable consumer and machine to machine ("M2M") experiences across new connected devices in the IoT market (e.g. smart homes, connected automobiles, wearable devices, smart appliances, smart buildings, smart cities, drones, etc.). Synchronoss Cloud platforms, products and solutions provide a single-source storage solution for connected devices that don't have a native data storage solution. Synchronoss Messaging platforms, products and solutions enable dialogue between devices, nodes/sensors and end users of IoT transactions. Synchronoss Digital platforms, products and solutions provide data orchestration and transaction automation capabilities to enable more targeted and secure use of data across IoT devices, networks, nodes/sensors and human participants.

Synchronoss Platforms, Products and Solutions

Our Synchronoss Digital, Cloud, Messaging, and IoT platforms and products provide highly scalable automated on-demand, data-driven end-to-end environments, tools, solutions and services that create and manage digital, end user experiences, orchestrate IoT devices, sensors and data pools, RCS-based access, dialogue and commerce between brands and messaging subscribers, order processing, transaction management, service provisioning, device activation, intelligent connectivity and content transfer,

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synchronization and social media, identity and access management, secure mobility management through multiple channels including e-commerce, m-commerce, telesales, enterprise, indirect, and retail outlets. Our technologies are designed to be flexible and scalable across a wide range of existing communication services and connected devices, while offering a best-in-class experience for our customers and supporting traditional and non-traditional devices. The extensible nature of our platforms enables our customers to rapidly respond to the ever changing and competitive nature of the telecommunications, enterprise and mobile marketplaces.

Our platforms, products and solutions conduct business-to-consumer (“B2C”), business-to-business (“B2B”), enterprise and indirect channel (i.e.: resellers/dealers) transactions. The capabilities of our platforms are designed to provide our customers with the opportunity to improve operational performance and efficiencies, dynamically identify new revenue opportunities and rapidly deploy new services. They are also designed to provide customers the opportunity to improve performance and efficiencies for activation, content migration and connectivity management for connected devices.

Our platforms, products and solutions offer flexible, scalable, extensible and relevant solutions backed by service level agreements (“SLA’s”) and exception handling. Our various platforms are designed to be:

Carrier Grade: We design our platforms to handle high-volume transactions from carriers rapidly and efficiently, with virtually no down-time. Our platforms are also capable of simultaneously handling millions of device content related transactions on a daily basis to ensure that personal content on all subscriber devices stays fresh and synchronized with the Cloud.

Ease of Use: Our Platforms resolve complexity with back end data and system frameworks to create simple, easy use cases to end users and subscribers. Our Digital platform provides automation of device, product and service fulfillment - relieving manual work flows and providing economy of scale; it orchestrates data from various data and business silos to create new, elegant and powerful end user use cases that existing system frameworks cannot support. Our Messaging platform provides common onboarding for third party brands that allow them to create bots and other commerce instances and then manage them throughout the customer lifecycle. Our Cloud platform creates an easy cross platform sync and access to subscriber personal data.

Data-driven: Our platforms, products and solutions operate with the assistance of analytics, smart tagging, artificial intelligence, natural language processing, reporting and other data-driven insights. Our technology uses data to help shape user experiences, summarize reporting, prompt next best actions and recommendations and conduct automated dialogue with subscribers.

Automated: We design our platforms to eliminate manual processes and to automate otherwise labor-intensive tasks, thus improving operating efficiencies and order accuracy and cost reduction. By tracking every order and identifying those that are not provisioned properly, our platforms are designed to substantially reduce the need for manual intervention and reduce unnecessary customer service center calls. The technology of our platforms automatically guides a customer's request for service through the entire series of required steps.

Predictable and Reliable: We are committed to providing high-quality, dependable services to our customers. To ensure reliability, system uptime and other service offerings, our transaction management is guaranteed through SLAs. Our platforms offer a complete customer management solution, including exception handling, which we believe is one of the main factors that differentiates us from our competitors. In performing exception handling, our platforms recognize and isolate transaction orders that are not configured to specifications, process them in a timely manner and communicate these orders back to our customers, thereby improving efficiencies and reducing backlog. In the past couple years, if manual intervention is required, our exception handling services are performed through outsourced to centers located in Canada and the United States and, where applicable, to other cost-effective geographies.

Additionally, our database is designed to preserve data integrity while ensuring fast, efficient, transaction-oriented data retrieval methods.

Seamless: Our platforms integrate information across our customers' entire operation, including subscriber information, order information, delivery status, installation scheduling and content stored on the device to allow for the seamless activation and content transfer during the device purchase flow. Through our platforms, the device is automatically activated and consumer's content is available for use via the Cloud, ensuring continuity of service and reducing subscriber churn propensity. CSPs and multi-channel retailers can bundle additional applications during retail phone purchases, and also provide live updates to support new features and new devices. We have built our platforms using an open design with fully-documented software interfaces, commonly referred to as application programming interfaces ("API"). Our APIs enable our customers, strategic partners and other third parties to integrate our platforms with other software applications and to build best-in-class cloud-based applications incorporating third-party or customer-designed capabilities. Through our open design and alliance program, we believe we provide our customers with superior solutions that combine our technology with best-of-breed applications with the efficiency and cost-effectiveness of commercial, packaged interfaces.

Scalable: Our platforms are designed to process expanding transaction volumes reliably and cost effectively. While our transaction volume has increased rapidly since our inception, we anticipate substantial future growth in transaction volumes, and we believe our platforms are capable of scaling their output commensurately, requiring principally routine computer hardware and software updates. Our synchronization and activation platforms routinely support our customers' transactions at the highest level of demands when needed with our current production deployments. We continue to see the number of transactions for connected devices, such as smartphones, mobile Internet devices (“MID”), laptops, tablets and wirelessly enabled consumer electronics such as cameras, tablets, e-readers, personal navigation devices, global positioning system (“GPS”) enabled devices, and other connected consumer electronics, to be one of the fastest growing transaction types across all our platforms, products and services. Our Synchronoss Personal Cloud platform is deployed across more than 95 million devices, managing 20 billion entities in the Cloud and performing more than 4 million synchronizations per day.

Value-add Reporting Tools: Our platforms' attributes are tightly integrated into the critical workflows of our customers and have analytical reporting capabilities that provide near real-time information for every step of the relevant transaction processes. In addition to improving end-user customer satisfaction, these capabilities are designed to provide our customers with value-added insights into historical and current transaction trends. We also offer mobile reporting capabilities for users to receive critical data about their transactions on connected devices.

Build Consumer Loyalty and Create New Revenue Streams: Our synchronization services help drive consumers to the CSPs, OEM or multi-channel retailers by presenting them with a branded application and fully-integrated Web portal that provides convenience, security, and continuity for end user customers, which we believe helps our customers by further building the loyalty of their subscribers. Our Synchronoss Personal Cloud solution helps reduce subscriber churn by making it easy for subscribers to migrate smartphone content from an old device to a new device. Our Synchronoss Personal Cloud solution enables our carrier customers to sell premium value-add cloud storage solutions as well as cloud enabling premium partner opportunities. We are designing solutions that will allow carriers, OEMs and retail distributors to promote and fulfill new services through mobile channels to better monetize their cloud subscriber base.

Efficient: Our platforms' capabilities provide what we believe to be a more cost-effective, efficient and productive approach to enabling new activations across services and channels. Our solutions allow our customers to reduce overhead costs associated with building and operating their own customer transaction management infrastructure. With automated activation and integrated fall out support, our e-commerce platforms centralize customer service expectations, which we believe dramatically reduces our customers’ subscriber acquisition/retention costs in addition to operating expenses for training and staffing costs. We also provide our customers with the information and tools intended to more efficiently manage marketing and operational aspects of their business, as well as business intelligence required to do targeted up-selling of their products and services.

Quick Concept to Market Delivery: The automation and ease of integration of our on-demand platform allows our customers to accelerate the deployment of their services and new service offerings by shortening the time between a subscriber's order and the provisioning of service or activation and enabling of a connected device(s).

Extensible and Relevant: Our customers operate in dynamic and fast paced industries. Our platforms and solutions are built in a modular fashion, thereby conducive to be extended dynamically and enabling our customers to offer solutions that are relevant to current market situations, with the goal of providing them with the competitive edge required for them to be successful. The platforms are also designed to be highly customizable to each carrier’s specific back end systems as well as branding requirements.

Secure: By leveraging our identity and access management capabilities consumers can self-register their identity, be verified and credentialed and manage their profile in order to have the best customer experience possible. This solution also supports identity proofing and scoring in order to conduct fraud and cyber security detection and prevention.

Synchronoss Digital Platforms

Digital Experience Platform

Our Digital Experience platform allows IT professionals, business owners and business analysts (aka “citizen developers”) to author and manage digital customer experiences in a cloud-native, low/no-code environment. The platform sits between customer-facing touch points and a customer’s existing back office systems - orchestrating data, work flows and processes into digital customer journeys that interface with end user channels creating user experiences that can be centrally managed and coordinated with less resources than is typical in a traditional IT environment.

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Journey Creator
Journey Creator is a purpose-built, easy to use cloud-native toolset that allows IT managers and business owners to collaborate on creating and managing end user experiences across all customer-facing channels. Journey Creator is middleware that sits in between back office systems and customer-facing touch points - integrating orchestrating critical data and functionality into existing channel UI/UX. Journey Creator operates in an any-to-any environment - integrating with any system and any channel UI.

Integration: Graphical user interface (“GUI”) is fully integrated into Journey Creator for creating endpoints and drag-and drop data mapping. Journey Creator supports complex transformations and mappings via GUI.

UI Flexibility & Control: Journey Creator’s dynamic API and libraries enable any channel client to have a rich and dynamic UI that is run by the channel. It is currently optimized for Javascript clients

Business Logic: Drag and Drop Interface for even complex logic with option to use Groovy script if highly computationally complex rules are required.

Omni-channel: DXP is an API-first platform where the state is not held in the client even when the client is a SPA. A core journey is defined and channel-specific variants can be configured on top of the core journey to simple re-use.

“Pause and Resume Experiences:” Journey Creator centrally manages different channel UI’s and integrates the journeys to back end systems. Because Journey Creator is a common command and control layer, it can carry the state of one channel to the state of another channel, essentially allowing a “pause and resume” effect from one customer touch point to another. This creates a consistent, friction free customer experience that recognizes the user appropriately as they move from one channel experience to the next.

Dev Ops: Journeys are digital content and able to be deployed and rolled back like web content. The engine that runs the journey remains unchanged between releases.

Resource Optimization: Journey creator is designed to lower cost and decrease time to market while increasing the complexity and effectiveness of omni-channel customer experiences. Journey Creator serves as a central, standardized development environment with an efficient and easy to use, low/no-code object-oriented interface that literally links systems and end-user UIs together. Because it’s centralized and non-developer friendly, a smaller, central team is capable to building and managing complex interfaces with a fraction of the resources and time necessary to manage less sophisticated experience in standard environments.

Customer Experience (“CX”) IQ
CXIQ uses analytics, artificial intelligence and completely new methods of gathering actionable insights to produce insights to help our customers improve their channel experiences. CXIQ integrates into Journey Creator to allow for real-time feedback to newly created journeys, allowing experience authors and managers to make real time changes necessary to improve the quality and effect of the journey

Journey Advisor
Journey Advisor uses programmed analytics to make intelligent recommendations to customer facing reps and agents. Journey Advisor drives the UI and business rules of a digital sales device (tablet, smart phone, etc.). The analytics that inform the business rules and work flow are derived from customers’ existing systems and guided by the Synchronoss Insights Platform (“SIP”) dynamically insert recommended “next best actions” for a rep based on filters set by a CRM system, customer profile, business rules, etc. Journey Advisor accelerates rep competency from a new hire to a new campaign/offer. This not only assists the rep’s alignment with forecasted key performance indicators (“KPIs”), it helps

model complex decisions and ultimately solves customer problems in less time.

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Digital Coach
Digital Coach is a tool within DXP that serves as an intelligent dashboard or portal for customer facing reps to assess their performance against their goals and against peers. The Synchronoss Insights Platform (“SIP”) creates intelligent work flows around individual and group KPIs and uses “gamification”

Digital Channels
Our Digital Channels product provides a customized, predictive interface to purchasing devices and services from Operators and maintaining an effective, automated self-service environment. Digital Channels applies our Activation platform’s ability to sit over top of existing data silos as a “Logic Layer” and surgically extract data as needed to create a personalized account self-service portal for Operator’s B2B major accounts and consumer buy flows. As Operators expand their offerings and markets, the need to conflate different services into a single buy flow is imperative to making good use of their massive distribution channel. To that end, our Digital Channels product can provide an easy to use, powerful, personalized single interface, buy flow and self-service interface for a one-stop-shop and care interface online and on mobile applications. As an example, Digital Channels is being deployed by Sprint to combine their wireline, wireless and IoT product lines into a single B2B buy flow - saving them cost, decreasing time to market and unlocking new revenue.

Activation Platform

Our Activation technology is a scalable and flexible platform that decouples the order processing customer experience from varied and legacy IT back office order management systems. This enables sale, delivery, and assurance of new “Complex Product” bundles quickly and cheaply, creates a uniform product portfolio and pricing schema across all Sales Channels and reduces cost while improving the customer experience by reducing error rates and throughput time in processing orders, alarms, etc. The platform is fully scalable, agile and adaptable to future products, services and channel changes, it serves as a future-proof activation platform with end-to-end channel visibility and analytics and features a flexible commercial model - Software as a service (“SaaS”) or product sale with professional services.

Network Optimization

The Synchronoss Spatial Suite provides an accurate, scalable solution for optimizing every phase of the network asset lifecycle including planning, sales, marketing and customer service. In addition to handling large volumes of customer transactions quickly and efficiently, our platforms are designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements. This knowledge enables us to adapt our solutions to automate a higher percentage of transactions over time, further improving the value of our solutions to our customers. Our platforms also offer a centralized reporting platform that provides intelligent, real-time analytics around the entire workflow related to any transaction. This reporting allows our customers to appropriately identify buying behaviors and trends, define their subscriber segments and pin-point areas where their business is changing or could be improved. These analytics enable our customers to upsell new and additional products and services in a targeted fashion that help increase their consumption of our product offerings. The automation and ease of integration of our platforms are designed to enable our customers to lower the cost of new subscriber acquisitions, enhance the accuracy and reliability of customer transactions thereby reducing the inbound service call volumes, and responding rapidly to competitive market conditions to create new revenue streams.

Synchronoss Insights Platform

SIP is a patent pending insight generation system, applying machine learning and artificial intelligence to the uniquely valuable data sets from network, devices and applications to deliver measurable, business-specific outcomes that help our customers make better informed decisions in marketing, finance, customer experiences and IoT. SIP combines an applied data science team, a proven and scalable data analysis platform and a highly flexible visualization interface into SaaS or success-based models to generate predictive insights and business results.

SIP provides customers the ability to:

- Create new revenue streams and enable monetization of data assets
- Optimize network investments while maximizing margin and customer value
- Accurately measure campaign and program effectiveness across channels such as mobile, digital, care and retail
- Target prospects for acquisition more effectively and efficiently - improving customer retention and satisfaction

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Synchronoss Advanced Analytics has offerings and solutions focused in the following verticals:

- Sales & Marketing: helps companies better target and refine promotional campaigns, improving key KPIs in customer acquisition and retention.
- Customer Experience: helps companies refine the effectiveness of digital customer experiences analyzing user responses, patterns and fail points to create better execution of products and services.
- Financial Assurance: is a comprehensive procurement-to-payment application suite that helps companies manage network expense and automate workflow, inventory management and governance.
- IoT: connects previously disparate data from M2M devices to create actionable insights and productized services for companies operating IoT solutions.

Synchronoss Cloud Platforms

Synchronoss Cloud platforms, products and solutions are designed to create a seamless customer experience for Operator subscribers from device purchase, service onboarding and ongoing content management.

Synchronoss Personal Cloud™

Our Synchronoss Personal Cloud™ platform is designed to deliver an operator-branded experience for subscribers to backup, restore, synchronize and share their personal content across smartphones, tablets, computers and other connected devices from anywhere at any time. A key element of our Synchronoss Personal Cloud™ platform is that it extends a carrier’s or OEM’s visibility and reaches into all aspects of a subscriber’s use of a connected device. It introduces the notion of Connect-Sync-Activate for all devices. Once connected, most users of mobile devices avail themselves of content synchronization from the Cloud using policies that are appropriate and applicable to each specific device. Our Synchronoss Personal Cloud™ platform is specifically designed to support connected devices, such as smartphones, MIDs, laptops, tablets and wirelessly enabled consumer electronics such as wearables for health and wellness, cameras, tablets, e-readers, personal navigation devices, and GPS enabled devices, as well as connected automobiles. Our Synchronoss Personal Cloud™ solution features products that facilitate the transfer of mobile content from one smart device to another and the sync, backup, storage, content management and content engagement features for mobile content.

Our Synchronoss Personal Cloud™ platform is linked to a family of clients designed to enable a persistent relationship between a subscriber and their content across devices and time. Our platform supports clients and data backup across major operating systems including: iPhone operating system (“iOS”), Android, Windows and works with mobile smart devices, tablets and PCs/Web. Our platform and clients also support the backup, sync, upload and download of data classes including photos, videos, music, messages, documents, contacts and call logs. Our clients may also feature interactive features intended to stimulate daily use of the product such as smart tagging, image and facial recognition, flashbacks, smart stories, smart push notifications, advanced sharing capabilities, and smart album creation, with more being added over time. Our Synchronoss Personal Cloud™ platform and clients may also integrate with select third party providers to co-opt features that drive third party application and service engagement which are designed to provide future monetization opportunities to third parties and carriers.

Mobile Content Transfer

Our Synchronoss Mobile Content Transfer™ solution is an easy to use product whose client enables a secure, peer-to-peer, wireless transfer of content from one mobile smart device to another in a carrier retail location or at home/work, etc. Our solution supports secure mobile content transfer across major operating systems including iOS, Android and Windows. Our Synchronoss Mobile Content Transfer™ solution can transfer select data classes that may include photos, videos, music, messages, documents, contacts and call logs, across operating systems with varying degrees of support in accordance with the openness of the platform.

Backup & Transfer

Our Synchronoss Backup & Transfer™ solution is a variation of Synchronoss Mobile Content Transfer™ that offers the same peer-to-peer transfer of select data classes across smart mobile devices and major operating systems and also offers the ability to send supported data classes that may include photos, videos, music, messages, documents, contacts and call logs up to the Cloud for temporary storage and then restore the content back into the new device or to a new device with the same client. This capability supports care channel use cases of securing content during a device wipe and also creates a value added solution in the case of lost devices, cracked screens and other edge use cases. Furthermore, our Synchronoss Backup & Transfer™ solution gives the subscriber the capability to establish a cloud account at the point of transfer and an auto sync capability to keep content backed up to the cloud account going forward. This unified experience is designed to drive cloud enrollment at the point of transfer (often during a new line or upgrade) and provide an opportunity to get content into the Cloud to reduce the time of transfer for the next upgrade.

Out of Box Experience ("OOBE")

Synchronoss OOBE is an integrated solution to allow Operators to integrate a first-use, branded set up experience on Android devices from retail and online purchases. Operators integrate this application into Android devices to allow for an easier to use experience for a streamlined device set up, promote value-added service applications for download and introduce the ability to store content in the Cloud - allowing an easier onboarding experience at the next device purchase and/or upgrade.

Synchronoss Messaging Platforms

Synchronoss Messaging platforms, products and solutions enable cross channel, secure communications across connected devices.

Advanced Messaging

Our Advanced Messaging platform supports advanced messaging in both RCS and RTC and enables rich, P2P communications and creates new commerce and revenue opportunities across channels via A2P experiences for Operators and other brands. Our messaging platform operates in tandem with Messaging-as-a Platform ("MaaP") technologies as well as dedicated, third party clients and native OEM clients.

- P2P Advanced Messaging Client: Advanced Messaging supports an advanced P2P client based on RCS and RTC technologies with compelling data (chat), voice, group and video communication features. Our RCS/RTC client creates new means of conversation providing richer communications, viral distribution via subscribers and provides new gateways for commerce that Short Message Service ("SMS") cannot provide.

- A2P Messaging Commerce: Our A2P solutions are an end-to-end set of capabilities to help Operators, TMT companies and third party brands establish an AI-driven dialogue with subscribers and consumers. The Advanced Messaging platform aggregates chat bot engines, software development kits ("SDK's") and API's exposing these tools to third party brands. This functions as an onboarding environment for chat bots, merchandising and advertising to function within a messaging environment. The platform collects user engagement data and through analytics powered dashboards, optimizing bot performance via campaign monitoring that ties into downstream third party customer relationship management ("CRM") operations.

- Messaging Marketplace ("MMP"): Our MMP is designed to help Operators effectively interface with A2P Providers in a dynamic and automated digital environment. The MMP platform automates and orchestrates the on-boarding of third party brands and services who participate in an Operator's A2P business. MMP provides easy to use tools to register a new A2P provider within an Operator's market place, integrating with Operator systems (commerce, billing), business terms of use, revenue sharing, etc. MMP provides a dynamic, comprehensive dashboard to give A2P providers real-time visibility to audience engagement, commerce transactions and other transaction-based dynamics. MMP allows for A2P providers to upload new experiences, new offers, manage dialogue with subscribers through chat bots, etc. through an easy-to-use no-code cloud native environment.

E-Mail

Email Suite provides service providers a secure, white-label, back-end framework for a branded, email service that's reliable, consistent, and safe. Our world-class email service is used by customers across the global market in North

America, Europe, the Middle East and Africa (“EMEA”), Latin America and the Asia Pacific (“APAC”) region.

Our Email suite offers feature-rich, reliable, and secure messaging - on any device - through integrated email, chat, voice, and video messaging. This messaging synergy enables a simpler sharing of files and photos, more privacy, greater security commerce transactions, larger mailboxes, unlimited attachment sizes, faster search and retrieval, and seamless access from smartphones and tablets. Our Email solution offers leading anti-virus & anti-spam and malware technology to keep the integrity and security of the customer experience and subscriber data protection to carrier standards. Our Email solution is designed to feature a branded and customizable user interface (“UI”) for emails, contacts, calendars, and tasks, accessible via smartphone, tablet, and desktop devices. User Experience delivers highly intuitive and feature-rich mobile and desktop email experiences that match what any over-the-top (“OTT”) provider offers.

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Synchronoss IoT Platforms

Our IoT solutions create an easy to administer, cloud-based dashboard enabling a single source visibility and control to disparate devices, sensors and data pools. Our platforms harvest data from disparate back office, data lakes, devices and systems to build new use cases, automated work flows, activations and more to better manage the performance of IoT ecosystems. Our Digital Experience Platform allows IoT administrators to create and manage administrative experiences and M2M use cases and transactions. Our Cloud Platform provides sync and data transfer between disparate devices and data pools using partitioned storage and Artificial Intelligence (“AI”) to guide intelligent sync of data as a device or service needs it. Our Advanced Messaging Platform provides IoT administrators with the ability to enhance work flows with automated or semi-automated chatbots guided by AI to create more proficient transactions, visibility and next best actions.

Synchronoss Smart Buildings Platform

Synchronoss Smart Buildings provides companies a single sourced view of performance and analytics of disparate smart buildings devices, systems and data centers throughout a commercial property. Smart Buildings is software that is designed to replace current facility management environments that often are burdened operating separate portals with disparate experiences, workflows and logins. Smart buildings supply a single portal interface, log in to an analytics driven dashboard giving companies full visibility to building performance - highlighting areas of proficient return, alerting to failures and making recommendations on next best actions and overall performance optimization. The Smart Buildings Platform provides access to real time data building wide, generates custom reports for different stakeholders and staff members. The Synchronoss Insights Platform (“SIP”) uses analytics and AI to identify current and future problem areas and guide administrators to next best actions to maximize efficiency.

Chief Financial Officers (“CFO”): Synchronoss Smart Buildings Platform is useful for CFOs to gain complete visibility of total building costs, insights to reduce costs and optimize ROI and easy creation and access to automated, data-rich reports.

Facility Managers: Synchronoss Smart Buildings Platform gives Facility Managers full visibility to facility information such as total power consumption, building alarms, building settings and can generate customized reports to be shared with Finance and other departments.

Facility Engineers: Synchronoss Smart Buildings Platform visibility into various problem points across the facility including alarms, etc. and providing recommendations for next best actions and the ability to update status for ongoing projects and developing situations.

Demand Drivers for Our Business

We believe Synchronoss is positioned to stay ahead of changing dynamics in the TMT and IoT markets. The demand drivers for our business underpin our platform, product and solution strategies to provide forward looking solutions to TMT providers to respond to changes and threats in their markets. TMT providers need to digitally transform to increase and find new sources of revenue, reduce operational cost and complexity and improve the appeal of their products and services to better compete with new standards set by over-the-top (“OTT”) competitors.

Overall Trends in the TMT Market

- Convergence: Communications companies are moving into different spaces (entertainment, content etc. for growth)

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Digital Transformation: Companies are using digital technology to grow revenue, cut costs and become more competitive with better customer experiences

- Competition: Digital companies are re-setting customer experience expectations in response to the digital advancements made by the FAANG (Facebook, Apple, Amazon, Netflix and Google) level of companies

- Disintermediation: Telecommunications providers are losing revenue and opportunity to provide growth-oriented and value-add services

Trends in Telecommunications

- Revenue Growth: CTIA reported wireless services have declined 5% to $179 billion showing the 2nd year in a row of decline. GSMA predicts overall operator revenue will remain relatively flat from $1.05 trillion in 2017 to $1.10 trillion in 2025.

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- Smart Phone Growth: International Data Corporation ("IDC") reports overall global smartphones are expected to decline 0.7% to 1.455 billion units in 2018.
- Capital Expenditures: Accenture predicts operators are expected to spend $275 billion on 5G in the US alone.
- Disintermediation: Over-the-top ("OTT") service providers cost operators $104 billion in revenue in 2017 (~12% decline in services revenue) according to Juniper Research.

Trends in Media Companies

- Disintermediation: OTT and TV everywhere services are disrupting US cable and satellite TV subscription models resulting in over 1 million "cord cutters" in the third quarter of 2018 (the greatest net subscriber loss in a quarter) accordingly to Company Reports.
- Content Costs: OTT competitors are driving content costs up. Netflix, for example plans to spend over $8 billion on original content, Amazon $4.5 billion according to the Diffusion Group.
- Social Media: Facebook and Google have become two of the largest funders and publishers of media in the world, taking revenue directly away from traditional media and content companies.
- Mobile Operators: Acquisition of MSOs and content companies (e.g. AT&T Direct TV, TWC, Verizon and Oath).

Trends in Technology Companies

- FAANG Disruption: Forbes predicts by 2020 customer experience will overtake price and product as the key brand differentiator.
- Innovative, New Customer Experiences: In the last year, 1 in 5 shoppers made a purchase using voice (e.g. Alexa, Siri, etc.) according to SupplyChainBrain.
- Digital Transformation: Enterprises can increase revenues by 23% with digital-first strategies according to IDG. Gartner predicts phone-based communications will account for only 10% of all customer service interactions in 2020.
- Artificial Intelligence: Business Insider Intelligence predicts 10% of all global assets (~$8 trillion) will be managed by robots by 2020. Gartner predicts (i) by 2020, smart personalization engines used to recognize customer intent will enable digital businesses to increase their profits by up to 15%; (ii) by 2021, 15% of all customer service interactions will be completely handled by AI, an increase of 400% from 2017; and (iii) by 2022, 50% of new digital business revenue streams will be discovered using machine-generated dynamic metadata.

Propagation of 5G Network and IoT

- Perhaps the biggest growth driver of the next five years will be the advent of the 5G Network and the epoch change in business that comes with it. Network operators will trial 5G in 2018, with the goal of launching in 2020. 5G tops out at 10 gigabits per second ("Gbps"). That means 5G is a hundred times faster than the current 4G technology-at its theoretical maximum speed. Perhaps the real value in 5G isn't the speed but the low latency. The 5G Network was designed around enabling use cases in the IoT marketplace and this network will set the IoT market on its way. Smart Cities will be a major driver and customer of the 5G networks. Gartner estimates that around 380 million connected things are in use in cities to deliver sustainability and climate change goals in 2017, and that this figure will increase to 1.39 billion units in 2020, representing 20 percent of all smart city connected things in use. The amount of data traffic will likely grow faster than the number of connections because of the increase of deployment of video applications on M2M connections and the increased use of applications, such as telemedicine and smart car navigation systems, which require greater bandwidth and lower latency. Moreover, more people are moving into urban environments where IoT and smart cities are growing. By 2050, there is expected to be 7.5 billion people living in urban environments, equivalent to the entire world population today. Simply put, cities will be forced to get more efficient causing a greater need for IoT device, ecosystem, network and administrative solutions. For example, Ericsson predicts that major 5G network deployments should be expected from 2020, with an estimate of 1.5 billion 5G subscriptions for enhanced mobile broadband by the end of 2024. Further, Deloitte Global predicts about 1 million

5G handsets will be shipped by the end of 2019 and IDC predicts that 5G will be a key enabler of enterprise transformation in 2019, with over 70% of all 5G connections to stem from business use cases by 2024.

Growth Strategy

Our growth strategy is to establish our platforms as disruptive technology to the TMT and IoT customers and pursue a leadership agenda in strategically select vertical segments of the digital transformation, cloud, advanced messaging and IoT solutions markets. We expect to scale our growth across our platforms and pursue logical extensions of new products and solutions into new markets

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as it makes sense. We will continue to focus our technology and development efforts around helping our customers create new revenue, optimize their cost and operations and innovate the experience of their end customer touch points.

The tenants of our growth strategy are:

Expanding Our Customer Base from Operators to TMT
By expanding our product and market focus from white label services and back office solutions for Operators, MSOs and OEMs to Digital, IoT and Advanced Messaging solutions for the broader TMT market, we have increased the breadth and depth of opportunities for our technologies and significantly grown our potential customers base. With that comes an increased variety of potential customer engagements in focused verticals markets, shortened sales cycles and higher overall visibility in the TMT/IoT marketplaces.

Growing from Domestic to Global Reach
We have invested significantly in our sales, marketing and operations to expand our historically North American presence and revenue weighting to a global presence - especially in the EMEA and APAC markets. Similarly, with our digital platform, we are addressing the issues facing many large, global companies who struggle to create proficient and less costly service distribution across dozens of different countries and regions. This allows us to efficiently sell once and deploy many times inside extremely large companies while delivering impactful global solutions in record time.

Scaling via Partnerships
In 2018 we built a strong partner network around technology companies that have complimentary solutions, ready channels and a strategic overlap in their customers and prospects. This focus extends the scope of our functionality and appeal to new customers with partner technologies, greatly increasing the reach of our sales and marketing which in turn increase the scale and sales velocity of our platforms, products and solutions at lower cost.

Transition from Licensing to Recurring
Healthy growth for Synchronoss will be realized by the deliberate and systematic shift from perpetual license-based revenue to SaaS and Platform as a Service (“PaaS”) recurring revenue models. From a customer standpoint, this will allow us to focus and better serve high value relationships characterized by mutual commitment, collaboration on achieving customer KPIs from each deployment, shared success in transactions and other models. Building our growth model around recurring revenue brings increased predictability, stability and reliability of revenue, predictable cash flow, lower risk, and higher value focus in sales and marketing. Additionally, recurring revenue models greatly help with managing expense and investment relative to the success of platform engagements.

Customers

Our industry-leading customers include Tier 1 mobile service providers such as AT&T Inc., Verizon Wireless, Vodafone, KDDI, NTT DoCoMo, Orange, SoftBank, Sprint, T-Mobile US and Telstra, and Tier 1 cable operators/MSOs and wireline operators including AT&T Inc., BT Group, Comcast, Cablevision, Charter, CenturyLink, Mediacom and Level 3 Communications. These customers utilize our platforms, technology and services to service both consumer and business customers.

We maintain strong and collaborative relationships with our customers, which we believe to be one of our core competencies and critical to our success. Contracts extend up to 60 months from execution and include minimum transaction or revenue commitments from our customers. Many of our significant customers may terminate their contracts for convenience upon written notice, in many cases payment of contractual penalties would accompany such termination.

Our top five customers accounted for 69%, 73% and 74% of net revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of our revenues in 2018. The loss of Verizon as a customer would have a material negative impact on our company. However, we believe that the costs incurred and subscriber disruption by Verizon to replace Synchronoss' solutions would be substantial.

Sales, Partnerships and Marketing

Sales

We sell our platforms, products and services through a direct sales force, our strategic partnerships and, collaboration with our customers to re-sell services to their end customers and subscribers. To date, we have concentrated our sales efforts on a range of select verticals of the TMT and IoT markets including telecommunications companies (CSPs, MSOs), OEMs, technology

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providers, media companies, government and multi-channel retailers both domestically and internationally. Typically, our sales process involves an initial consultative process that allows our customers to better assess the operating and capital expenditure benefits associated with an optimal activation, provisioning, and cloud-based content management architecture. Our sales teams are well trained in our platforms, products and services and well versed in market trends, demands and conditions that our current and potential customers are facing. This enables them to identify and qualify opportunities that are appropriate for our platform and solution deployments to benefit these customers. Following each sale, we assign account managers to provide ongoing support and to identify additional sales opportunities. We generate leads from contacts made through trade-shows, seminars, conferences, events, analyst relationships, social media, market research, our Web site, customers, strategic partners and our ongoing public relations programs.

Partnerships

We have a dedicated partner outreach organization that functions in tandem with business development within Synchronoss. The Synchronoss Partnership program has three dedicated vectors of focus:

Go To Market/Channels: We are pursuing partnerships with technology companies who supply customers and hosted solutions to Synchronoss platforms, products and solutions. Synchronoss will supply value by introducing these partners to our pipeline of global customers and will receive the benefit of customers from our Technology partners who have interest in Synchronoss platform, products and solutions. These partnerships will provide new sales funnels and scale to Synchronoss offerings.

Technology Augmentation: We are pursuing partnerships with technology companies with complementary IP in platforms, products and solutions. Synchronoss is pursuing partnerships with a two-way value-add in technologies that supply strategic functionality to our mutual customers. These partnerships will provide ready-made technologies that allow our platforms, products and solutions to participate in new markets without the investment in new technology.

System Integrators: We are pursuing partnerships with system integrators (“SI”) and consulting firms in order to expose our platforms, products and solutions to a wider range of customers and supply our SI partners with ready-made IP to fulfill on their custom solutions. These partnerships will provide SI’s with turnkey technologies to fulfill vertical lines of solutions in the TMT and IoT space and will formulate the basis of a formal Synchronoss Partnership Program featuring toolkits, documentation, a dedicated extranet and other channel support.

Maintain Technology Leadership: We strive to continue to build upon our technology leadership by continuing to invest in research and development to increase the automation of processes and workflows and develop complementary product modules that leverage our platforms and competitive strengths, thus driving increased interest by making it more economical for customers to use us as a third-party solutions provider. In addition, we believe our close relationships with our Tier 1 customers will continue to provide us with valuable insights into the dynamics that are creating demand for next-generation solutions.

Leverage and Enforce our Intellectual Property: We have a significant repository of granted and filed patents and trademarks, and we expect to use this as a differentiator of our products and services in the marketplace.

Marketing

We focus our marketing efforts on increasing the visibility of Synchronoss and its technologies in our target the markets, communicating the value of our platforms, products and services, engaging the subscriber base to increase adoption through CSP and MSO accounts, and creating new opportunities in our partner channels. We do this through the following practices and points of emphasis:

- Public Relations - We generate visibility with joint customer and partner releases and announcements, the soliciting of earned media from prominent industry publishers, the release of thought leadership content and other owned media of interest to our target markets. Our team is active in preeminent technology and industry forums such as TeleManagement Forum (“TM Forum”), Cellular Telecommunications Industry Association (“CTIA”) and the Global System for Mobile Communications (“GSMA”). We participate regularly and invest heavily in our presence at major events, exhibiting and hosting strategic meetings, conducting product demonstrations, speak at keynotes, panels and other forums including the Consumer Electronics Show (“CES”), Mobile World Congress (“MWC”) in Europe, Asia and The United States, and are constantly evaluating our ability to participate in new events, forums and technology communities.

- Analyst Relations - We invest in premium relationships with Gartner, Forrester and communicate regularly with IDC, Strategy Analytics, Ovum and others. We are active in the promotion of our technologies to analysts and shape

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their perceived value vis-à-vis competitors in various market quadrants. We participate in frequent dialogue to propagate mention of our technologies, white paper downloads and other means of increasing our visibility to key decision makers within the TMT and IoT markets.

- Account Based, Digital Marketing ("ABM") - We work closely with sales to create custom offers that are digitally sent to key prospects and account contacts via email, text and social media. The campaigns are monitored for engagement and guidance of continuing, sales driven communications.

- Product Marketing - Our marketing team creates sales materials including presentations, downloadable documents and various multimedia to support our direct sales model.

- Social Media Marketing - Our team distributes updates, tweets and posts across a variety of social media on accounts of the Company and select Synchronoss leaders.

- Digital Marketing - Our team maintains our corporate web site and creates digital content to be used in ABM and other means of digital outreach. Additionally, we create targeted SEO profiles for each product and monitor discovery and engagement KPIs, automated responses, campaign landing pages and inbound direct contact forms.

- Partnership Marketing - Our team works closely with marketing resources from our strategic partners to create content, participate in joint campaigns, speaking engagements and the use of marketing development funds.

- Go-To-Market Collaborations - Our-Go-To Market team collaborates with product owners and channel marketers from our Operator customers to increase subscriber awareness and engagement of our white label Personal Cloud and Advanced Messaging products.

Competition

Competition across our markets is intense and includes rapidly-changing technologies, evolving industry standards, new product introductions and converging spaces and services.

We are aware of the categories of competitors set forth below relative to the different platforms we offer in the TMT and IoT markets. Our competitors spend significant resources on developing and marketing products and services that will compete with our platforms on a global scale. We anticipate the markets in which we compete will remain intensely competitive for the near future:

Digital Competitors

- System Integrators - Accenture, Amdocs and others engage our customers in long term contracts for services focused on digital transformation.

- CRM and BPM Providers - Major providers of CRM and other systems of record such as Salesforce, Pega Systems and Vlocity are engaging with our customers in engagements that emulate our Digital Experience Platform.

- Internal IT- Our customers and prospects IT developers and system administrators are engaged in products to upgrade existing systems that would conflict with our Digital Experience and IoT platforms.

Cloud Competitors

- Over-the-Top ("OTT") Service & Platform Providers - Apple, Google, Drop Box, Box, Microsoft and Amazon all provide global personal cloud services. Apple and Google are primarily tied to their device platforms where Amazon and Microsoft provide device-agnostic services closely tied to their other service offerings. By and large, OTT cloud service providers do not target Operators as their distribution channel and solicit customers at large by leveraging captured audiences from their device or software platforms.

- White Label Platform Providers - The field of platform-independent, white label personal cloud providers has consolidated in recent years with Funambol, Onecloud and others competing for Operator distribution deals. However, these providers generally target 2nd and 3rd tier regional operators with low-risk, revenue share business models and do not generally pose a real threat to Tier 1 world-wide Operators.

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Messaging Competitors

Over-the-Top (“OTT”) Service Providers - Major device and OS platform providers such as Google, Microsoft along with prominent web platform providers such as Yahoo! have traditionally offered branded email solutions to Operators. Operators have, in recent years, turned from white label solutions to OTT-branded solutions in an effort to shed costs. Tier 1 Operators have vacillated between OTT and white label solutions world-wide as Carriers are now looking to consolidate branded touch points with their customers in multiple channels.

IoT Competitors

IoT Platform and Solutions providers such as Honeywell, Siemens, GE are among just some of the large competitors in the IoT and Smart Buildings market. Most focus on IoT solutions for their systems and equipment but may over time begin looking at aggregation solutions to provide complete building monitoring and management.

IoT Platforms - there are numerous IoT platforms such as Cisco IoT Cloud which provide capabilities in building end to end solutions. Enterprise clients and System Integrators can use these platforms to create competitive solutions.

We believe we are positioned to be competitive in each platform segment. We believe the most important factors making us a strong competitor include:

Competitive Advantages for Synchronoss Digital Platforms

The impact of “FAANG” (Facebook, Apple, Amazon, Netflix and Google) on the market is easy to see by virtue of the market share, revenue and cultural impact attained by like companies. As companies in the TMT space look to reclaim lost market share, revenue and seek to trim costs to compensate, they must find ways to deliver compelling, Omni-channel customer experiences. On this point, the IDC expects that companies are spending upwards of $1.3 trillion on digital transformation initiatives as of 2018. A great part of this effort is captured by the $16.91 billion companies are projected to spend according to Touch Point on customer experience management by 2022 as businesses with Omni-channel experiences have a 30% higher customer lifetime value compared to others who offer single channel experiences according to Hubspot.

However, Capgemini reports 90% of companies lack the skill sets to capitalize on these initiatives - further, they lack the software to help their existing systems find ways to capitalize on faster times to market, featuring more innovative customer experiences at lower costs. For this reason, Synchronoss has invested significantly in revitalizing its digital platform to assist TMT companies in not only catching up but actively competing for the revenue, market share and cultural impact they have lost to FAANG companies.

- Omni-Channel Innovation - Synchronoss DXP creates an environment where companies can centrally create and manage Omni-channel experiences - allowing total control of channel user experiences creating a continuous and intelligent pause and resume experience across channels.

- Simple Systems Integration - Synchronoss DXP integrates into any back office system APIs, extracting mission-critical data and work flows into its Journey Creator environment - using this data to fuel innovative customer experiences into existing channels. This eliminates the need for companies to “rip and replace” their existing systems in order to innovate, create new revenue and reduce costs.

- Easy to Operate Tools - Synchronoss DXP is a low/no-code, object-oriented environment that centrally collects back office data and uses this data to create compelling, intelligent user experiences across various end channels. The drag-n-drop journey creation experience is simple, intuitive to allow IT developers to operate faster and create an environment easy enough for business analysts and channel owners to collaborate.

- Cost Efficient creation of FAANG-like Experiences - Synchronoss DXP allows existing systems to support middleware that sits between the back office and channel user experiences to create a centralized command and control center to author user experiences across touch points. This allows companies to author and manage better, more innovative and more effective customer experiences with a fraction of the manpower necessary in a business-as-usual ("BAU") environment. DXP, in essence, is essential to check all the boxes of digital transformation: new revenue, innovative experiences and reduced costs.

Competitive Advantages for Synchronoss Cloud Platforms

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- Once an enterprising, forward-looking service proposition for Operators, the personal cloud market has matured over the last decade to become a staple of meeting a person's digital needs. Today, data is becoming more valuable than the devices themselves. By the end of 2019, Statista estimates that more than 2 billion subscribers will have personal cloud accounts, of which 500 million Google Photos subscribers upload 1.2 billion photos and videos every day according to Techcrunch. Similarly, Apple has increased their free and premium cloud storage tiers by 200% according to Appleinsider. Further, as we look ahead to the advent of IoT and 5G, IDC estimates that there will be 80 billion devices in the IoT space alone by 2025 that look to utilize private clouds for various mission-critical, edge-data-transfer use cases. In 2018, Datanami reports the three biggest public cloud vendors grew at a rate approaching 50%. Over 3.2 billion images are shared online every day according to Stackla.

We believe Synchronoss provides the world's largest white label cloud solution for Operators in which they can generate new services revenue but can extend a branded relationship to an essential service, capture valuable data to provide better experiences and offer a level of security that has not been demonstrated by OTT competitors.

Competitive Advantages for Synchronoss Messaging Platforms

The decline of Operator revenue growth includes a precipitous drop in messaging revenue and relevance. Traditional SMS traffic has plummeted giving rise to IP (Internet Protocol) based messaging -much of this traffic is attributed to the growth in popularity from Over-the-top ("OTT") providers such as WeChat, Line, Facebook Messenger, Snapchat, Whats App? and more. It is estimated that there are over 4 billion messaging users. WeChat and Line alone outpace daily SMS traffic by over a 3-1 ratio with 45 billion and 25 billion messages a day respectively. And with this shift in traffic comes an equally dramatic shift in commerce. By 2030 it is estimated that OTT and RCS commerce will constitute 90% of all messaging revenue - an inverse position from 2015 when premium SMS drove almost all revenue. These new messaging venues are using advanced experiences such as chat bots that drive high user engagement. 67% of consumers recently surveyed have used a chat bot in the last 12 months.

We believe due to our IP in advanced mobile messaging and strong Operator track record and heritage, Synchronoss is well-positioned to take part in the ground floor of the new messaging revenue growth. Synchronoss extended its Operator email contracts in Japan in their transition to an RCS messaging paradigm. We were selected to provide our RCS/RTC technology and platforms to the first Operator messaging cooperative in Japan, powering their Plus Message offering. Our white label Advanced Messaging Platform offers a comprehensive solution for Operators to take advantage of the onset of RCS messaging:

- Operator Neutrality - Synchronoss has historically managed discrete confidential contracts between competitive Operators world-wide. We believe this puts us in a unique position to work with Operators who are seeking to band together and create national messaging services to offset their collective loss to OTT Messaging Providers.

- P2P Messaging: Synchronoss' Advanced Messaging platform works with various MaaP configurations across Operators and OEMs, providing key messaging management services for RCS capable handsets and clients.

- A2P Commerce: Our Advanced Messaging supports native RCS, SMS and Client-driven RCS solutions providing maximum range across devices and operating systems - giving Operators maximum scale for commerce engagement.

- Brand Ecosystem Management: Our Advanced Messaging Platform provides an easy-to-use management portal for brands and Operators to connect commerce to subscribers.

- Operator-Grade Scale and Security: We believe our track record with massive, secure Operator installations, meeting highly regulated SLA requirements, puts Synchronoss in a position to look after the interests of each individual Operator as well as collectives.

Competitive Advantages for Synchronoss IoT Platforms

The forecasted growth in IoT devices and the IOT business is set to eclipse all previous mobile growth. M2M connections are set to double in 2021 to 3.3 billion. By 2020, it is estimated that 75% of new vehicles are expected to be Internet equipped and by 2025 the number of smart cities is expected to increase 4 times to 88. It is estimated that companies will spend upwards of $1 trillion on IoT by 2020 to capitalize on these new opportunities. We believe this opportunity is offset by a highly fractious nature of a complex landscape of disparate technologies, standards, data pools, business models and a gap in accessible administrative tools. This creates challenges for Operators, who are looking to recoup massive capital outlay of their 5G networks by monetizing new services.

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Synchronoss has been closely involved in enabling Operator IoT offerings supporting the provisioning of Internet capable vehicles and wearables. Our white-label business model is accretive to Operators, allowing them to bring new IoT services to market - adding new revenue and new value to IoT Network packages.

Our Smart Buildings platform uses automation, orchestration and analytics that bring disparate building systems together - creating energy efficiencies, insights and easier points of management for administrators. This creates an easy to sell, easy to use plug and play, end-to-end solution powering IoT use cases that can be deployed quickly and operated easily.

Employees

We believe that our growth and success are attributable in large part to our employees and an experienced management team, many members of which have years of industry experience in building, implementing, marketing and selling transaction management solutions critical to business operations. We intend to continue training our employees, as well as developing and promoting our culture, and believe that these efforts provide us with a sustainable competitive advantage. We offer a work environment that enables employees to make meaningful contributions, as well as incentive programs that are designed to continue to motivate, retain and reward our employees.

As of December 31, 2018, we had 1,428 full-time employees located in India, North America, Europe and Asia Pacific regions. None of our employees are covered by any collective bargaining agreements.

Geographic Information

Information regarding financial data by geographic location is set forth in Note 2. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K in sub-section “Segment and Geographic Information”.

Available Information

Our Web address is www.synchronoss.com. On this Web site, we post the following filings after they are electronically filed with or furnished to the SEC: Form 10-K, Form 10-Q, our current reports on Form 8-K, our proxy statement on Form 14A related to our annual stockholders’ meeting and any amendment to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available on the Investor Relations portion of our Web site free of charge. The contents of our Web site are not intended to be incorporated by reference into this Form 10-K or in any other report or document we file.

The reports filed with the SEC by us and by our officers, directors and significant shareholders are available for review on the SEC’s website at www.sec.gov. You may also read and copy materials that we filed with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Synchronoss and Synchronoss Personal Cloud and other trademarks of Synchronoss appearing in this Form 10-K are the property of Synchronoss. Other trademarks or service marks that may appear in this Annual Report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Annual Report are referred to without the ®, ™ and SM symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

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ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. The following are certain risk factors that could affect our business, financial results and results of operations. You should carefully consider the following risk factors in connection with evaluating the forward-looking statements contained in this Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. The risks that we have highlighted here are not the only ones that we face. If any of the risks actually occur, our business, financial condition or results of operation could be negatively affected. In that case, the trading price of our stock could decline, and our stockholders may lose part or all of their investment.

Risks Related to Our Business and Industry

We recently consummated a number of significant transactions with respect to the strategic direction of our business. There can be no guarantee that this strategy will be successful or that we will experience consistent and sustainable profitability in the future as a result of our new strategy.

We have recently made a number of major announcements, including our divestiture of our activation exception handling business, which closed in December 2016, and our acquisition and subsequent divestiture of Intralinks during 2017. These transactions signify a pivot in our strategy to focus on our digital transformation, messaging and cloud businesses moving forward. We cannot guarantee that our strategy is the right one or that we will be effective in executing our strategy. Our strategy may not succeed for a number of reasons, including, but not limited to: general economic risks; execution risks with acquisitions; risks associated with sales not materializing based on a change in circumstances; disruption to sales; increasing competitiveness in the enterprise and mobile solutions markets; our ability to retain key personnel following acquisitions; the dynamic nature of the markets in which we operate; specific economic risks in different geographies and among different customer segments; changes in foreign currency exchange rates; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality risks; execution risks around new product development and introductions and innovation; product defects; unexpected costs, assumption of unknown liabilities and increased costs for any reason; potential litigation and disputes and the potential costs related thereto; distraction and damage to sales and reputation caused thereby; market acceptance of new products and services; the ability to attract and retain personnel; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; risks associated with the adoption of, and demand for, our model in general and by specific customer segments; competition and pricing pressure.

If one or more of the foregoing risks were to materialize, our business, results of operations and ability to achieve sustained profitability could be adversely affected.

Our outstanding indebtedness and related obligations could adversely affect our financial condition and restrict our operating flexibility.

We have substantial debt and related obligations. In August 2014, we issued $230.0 million aggregate principal amount of the 2019 Notes, approximately $114.0 million of which remain outstanding. To remedy issues, we may encounter with meeting our debt obligations, or for other purposes, we may find it necessary to seek further refinancing of our indebtedness, and may do so with debt instruments that are more costly than our existing instruments (and which will rank senior to our equity securities), or we may issue additional equity securities which may dilute the ownership interests or value of our existing shareholders. These actions may decrease the value of our equity securities. Our substantial level of debt and related obligations, including interest payments, covenants and restrictions, could have important consequences, including by:

- impairing our ability to invest in and successfully grow our business and make acquisitions;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, which could result in an event of default under the agreement governing the 2019 Notes;
- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, debt obligations and other general corporate requirements;
- hindering our ability to raise equity capital, because, in the event of a liquidation of our business, debt holders have priority over equity holders;
- increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to competitors that are less leveraged and therefore we may be unable to take advantage of opportunities that our leverage prevents us from exploiting;

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- imposing additional restrictions on the manner in which we conduct our business, including restrictions on our ability to pay dividends, incur additional debt and sell assets; and
- placing us at a possible disadvantage relative to less leveraged competitors and competitors that have better access to capital resources.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, operating results or cash flows and ability to satisfy our obligations under our indebtedness. Our failure to comply with the covenants under the agreements governing the 2019 Notes, the approval by our stockholders to approve a plan or proposal for the liquidation or dissolution of our Company or our common stock ceasing to be listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors) could result in an event of default and the acceleration of any debt then outstanding under the 2019 Notes, as the case may be. Any declaration of an event of default could significantly harm our business and prospects and could cause our stock price to decline. Insufficient funds may require us to delay, scale back or eliminate some or all of our activities.

We received a notice of default from holders of more than 25% of the outstanding principal amount of the 2019 Notes on October 13, 2017. Based on the terms of the 2019 Notes, we were obligated to begin paying additional interest starting January 11, 2018 (the 90th day following our receipt of the notice of default).

On June 13, 2018, the Trustee under the Indenture filed. a complaint (the “BNY Action”) which alleged that a “Fundamental Change” had occurred under the Indenture as a result of our common stock ceasing to be listed or quoted on Nasdaq and that an Event of Default under the Indenture has occurred as a result of our failure to provide a notice of such Fundamental Change, which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes. On November 2, 2018, we retired approximately $116.0 million of the 2019 Notes as part of a settlement agreement entered into on November 1, 2018, among us, Indaba Capital Fund, L.P and Westwood Management Corp. related to the BNY Action and, as a result the parties filed a stipulation of dismissal of the BNY Action. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K.

In addition, the Indenture issued in connection with the 2019 Notes has a change in control provision that provides that, upon the occurrence of a change in control, the 2019 Notes shall become due and payable.

We intend to reserve from time to time a certain amount of cash in order to satisfy the obligations relating to our debt, which could adversely affect the amount or timing of investments to grow our business.

The 2019 Notes are unsecured debt and are not redeemable by us prior to the maturity date. Holders of the 2019 Notes may require us to purchase all or any portion of their 2019 Notes at 100% of their principal amount, plus any unpaid interest, upon a fundamental change, which is generally defined to include a merger, liquidation or dissolution involving us or our common stock ceasing to be listed or quoted on the New York Stock Exchange or Nasdaq.

We intend to reserve from time to time a certain amount of cash in order to satisfy these obligations relating to the 2019 Notes, which could materially affect the amount or timing of any investments to grow our business. If any or all of the 2019 Notes are not converted into shares of our common stock before the maturity date, we will have to pay the holders the full aggregate principal amount of the 2019 Notes then outstanding. Any of the above payments could have a material adverse effect on our cash position. If we fail to satisfy these obligations, it may result in a default under the Indenture, which could result in a default under certain of our other debt instruments, if any. Any such default would harm our business and the price of our securities could fall. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K.

Our business may not generate sufficient cash flows from operations or future borrowings from institutional creditors or from other sources may not be available to us in amounts sufficient to enable us to repay our indebtedness or to fund our other liquidity needs, including capital expenditure requirements and share repurchase programs announced from time to time.

We cannot guarantee that we will be able to generate sufficient revenue or obtain enough capital to service our debt, fund our planned capital expenditures, and execute on our new business strategy. We may be more vulnerable to adverse economic conditions than less leveraged competitors and thus less able to withstand competitive pressures. Any of these events could reduce our ability to generate cash available for investment or debt repayment or to make improvements or respond to events that would enhance profitability. If we are unable to service or repay our debt when it becomes due, our lenders could seek to accelerate payment of all unpaid principal and foreclose on our assets, and we may have to take actions such as selling assets, seeking additional equity investments or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Additionally, we may not be able to take these types of actions, if necessary, on commercially reasonable terms, or at all. The occurrence of any of these events would have a material adverse effect on our business, results of operations and financial condition.

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If we fail to compete successfully with existing or new competitors, our business could be harmed.

If we fail to compete successfully with established or new competitors, it could have a material adverse effect on our results of operations and financial condition. The communications and enterprise industries are highly competitive and fragmented, and we expect competition to increase. We compete with independent providers of information systems and services and with the in-house departments of our OEMs and communications services companies' customers. Rapid technological changes, such as advancements in software integration across multiple and incompatible systems, and economies of scale may make it more economical for CSPs, MSOs or OEMs to develop their own in-house processes and systems, which may render some of our products and services less valuable or, eventually, obsolete. Our competitors include firms that provide comprehensive information systems and managed services solutions, BYOD providers, systems integrators, clearinghouses and service bureaus. Many of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources and strong name recognition.

Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our current or prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements and may be able to devote greater resources to the promotion and sale of their products. These relationships and alliances may also result in transaction pricing pressure, which could result in large reductions in the selling prices of our products and services. Our competitors or our customers' in-house solutions may also provide services at a lower cost, significantly increasing pricing pressure on us. We may not be able to offset the effects of this potential pricing pressure. Our failure to adapt to changing market conditions and to compete successfully with established or new competitors may have a material adverse effect on our results of operations and financial condition. In particular, a failure to offset competitive pressures brought about by competitors or in-house solutions developed by our customers could result in a substantial reduction in or the outright termination of our contracts with some of our customers, which would have a significant, negative and material impact on our business.

The markets in which we market and sell our products and services are highly competitive, and if we do not adapt to rapid technological change, we could lose customers or market share, which could adversely affect our achievement of revenue growth.

The industries we serve are characterized by rapid technological change and frequent new service offerings and are highly competitive with respect to the need for innovation. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to these rapidly changing markets by continually improving the features, functionality, reliability and responsiveness of our products and services, and by developing new features, services and applications to meet changing customer needs and further address the markets we serve. Our ability to take advantage of opportunities in the markets we serve may require us to invest in development and incur other expenses well in advance of our ability to generate revenues from these offerings or services. We may not be able to adapt to these challenges or respond successfully or in a cost-effective way. Our failure to do so would adversely affect our ability to compete and retain customers and/or market share and could adversely affect our achievement of revenue growth. In addition, as we expand our service offerings, we may face competition from new and existing competitors. It is also possible that our customers could decide to create, invest in or collaborate in the creation of competitive products that might limit or reduce their need for our products, services and solutions. Further, we may experience delays in the development of one or more features of our offerings, which could materially reduce the potential benefits to us providing these services. In addition, our present or future service offerings may not satisfy the evolving needs of the industry in which we operate. If we are unable to anticipate or respond adequately to these evolving market needs, due to resource, technological or other constraints, our business and results of operations could be harmed. In addition, the arrival of new market entrants could reduce the demand for our services or cause us to reduce our pricing, resulting in a loss of revenue and adversely affecting our business, results of operations and financial condition. Also, the use of internal technologies, developed by our customers or their advisers, could reduce the demand for our services, result in pricing pressures or cause a reduction in our revenue. If we fail to manage these challenges adequately, our business, results of operations and financial condition could be adversely affected.

The success of our business depends on our ability to achieve or sustain market acceptance of our services and solutions at desired pricing levels.

Our competitors and customers may cause us to reduce the prices we charge for our services and solutions. Our current or future competitors may offer our customers services at reduced prices or bundling and pricing services in a manner that may make it difficult for us to compete. Customers with a significant volume of transactions may attempt to use this leverage in pricing

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negotiations with us. Also, if our prices are too high, current or potential customers may find it economically advantageous to handle certain functions internally instead of using our services. We may not be able to offset the effects of any price reductions by increasing the number of transactions we handle or the number of customers we serve, by generating higher revenue from enhanced services or by reducing our costs. If these or other sources of pricing pressure cause us to reduce the pricing of our service or solutions below desirable levels, our business and results of operations may be adversely affected.

If we do not continue to improve our operational, financial and other internal controls and systems to manage our growth and size, our business, results of operations and financial condition could be adversely affected.

Our historic and anticipated growth will continue to place significant demands on our management and other resources and will require us to continue to develop and improve our operational, financial and other internal controls. In particular, our growth will increase the challenges involved in:

- recruiting, training and retaining technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires;
- maintaining high levels of customer satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- preserving our culture, values and entrepreneurial environment; and
- effectively managing our personnel and operations and effectively communicating to our personnel worldwide our core values, strategies and goals.

In addition, the increasing size and scope of our operations increase the possibility that a member of our personnel will engage in unlawful or fraudulent activity, breach our contractual obligations, or otherwise expose us to unacceptable business risks, despite our efforts to train our people and maintain internal controls to prevent such instances. If we do not continue to develop and implement the right processes and tools to manage our enterprise, our business, results of operations and financial condition could be adversely affected.

Technology drives our products and services. If we fail to keep pace with technological advances in the industry, or if we pursue technologies that do not become commercially accepted, customers may not buy our products or use our services.

The telecommunications industry uses numerous and varied technologies, and large service providers often invest in several and, sometimes, incompatible technologies. The industry also demands frequent and, at times, significant technology upgrades. Furthermore, enhancing our services revenues requires that we develop and maintain leading tools. We will not have the resources to invest in all of these existing and potential technologies. As a result, we concentrate our resources on those technologies that we believe have or will achieve substantial customer acceptance and in which we will have appropriate technical expertise. However, existing products often have short product life cycles characterized by declining prices over their lives. In addition, our choices for developing technologies may prove incorrect if customers do not adopt the products that we develop or if those technologies ultimately prove to be unviable. Our revenues and operating results will depend, to a significant extent, on our ability to maintain a product portfolio and service capability that is attractive to our customers; to enhance our existing products; to continue to introduce new products successfully and on a timely basis and to develop new or enhance existing tools for our services offerings.

The development of new technologies remains a significant risk to us, due to the efforts that we still need to make to achieve technological feasibility, due to rapidly changing customer markets; and due to significant competitive threats.

Our failure to bring these products to market in a timely manner could result in a loss of market share or a lost opportunity to capitalize on new markets for emerging technologies and could have a material adverse impact on our business and operating results.

The success of our business depends on the continued growth in demand for connected devices and the continued availability of high-speed access to the Internet.

The future success of our business depends upon the continued growth in demand for connected devices and business transactions on the Internet, and on our customers having high-speed access to the Internet, as well as the continued maintenance and development of the Internet infrastructure. While we believe the market for connected devices will continue to grow for the foreseeable future, we cannot accurately predict the extent to which demand for connected devices will increase, if at all and the ability to attract consumers who have historically purchased wireless services and devices through traditional retail stores. If the demand for connected devices were to slow down or decline, our business and results of operations may be adversely affected. If for any reason the Internet does not remain a widespread communications medium and commercial platform, the demand for our services would be significantly reduced, which would harm our business, results of operations and financial condition.

To the extent the Internet continues to experience increased numbers of users, frequency of use or bandwidth requirements, the Internet may become congested and be unable to support the demands placed on it, and its performance or reliability may decline. Any future Internet outages or delays could adversely affect our business, results of operation and financial condition.

Our business growth would be impeded if the performance or perception of the Internet was harmed by security problems such as “viruses,” “worms” or other malicious programs, reliability issues arising from outages and damage to Internet infrastructure, delays in development or adoption of new standards and protocols to handle increased demands of Internet activity, increased costs, decreased accessibility and quality of service, or increased government regulation and taxation of Internet activity. The Internet has experienced, and is expected to continue to experience, significant user and traffic growth, which has, at times, caused user frustration with slow access and download times. If Internet activity grows faster than Internet infrastructure or if the Internet infrastructure is otherwise unable to support the demands placed on it, or if hosting capacity becomes scarce, the growth of our business may be adversely affected.

Though acceptance of cloud-based software has advanced in recent years, some businesses may still be hesitant to adopt these types of solutions.

Our cloud-based service strategy may not be successful. We enable our customers to offer their subscribers the ability to backup, restore and share content across multiple devices through a cloud-based environment. Some businesses may still be uncertain as to whether a cloud-based service like ours is appropriate for their business needs. The success of our offerings is dependent upon continued acceptance by and growth in subscribers of cloud-based services in general and there can be no guarantee of the adoption rate by these subscribers. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and, therefore, may be reluctant or unwilling to migrate to a cloud-based model for storing, accessing, sharing and managing their content. Because we derive, and expect to continue to derive, a substantial portion of our revenue and cash flows from sales of our cloud-based solutions, our success will depend to a substantial extent on the widespread adoption of cloud computing for companies in general. Our cloud strategy will continue to evolve, and we may not be able to compete effectively, generate significant revenues or maintain profitability. While we believe our expertise, investments in infrastructure, and the breadth of our cloud-based services provides us with a strong foundation to compete, it is uncertain whether our strategies will attract the users or generate the revenue required to be successful. In addition to software development costs, we incur costs to build and maintain infrastructure to support cloud-based services. It is difficult to predict customer adoption rates and demand for our services, the future growth rate and size of the cloud computing market or the entry of competitive services. The expansion of a cloud-based enterprise software market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If we or other providers of cloud-based services experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based services as a whole, including our services, may be negatively affected. If there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, we could experience decreased revenue, which could harm our growth rates and adversely affect our business and operating results.

Government regulation of the Internet and e-commerce and of the international exchange of certain information is subject to possible unfavorable changes, and our failure to comply with applicable regulations could harm our business and operating results.

As Internet commerce continues to evolve, increasing regulation by federal, state, local and foreign governments become more likely. For example, we believe increased regulation is likely in the area of data privacy. Further, laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for our products and services. In addition, taxation of products and services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting the exchange of information over the Internet could result in reduced growth or a decline in the use of the Internet and could diminish the viability of our Internet-based services, which could harm our business and operating results.

Our business depends substantially on customers renewing and expanding their subscriptions for our services. Any decline in our customer renewals and expansions would harm our future operating results.

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We enter into subscription agreements with certain of our customers that are generally one to two years in length. As a result, maintaining the renewal rate of those subscription agreements is critical to our future success. We cannot provide assurance that any of our customer agreements will be renewed, as our customers have no obligation to renew their subscriptions for our services after the expiration of the initial term of their agreements. The loss of any customers that individually or collectively account for a significant amount of our revenues would have a material adverse effect on our results of operations or financial condition. If our renewal rates are lower than anticipated or decline for any reason, or if customers renew on terms less favorable to us, our revenue may decrease, and our profitability and gross margin may be harmed, which would have a material adverse effect on our business, results of operations and financial condition.

If we do not maintain the compatibility of our services with third-party applications that our customers use in their business processes or if we fail to adapt our services to changes in technology or the marketplace, demand for our services could decline.

Our solutions can be used alongside a wide range of other systems such as email and enterprise software systems used by our customers in their businesses. If we do not support the continued integration of our products and services with third-party applications, including through the provision of application programming interfaces that enable data to be transferred readily between our services and third-party applications, demand for our services could decline and we could lose sales or experience declining renewal rates. We will also be required to make our products and services compatible with new or additional third-party applications that are introduced to the markets that we serve and, if we are not successful, we could experience reduced demand for our services. In addition, prospective customers, especially large enterprise customers, may require heavily customized features and functions unique to their business processes. If prospective customers require customized features or functions that we do not offer and that would be difficult for them to develop and integrate within our services, then the market for our products and services may be adversely affected.

We may not currently or in the future appropriately leverage advances in technology to achieve or sustain a competitive advantage in products, services, information and processes. Our customers and users regularly adopt new technologies and industry standards continue to evolve. The introduction of products or services and the emergence of new industry standards can render our existing services obsolete and unmarketable in short periods of time. We expect others to continue to develop, introduce new and enhance existing products and services that will compete with our services. Our future success will depend, in part, on our ability to enhance our current services and to develop and introduce new services that keep pace with technological developments, emerging industry standards and the needs of our customers. We cannot assure that we will be successful in cost-effectively developing, marketing and selling new services or service enhancements that meet these changing demands on a timely basis, that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these services, or that our new service and service enhancements will adequately meet the demands of the marketplace and achieve market acceptance. We also cannot assure that the features that we believe will drive purchasing decisions will in fact be the features that our potential customers consider most significant.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycles. Our customers’ businesses are relatively complex and their purchase of the types of services that we offer generally involve a significant financial commitment, with attendant delays frequently associated with large financial commitments and procurement procedures within an organization. In addition, as we continue to further penetrate the enterprise and the size and complexity of our sales opportunities continue to expand, we have seen an increase in the average length of time in our sales cycles. The purchase of the types of services that we offer typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue. In addition, the lengthening of our sales cycle contributes to an increased cost of sales, thereby reducing our profitability.

We traditionally have had substantial customer concentration, with a limited number of customers accounting for a substantial portion of our revenues.

Our top five customers accounted for 69% for the year ended December 31, 2018 compared to 72% for the year ended December 31, 2017. Of these customers, Verizon accounted for more than 10% of our revenues in 2018. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers.

It is not possible for us to predict the future level of demand for our services that will be generated by these customers or the future demand for the products and services of these customers in the end-user marketplace. In addition, revenues from these

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larger customers may fluctuate from time to time based on the commencement and completion of projects, the timing of which may be affected by market conditions or other factors, some of which may be outside of our control. Further, some of our contracts with these larger customers permit them to terminate our services at any time (subject to notice and certain other provisions). If any of our major customers experience declining or delayed sales due to market, economic or competitive conditions, we could be pressured to reduce the prices we charge for our services or we could lose the customer. Any such development could have an adverse effect on our margins and financial position and would negatively affect our revenues and results of operations and/or trading price of our common stock.

Our revenue for a particular period may be difficult to predict, and a shortfall in revenue may harm our operating results.

As a result of a variety of factors discussed in this report, our revenue for a particular quarter is difficult to predict, especially in light of a challenging and inconsistent global macroeconomic environment and related market uncertainty. Our revenue may grow at a slower rate than in past periods or decline as it has in the past on a year-over-year basis. Our ability to meet financial expectations could also be adversely affected if the nonlinear sales pattern seen in some of our past quarters recurs in future periods.

The timing of large orders can also have a significant effect on our business and operating results from quarter to quarter. From time to time, we receive large orders that have a significant effect on our operating results in the period in which the order is recognized as revenue. The timing of such orders is difficult to predict, and the timing of revenue recognition from such orders may affect period to period changes in revenue. As a result, our operating results could vary materially from quarter to quarter based on the receipt of such orders and their ultimate recognition as revenue.

We plan our operating expense levels based primarily on forecasted revenue levels. These expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue could lead to operating results being below expectations because we may not be able to quickly reduce these fixed expenses in response to short-term business changes.

Any of the above factors could have a material adverse impact on our operations and financial results.

If we do not meet our revenue forecasts, we may be unable to reduce our expenses in a timely fashion to avoid or minimize harm to our results of operations.

Our revenues are difficult to forecast and are likely to fluctuate significantly from period to period, particularly as we continue to implement our business strategy. We base our operating expense and capital investment budgets on expected sales and revenue trends, and many of our expenses, such as office and equipment leases and personnel costs, will be relatively fixed in the short term and will increase over time as we make investments in our business. Our estimates of sales trends may not correlate with actual revenues in a particular quarter or over a longer period of time. Variations in the rate and timing of conversion of our sales prospects into sales and actual revenues could cause us to plan or budget inaccurately and those variations could adversely affect our financial results. In particular, delays, reductions in amount or cancellation of customers' contracts would adversely affect the overall level and timing of our revenues, and our business, results of operations and financial condition could be harmed. Due to the relatively fixed nature of many of our expenses, we may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall. In the course of our sales to customers, we may encounter difficulty collecting accounts receivable and could be exposed to risks associated with uncollectible accounts receivable. In the event we are unable to collect on our accounts receivable, it could negatively affect our cash flows, operating results and business.

Because we recognize revenue for certain of our products and services ratably over the term of our customer agreements, downturns or upturns in the value of signed contracts will not be fully and immediately reflected in our operating results.

We offer certain of our products and services primarily through fixed or variable commitment contracts and recognize revenue ratably over the related service period, which typically ranges from twelve to twenty-four months. As a result, some portion of the revenue we report in each quarter is revenue from contracts entered into during prior periods. Consequently, a decline in signed contracts in any quarter will not be fully and immediately reflected in revenue for that quarter but may instead negatively affect our revenue in future quarters. In addition, we may be unable to adjust our cost structure to offset this reduced revenue. Similarly, revenue attributable to an increase in contracts signed in a particular quarter will not be fully and immediately recognized, as revenue from new or renewed contracts is recognized ratably over the applicable service period. Because we incur certain sales costs at the time of sale, we may not recognize revenues from some customers despite incurring considerable expense related to our sales processes. Timing differences of this nature could cause our margins and profitability to fluctuate significantly from quarter to quarter.

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Our offerings of new services or products may be subject to complex revenue recognition standards, which could materially affect our financial results.

As we introduce new services or products, revenue recognition could become increasingly complex and require additional analysis and judgment. Additionally, for new contracts with existing customers, we may negotiate and revise previously used terms and conditions of our contracts with these customers and channel partners, which may also cause us to revise our revenue recognition policies. As our arrangements with customers change, we may be required to defer a greater portion of revenue into future periods, which could materially and adversely affect our financial results.

Failure to maintain the confidentiality, integrity and availability of our systems, software and solutions could seriously damage our reputation and affect our ability to retain customers and attract new business.

Maintaining the confidentiality, integrity and availability of our systems, software and solutions is an issue of critical importance for us and for our customers and users who rely on our systems to store and exchange large volumes of information, much of which is proprietary and confidential. There appears to be an increasing number of individuals, governments, groups and computer “hackers” developing and deploying a variety of destructive software programs (such as viruses, worms and other malicious software) that could attack our computer systems or solutions or attempt to infiltrate our systems. We make significant efforts to maintain the confidentiality, integrity and availability of our systems, solutions and source code. Despite significant efforts to create security barriers, it is virtually impossible for us to mitigate this risk entirely because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not recognized until launched against a target. Like all software solutions, our software is vulnerable to these types of attacks. An attack of this type could disrupt the proper functioning of our software solutions, cause errors in the output of our customers’ work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers and other destructive outcomes. If an actual or perceived breach of our security were to occur, our reputation could suffer, customers could stop buying our solutions and we could face lawsuits and potential liability, any of which could cause our financial performance to be negatively impacted. Though we maintain professional liability insurance that may be available to provide coverage if a cybersecurity incident were to occur, there can be no assurance that insurance coverage will be available or that available coverage will be sufficient to cover losses and claims related to any cybersecurity incidents we may experience.

There is also a danger of industrial espionage, cyber-attacks, misuse or theft of information or assets (including source code), or damage to assets by people who have gained unauthorized access to our facilities, systems or information, which could lead to the disclosure of portions of our source code or other confidential information, improper usage and distribution of our solutions without compensation, illegal or inappropriate usage of our systems and solutions, jeopardizing of the security of information stored in and transmitted through our computer systems, manipulation and destruction of data, defects in our software and downtime issues. Although we actively employ measures to combat unlicensed copying, access and use of our facilities, systems, software and intellectual property through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. The occurrence of an event of this nature could adversely affect our financial results or could result in significant claims against us for damages. Further, participating in either a lawsuit to protect against unauthorized access to, usage of or disclosure of any of our solutions or any portion of our source code or the prosecution of an individual in connection with a cybersecurity breach could be costly and time-consuming and could divert management’s attention and adversely affect the market’s perception of us and our solutions.

A number of core processes, such as software development, sales and marketing, customer service and financial transactions, rely on our IT, infrastructure and applications. Defects or malfunctions in our IT infrastructure and applications could cause our service offerings not to perform as our customers expect, which could harm our reputation and business. In addition, malicious software, sabotage and other cybersecurity breaches of the types described above could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately downtimes, recovery costs and customer claims, any of which could have a significant negative impact on our business, financial position, profit and cash flows.

The confidentiality, integrity and availability of our systems could also be jeopardized by a breach of our internal controls and policies by our employees, consultants or subcontractors having access to our systems. If our systems fail or are breached as a result of a third-party attack or an error, violation of internal controls or policies or a breach of contract by an employee, consultant or subcontractor that results in the unauthorized use or disclosure of proprietary or confidential information or customer data (including information about the existence and nature of the projects and transactions our customers are engaged in), we could lose business, suffer irreparable damage to our reputation and incur significant costs and expenses relating to the investigation and possible litigation of claims relating to such event. We could be liable for damages, penalties for violation of applicable laws or regulations and costs for remediation and efforts to prevent future occurrences, any of which liabilities could be significant. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. We also cannot assure that our existing general liability insurance coverage, coverage for errors and omissions and cyber liability insurance will continue to be available on acceptable terms in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, litigation, regardless of its outcome, could result in a substantial cost to us and divert management's attention from our operations. Any significant claim against us or litigation involving us could have a material adverse effect on our business, financial condition and results of operations.

We have implemented a number of security measures designed to ensure the security of our information, IT resources and other assets. Nonetheless, unauthorized users could gain access to our systems through cyber-attacks and steal, use without authorization and sabotage our intellectual property and confidential data. Any security breach, misuse of our IT systems or theft of our or our customers' intellectual property or data could lead to customer losses, non-renewal of customer agreements, loss of production, recovery costs or litigation brought by customers or business partners, any of which could adversely impact our cash flows and reputation and could have an adverse impact on our disclosure controls and procedures.

Undetected errors or failures found in our products and services may result in loss of or delay in market acceptance of our products and services that could seriously harm our business.

Our products and services may contain undetected errors or scalability limitations at any point in their lives, but particularly when first introduced or as new versions are released. We frequently release new versions of our products and different aspects of our platforms are in various stages of development. Despite testing by us and by current and potential customers, errors may not be found in new products and services until after commencement of commercial availability or use, resulting in a loss of or a delay in market acceptance, damage to our reputation, customer dissatisfaction and reductions in revenues and margins, any of which could seriously harm our business. Additionally, our agreements with customers that attempt to limit our exposure to liability claims may not be enforceable in jurisdictions where we operate, particularly in certain markets outside the United States.

Many of our current and planned products are highly complex and may contain defects or errors that are detected only after deployment in telecommunications networks. If that occurs, our reputation may be harmed.

Our products are highly complex, and we cannot assure customers that our extensive product development, production and integration testing is, or will be, adequate to detect all defects, errors, failures and quality issues that could affect customer satisfaction or result in claims against us. As a result, we might have to replace certain components and/or provide remediation in response to the discovery of defects in products that have been supplied to customers.

The occurrence of any defects, errors, failures or quality issues could result in cancellation of orders, product returns, diversion of our resources, legal actions by customers or customers' end users and other losses to us or to our customers or end users. These occurrences could also result in the loss of or delay in market acceptance of our products, in the loss of sales, or in the need to create provisions, which would harm our business and adversely affect our revenues and profitability.

Compliance with changing data protection and European privacy laws could require us to incur significant costs or experience significant business disruption and failure to so comply could result in an adverse impact on our business.

Synchronoss processes personal data of individuals in connection with offering our solutions to customers and their end users in the European Union ("EU") and we also process personal data about our and our affiliates' employees in the

EU.

EU Directive 95/46/EC (the “Directive”), which covers the protection of the processing of personal data about individuals and on the free movement of such data, has required European Union member states to implement data protection laws to meet the strict privacy requirements of the Directive. Among other requirements, the Directive has regulated transfers of personal data that is subject to the Directive, (“Personal Data”) to countries, outside the European Economic Area, (the “EEA”), that have not been found to provide adequate protection to such Personal Data.

We have undertaken efforts to conform transfers of Personal Data from the EEA based on current regulatory obligations, the guidance of data protection authorities and evolving best practices. Despite these efforts, including due to ongoing legal challenges to the EU’s standard contractual clauses there is a possible risk regarding data transfer mechanisms that are available to us.

Effective as of May 25, 2018, the Directive (and member states' implementations thereof) was replaced by the requirements of Regulation (EU) 2016/679, the GDPR. The GDPR re-defines what information is considered to be Personal Data and applies to any company established in the EU, as well as companies outside the EU that collect and use Personal Data in connection with

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offering goods or services to individuals in the EU or that monitor the behavior or EU residents (for example, through monitoring of online activities). The GDPR increases data protection obligations for data controllers and provides for direct obligations for data processors. The GDPR imposes specific and expanded disclosure obligations about how we may use Personal Data; limitations on how much information we can collect and for how long it can be retained; expanded contract requirements with our processors and sub-processors, as applicable, even for existing relationships; requirements regarding our accountability and transparency related to Personal Data; increased Data Subject rights, and mandatory data breach notification requirements. Given the breadth and depth of changes in these data protection and privacy obligations, our preparations to meet the GDPR's requirements required a significant expenditure of time and resources, including reviewing the technologies, systems and procedures that we currently use against the GDPR's requirements. Our preparations include updating, as applicable: updating our Privacy Notices and Cookie Policy; updating our Data Protection Policy and Security Policy; providing data privacy training to all employees; and negotiating data protection agreements with our applicable customers and suppliers. We have worked with a third party to assist us in undertaking a data protection review, and implementing any remedial changes designed to ensure GDPR compliance.

The GDPR expands the scope of direct liability to both data controllers and data processors. Depending on the nature of the violation, non-compliance could result in fines of up to €20 million or 4% of our total worldwide annual turnover, whichever is higher. Under the GDPR, supervisory data protection authorities can also conduct audits, issue warnings and public censures, and order the temporary or permanent suspension of data transfers and/or data processing activities (that is, our business as it relates to EU data subjects would be shut down). Also, EU data subjects may seek enforcement of their individual rights through a supervisory authority or through a judicial remedy in national court. In addition to this private right of action for individuals, the GDPR also provides that data subjects may claim through the EU equivalent of consumer class actions.

Separate from the GDPR, there are other EU laws and regulations (and member states' implementations thereof) that apply to the protection of consumers and electronic communications and that are also evolving, which may apply to our businesses. For instance, the current European laws that cover the use of cookies and similar technology and marketing online or by electronic means are under reform. A draft of the new ePrivacy Regulation extends the strict opt-in marketing rules (with limited exceptions for business-to-business communications), alters rules on third-party cookies, web beacons and similar technology and significantly increases penalties. In addition, the State of California has recently introduced the Californian Consumer Privacy Act 2018 which comes into effect on the 1st January 2020. We cannot yet determine the impact such future laws, regulations and standards may have on our business. Such laws and regulations are often subject to differing interpretations and may be inconsistent among jurisdictions.

We may incur substantial expense in attempting to comply with the new data privacy obligations described above and we may be required to make significant changes in our business operations and product and services development, all of which may adversely affect our revenues and our business.

We may also experience hesitancy, reluctance or refusal by European or multi-national customers to continue to use our services due to the potential risk exposure that these customers might face as a result the current or future data protection obligations imposed on them by certain data protection authorities. These customers may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain or otherwise objectionable and therefore decide not to do business with us.

We and our customers are at risk of enforcement actions taken by certain EU data protection authorities for any breaches of applicable data protection legislation. We may find it necessary to establish additional or different physical, technical or administrative procedures or systems to maintain Personal Data originating from the EU in the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business. As a result, we may be required to make significant changes in our business operations, all of which may adversely affect our revenues and our business overall.

Compromises to our privacy safeguards or disclosure of confidential information could impact our reputation.

Names, addresses, telephone numbers, credit card data and other personal identification information, ("PII") are collected, processed and stored in our systems. Our treatment of this kind of information is subject to contractual restrictions and federal, state and foreign data privacy laws and regulations. We have implemented technical and organizational steps designed to protect against unauthorized access to such information and comply with these laws and regulations. Because of the inherent risks and complexities involved in protecting this information, the steps we have taken to protect PII may not be sufficient to prevent the misappropriation or improper disclosure of such PII. If misappropriation or disclosure of PII were to occur, our business could be harmed through reputational injury, litigation and possible damages claimed by the affected end customers, including in some cases costs related to customer notification and fraud monitoring, or potential fines from regulatory authorities. We may need to incur significant costs or modify our business practices and/or our services in order to comply with these data privacy and protection

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laws and regulations in the future. Even the mere perception of a security breach or inadvertent disclosure of PII could adversely affect our business and results of operations. In addition, third party vendors that we engage to perform services for us may unintentionally release PII or otherwise fail to comply with applicable laws and regulations. Our insurance may not cover potential claims of this type or may not be adequate to cover all costs incurred in defense of potential claims or to indemnify us for all liability that may be imposed. Concerns about the security of online transactions and the privacy of PII could deter consumers from transacting business with us on the Internet. The occurrence of any of these events could have an adverse effect on our business, financial position, and results of operations.

Downgrades in our credit ratings may increase our future borrowing costs, limit our ability to raise capital, cause our stock price to decline or reduce analyst coverage, any of which could have a material adverse impact on our business.

Credit rating agencies review their ratings periodically and, therefore, the credit rating assigned to us by each of the rating agencies may be subject to revision at any time. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, our financial position, conditions in and periods of disruption in any of our principal markets and changes in our business strategy. If weak financial market conditions or competitive dynamics cause any of these factors to deteriorate, we could see a reduction in our corporate credit rating. Since investors, analysts and financial institutions often rely on credit ratings to assess a company’s creditworthiness and risk profile, make investment decisions and establish threshold requirements for investment guidelines, our ability to raise capital, our access to external financing, our ability to refinance our indebtedness, our stock price and analyst coverage of our stock could be negatively impacted by a downgrade to our credit rating.

Changes in laws, regulations or governmental policy applicable to our customers or potential customers may decrease the demand for our solutions or increase our costs.

The level of our customers’ and potential customers’ activity in the business processes our services are used to support is sensitive to many factors beyond our control, including governmental regulation and regulatory policies. Many of our customers and potential customers in the telecommunications and other industries are subject to substantial regulation and may be the subject of further regulation in the future. Accordingly, significant new laws or regulations or changes in, or repeals of, existing laws, regulations or governmental policy may change the way these customers do business and could cause the demand for and sales of our solutions to decrease. Any change in the scope of applicable regulations that either decreases the volume of transactions that our customers or potential customers enter into or otherwise negatively impacts their use of our solutions would have a material adverse effect on our revenues or gross margins, or both. Moreover, complying with increased or changed regulations could cause our operating expenses to increase as we may have to reconfigure our existing services or develop new services to adapt to new regulatory rules and policies, either of which would require additional expense and time. Additionally, the information provided by, or residing in, the software or services we provide to our customers could be deemed relevant to a regulatory investigation or other governmental or private legal proceeding involving our customers, which could result in requests for information from us that could be expensive and time consuming for us to address or harm our reputation since our customers rely on us to protect the confidentiality of their information. These types of changes could adversely affect our business, results of operations and financial condition.

Fraudulent Internet transactions could negatively impact our business.

Our business may be exposed to risks associated with Internet credit card fraud and identity theft that could cause us to incur unexpected expenditures and loss of revenues. Under current credit card practices, a merchant is liable for fraudulent credit card transactions when, as is the case with the transactions we process, that merchant does not obtain a cardholder’s signature. Although our customers currently bear the risk for a fraudulent credit card transaction, in the future we may be forced to share some of that risk and the associated costs with our customers. To the extent that technology upgrades or other expenditures are required to prevent credit card fraud and identity theft, we may be required to bear the costs associated with such expenditures. In addition, to the extent that credit card fraud and/or identity theft cause a decline in business transactions over the Internet generally, both the business of our customers and our business could be adversely affected.

Consolidation in the communications industry or the other industries that we serve can reduce the number of actual and potential customers and adversely affect our business.

There has been, and there continues to be, merger, acquisition, alliance and consolidation activity among our customers. Mergers, acquisitions, alliances or consolidations of companies in the communications industry or other industries that we serve, have reduced and may continue to reduce the number of our customers and potential customers for our solutions, resulting in a smaller market for our services, which could have a material adverse impact on our business and results of operations. In addition, it is possible that the larger institutions that result from mergers or consolidations could themselves perform some or all of the

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services that we currently provide or could provide in the future. Should one or more of our significant customers acquire, consolidate or enter into an alliance with an entity or decide to either use a different service provider or to manage its transactions internally, this could have a negative material impact on our business. Any such consolidations, alliances or decisions to manage transactions internally may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers or if our transaction volumes decline.

Failures or interruptions of our systems and services could materially harm our revenues, impair our ability to conduct our operations and damage relationships with our customers.

Our success depends on our ability to provide reliable services to our customers and process a high volume of transactions in a timely and effective manner. Although we operate disaster recovery solutions, our network operations are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. We could also experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of, among other things:

- damage to, or failure of, our computer software or hardware or our connections and outsourced service arrangements with third parties;
- errors in the processing of data by our systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- fire, cybersecurity attack, terrorist attack or other catastrophic event;
- increased capacity demands or changes in systems requirements of our customers; or
- errors by our employees or third-party service providers.

We rely on various systems and applications to support our internal operations, including our billing, financial reporting and customer contracting functions. The availability of these systems and applications is essential to us and delays, disruptions or performance problems may adversely impact our ability to accurately bill our customers, report financial information and conduct our business. Additionally, we may choose to replace or implement changes to these systems, including substituting traditional systems with cloud-based solutions, which could be time-consuming and expensive, and which could result in delays in the ongoing operational processes these software solutions support. Further, our cloud-based solutions may experience disruptions and outages that are beyond our control as we rely on third party vendors to support these solutions and assure their continued availability. We have also acquired a number of companies, products, services and technologies over the last several years. While we make significant efforts to address any IT security issues with respect to our acquisitions, we may still inherit certain risks when we integrate these acquisitions. In addition, our business interruption insurance may be insufficient to compensate us for losses or liabilities that may occur. Any interruptions in our systems or services could damage our reputation and substantially harm our business and results of operations.

The quality of our support and services offerings is important to our customers and if we fail to meet our service level obligations under our service level agreements or otherwise fail to offer quality support and services, we would be subject to penalties and could lose customers.

Our customers generally depend on our service organization to resolve issues relating to the use of our solutions. A high level of support is critical for the successful marketing and sale of our solutions. If we are unable to provide a level of support and service to meet or exceed the expectations of our customers, we could experience:

- loss of customers and market share;

- difficulty attracting or the inability to attract new customers, including in new geographic regions; and
- increased service and support costs and a diversion of resources.

Any of the above results would likely have a material adverse impact on our business, revenue, results of operations, financial condition and reputation.

In addition, we have service level agreements with many of our customers under which we guarantee specified levels of service availability. These arrangements involve the risk that we may not have adequately estimated the level of service we will in fact be able to provide. The importance of high-quality customer support will increase as we expand our business and pursue new enterprise customers. If we fail to meet our service level obligations under these agreements, we would be subject to penalties, which could result in higher than expected costs, decreased revenues and decreased operating margins. We could also lose customers.

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The financial and operating difficulties in the telecommunications sector may negatively affect our customers and our company.

The telecommunications sector has at times faced significant challenges resulting from significant changes in technology and consumer behavior, excess capacity, poor operating results and financing difficulties. The sector's financial status has also at times been uncertain and access to debt and equity capital has been seriously limited. The impact of these events on us could include slower collection on accounts receivable, higher bad debt expense, uncertainties due to possible customer bankruptcies, lower pricing on new customer contracts, lower revenues due to lower usage by the end customer and possible consolidation among our customers, which will put our customers and operating performance at risk. In addition, because we operate in the communications sector, we may also be negatively impacted by limited access to debt and equity capital.

Our performance and growth depend on our ability to generate customer referrals and to develop referenceable customer relationships that will enhance our sales and marketing efforts. A failure to accomplish these objectives could materially harm our business.

In our business, we depend on end-users of our solutions to generate customer referrals for our services. We depend in part on members of the communications industry, financial institutions, legal service providers and other third parties who use our services to recommend them to a larger customer base than we can reach through our direct sales and internal marketing efforts. These referrals are an important source of new customers for our services and generally are made without expectation of compensation. We intend to continue to focus our marketing efforts on these referral partners in order to expand our reach and improve the efficiency of our sales efforts.

We also recognize that having respected, well known, market-leading customers who have committed to deploy our solutions within their organizations will support our marketing and sales efforts, as these customers can act as references for us and our product offerings. Our ability to establish and maintain these customer relationships is important to our future profitability. The willingness of these types of customers to provide referrals or serve as anchor or reference customers depends on a number of factors, including the performance, ease of use, reliability, reputation and cost-effectiveness of our services as compared to those offered by our competitors, as well as the internal policies of these customers. We may not be able to cultivate or maintain the strong relationships with customers that are necessary to develop those customer relationships into referenceable accounts.

The loss of any of our significant referral sources, including our anchor customers, or a decline in the number of referrals we receive or anchor customers that we generate could require us to devote substantially more resources to the sales and marketing of our services, which would increase our costs, potentially lead to a decline in our revenue, slow our growth and generally have a material adverse effect on our business, results of operations and financial condition. In addition, the revenue we generate from our referral and anchor relationships may vary from period to period.

We rely in part on strategic relationships with third parties to sell and deliver our solutions. If we are unable to successfully develop and maintain these relationships, our business may be harmed.

In addition to generating customer referrals through third-party users of our solutions, we intend to pursue relationships with other third parties such as technology and content providers and implementation and distribution partners. Our future growth will depend, at least in part, on our ability to enter into and maintain successful strategic relationships with these third parties. Identifying partners and negotiating and documenting relationships with them requires significant time and resources, as does integrating third-party content and technology. Some of the third parties with whom we have strategic relationships have entered and may continue to enter into strategic relationships with our competitors. Further, these third parties may have multiple strategic relationships and may not regard us as significant for their businesses. As a result, they may choose to offer their services on terms that are unfavorable to us, terminate their respective relationships with us, pursue other partnerships or relationships, or attempt to develop or acquire services or solutions that compete with ours. Our relationships with strategic partners could also interfere with our ability to enter into desirable strategic relationships with other potential partners in the future. If we are unsuccessful in establishing or maintaining relationships with strategic partners on favorable economic terms, our ability to compete in the marketplace or to grow our revenue could be impaired, and our business, results of operations and financial condition would suffer. Even if we are successful, we cannot provide assurance that these relationships will result in increased revenue or customer usage of our solutions or that the economic terms of these relationships will not adversely affect our margins.

We are exposed to our customers' credit risk.

We are subject to the credit risk of our customers and customers with liquidity issues may lead to bad debt expense for us. Most of our sales are on an open credit basis, with typical payment terms between 45 and 60 days in the United States and, because of local customs or conditions, longer payment terms in some markets outside the United States. We use various methods to screen potential customers and establish appropriate credit limits, but these methods cannot eliminate all potential bad credit risks and

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may not prevent us from approving applications that are fraudulently completed. Moreover, businesses that are good credit risks at the time of application may become bad credit risks over time and we may fail to detect this change. We maintain reserves we believe are adequate to cover exposure for doubtful accounts. If we fail to adequately assess and monitor our credit risks, we could experience longer payment cycles, increased collection costs and higher bad debt expense. A decrease in accounts receivable resulting from an increase in bad debt expense could adversely affect our liquidity. Our exposure to credit risks may increase if our customers are adversely affected by a difficult macroeconomic environment, or if there is a continuation or worsening of the economic environment. Although we have programs in place that are designed to monitor and mitigate the associated risk, including monitoring of particular risks in certain geographic areas, there can be no assurance that these programs will be effective in reducing our credit risks or preventing us from incurring additional losses. Future and additional losses, if incurred, could harm our business and have a material adverse effect on our business operating results and financial condition. Additionally, to the degree that the current or future credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

Our reliance on third-party providers for communications software, services, hardware and infrastructure exposes us to a variety of risks we cannot control.

Our success depends on software, equipment, network connectivity and infrastructure hosting services supplied by, or leased from, our vendors and customers. In addition, we rely on third-party vendors to perform a substantial portion of our exception handling services. We may not be able to continue to purchase the necessary software, equipment and services from vendors on acceptable terms or at all. If we are unable to maintain current purchasing terms or ensure service availability with these vendors and customers, we may lose customers and experience an increase in costs in seeking alternative supplier services. Further, any changes in our third-party vendors could detract from management's ability to focus on the ongoing operations of our business or could cause delays in the operations of our business.

Our business also depends upon the capacity, reliability and security of the infrastructure owned and managed by third parties, including our vendors and customers that are used by our technology interoperability services, network services, number portability services, call processed services and enterprise solutions. We have no control over the operation, quality or maintenance of a significant portion of that infrastructure and whether those third parties will upgrade or improve their software, equipment and services to meet our and our customers' evolving requirements. We depend on these companies to maintain the operational integrity of our services. If one or more of these companies is unable or unwilling to supply or expand its levels of services to us in the future, our operations could be severely interrupted. In addition, rapid changes in the communications industry have led to industry consolidation. This consolidation may cause the availability, pricing and quality of the services we use to vary and could lengthen the amount of time it takes to deliver the services that we use.

Any damage to, or failure or capacity limitations of, our systems and our related network could result in interruptions in our service that could cause us to lose revenue, issue credits or refunds or could cause our customers to terminate their subscriptions for our services, in each case adversely affecting our renewal rates. Since our customers use our service for important aspects of their businesses, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' businesses. As a result, we may lose revenue, issue credits or refunds or customers could elect not to renew our services or delay or withhold payments to us. We could also lose future sales or customers may make claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense or risk of litigation.

Additionally, third-party software underlying our services can contain undetected errors or bugs. We may be forced to delay commercial release of our services until any discovered problems are corrected and, in some cases, may need to implement enhancements or modifications to correct errors that we do not detect until after deployment of our services. In addition, problems with the third-party software underlying our services could result in:

- damage to our reputation;
- loss of or delayed revenue;
- loss of customers;
- warranty claims or litigation;
- loss of or delayed market acceptance of our services; or
- unexpected expenses and diversion of resources to remedy errors.

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We are participants in several joint ventures, which may subject us to certain risks relating to our ability to perform our obligations under the joint ventures, including funding future joint venture capital requirements.

Entering into joint ventures and alliances entails risks, including difficulties in developing and expanding the business of a newly formed joint venture, funding capital calls for the joint venture, exercising influence over the management and activities of joint venture, quality control concerns regarding joint venture products and services and potential conflicts of interest with the joint venture and our joint venture partner. We cannot guarantee that the joint venture operations will be successful. Any inability to meet our obligations as a joint venture partner under the joint ventures could result in penalties and reduced percentage interest in the joint venture for our company. Also, we could be disadvantaged in the event of disputes and controversies with a joint venture partner, since one of our joint venture partners is a relatively significant customer of our products and services and future product and services of the joint venture.

If we are unable to protect our intellectual property rights, our competitive position could be harmed, or we could be required to incur significant expenses to enforce our rights.

Our success depends to a significant degree upon the protection of our software and other proprietary technology rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. We also regularly file patent applications to protect inventions arising from our research and development and have obtained a number of patents in the United States and other countries. There can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that our patents will not be challenged by third parties. Also, much of our business and many of our solutions rely on key technologies developed or licensed by third or other parties and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms. The steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or the reverse engineering of our solutions. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in other countries are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. For example, in June 2018, Dropbox, Inc., a public company that provides cloud-based file sharing products, filed a patent infringement lawsuit against us in the United States District Court of Northern California, claiming three counts of patent infringement and seeking injunctive relieve, among other remedies. We do not currently believe that this matter is likely to have a material adverse effect on our consolidated results of operation, cash flows, or our financial position, and we intend to vigorously defend this lawsuit, and believe we have valid defenses to the claims. This type of litigation could result in substantial costs and diversion of management resources, either of which could materially harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Claims by others that we infringe their proprietary technology could harm our business.

Third parties could claim that our current or future products or technology infringe their proprietary rights. We expect that software developers will increasingly be subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Furthermore, a party making a claim of this nature, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from offering our products or services. Any of these events could seriously harm our business.

We are generally obligated to indemnify our customers if our services infringe the proprietary rights of third parties and certain of our agreements with customers and partners include indemnification provisions under which we have agreed to indemnify the counter-party for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for financial and other damages caused by us to property or persons. Third parties may assert infringement claims against our customers or partners. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or partners, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or partners.

If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from offering our services and could therefore seriously harm our business.

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We may seek to acquire companies or technologies, form joint ventures or make investments in other companies or technologies, which could disrupt our ongoing business, disrupt our management and employees, dilute our stockholders' ownership, increase our debt, and adversely affect our results of operations.

We have made, and in the future intend to form joint ventures, make acquisitions of and investments in companies, technologies or products in existing, related or new markets for us that we believe may enhance our market position or strategic strengths. However, we cannot be sure that any acquisition or investment will ultimately enhance our products or strengthen our competitive position. Acquisitions involve numerous risks, including but not limited to:

- diversion of management's attention from other operational matters;
- inability to identify acquisition candidates on terms acceptable to us or at all, or inability to complete acquisitions as anticipated or at all;
- inability to realize anticipated benefits or commercialize purchased technologies;
- exposure to operational risks, rules and regulations to the extent such activities are located in countries where we have not historically done business;
- unknown, underestimated and/or undisclosed commitments or liabilities;
- incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill;
- dilution of ownership of our current stockholders if we issue shares of our common stock;
- higher than expected transaction costs; and
- ineffective integration of operations, technologies, products or employees of the acquired companies.

In addition, acquisitions may disrupt our ongoing operations, increase our expenses and/or harm our results of operations or financial condition. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt (which may reduce our cash available for operations and other uses), an increase in contingent liabilities or an increase in amortization expense related to identifiable assets acquired, each of which could materially harm our business, financial condition and results of operations.

We make significant investments in new products and services that may not be profitable or align with our established company vision.

We intend to continue to make investments to support our business growth, including expenditures to develop new services or enhance our existing services, enhance our operating infrastructure, market and sell our product offerings and acquire complementary businesses and technologies. These endeavors may involve significant risks and uncertainties, including failures to align new initiatives with our established corporate vision and direction, which could lead to a misapplication of our resources. These new investments are inherently risky and may involve distracting management from current operations, create greater than expected liabilities and expenses, provide us with an inadequate return on capital, include other unidentified risks and, ultimately, may generally not be successful. Further, our ability to effectively integrate new services and investments into our business may affect our profitability. Significant delays in new releases or significant problems in creating new products or services could adversely affect our revenue and financial performance.

Interruptions or delays in our service due to problems with our third-party web hosting facilities or other third-party service providers could adversely affect our business.

We rely on third parties for the maintenance of certain of the equipment running our solutions and software at geographically dispersed hosting facilities with third parties. If we are unable to renew, extend or replace our agreements with any of our third-party hosting facilities, we may be unable to arrange for replacement services at a similar cost and in a timely manner, which could cause an interruption in our service. We do not control the operation of these third-party facilities, each of which may be subject to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures or similar events. These facilities may also be subject to break-ins, sabotage, intentional acts of vandalism or similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster, cessation of operations by our third-party web hosting provider or a third party's decision to close a facility without adequate notice or other unanticipated problems at any facility could result in lengthy interruptions in our service. In addition, the failure by these facilities to provide our required data communications capacity could result in interruptions in our service.

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Due to the global nature of our operations, political or economic changes or other factors in a specific country or region could harm our operating results and financial condition.

We conduct significant sales and customer support operations in countries around the world. As such, our growth depends in part on our increasing sales into emerging countries. We also depend on non-U.S. operations of our contract manufacturers, component suppliers and distribution partners. Emerging countries in the aggregate experienced a decline in orders during fiscal 2018 and certain prior periods. We continue to assess the sustainability of any improvements in these countries and there can be no assurance that our investments in these countries will be successful. Our future results could be materially adversely affected by a variety of political, economic or other factors relating to our operations inside and outside the United States, including impacts from global central bank monetary policy; issues related to the political relationship between the United States and other countries that can affect the willingness of customers in those countries to purchase products from companies headquartered in the United States; and the challenging and inconsistent global macroeconomic environment, any or all of which could have a material adverse effect on our operating results and financial condition, including, among others, the following:

- Foreign currency exchange rates;
- Political or social unrest;
- Economic instability or weakness or natural disasters in a specific country or region, including the current economic challenges in China and global economic ramifications of Chinese economic difficulties; instability as a result of Brexit; environmental and trade protection measures and other legal and regulatory requirements, some of which may affect our ability to import our products, to export our products from, or sell our products in various countries;
- Political considerations that affect service provider and government spending patterns;
- Health or similar issues, such as a pandemic or epidemic;
- Difficulties in staffing and managing international operations; or
- Adverse tax consequences, including imposition of withholding or other taxes on our global operations.

Our expansion into additional international markets may be subject to uncertainties that could increase our costs to comply with regulatory requirements in foreign jurisdictions, disrupt our operations and require increased focus from our management.

Our growth strategy includes the growth of our operations in foreign jurisdictions. International operations and business expansion plans are subject to numerous additional risks, including economic and political risks in foreign jurisdictions in which we operate or seek to operate, potential additional costs due to localization and other geographic specific costs, difficulty in enforcing contracts and collecting receivables through some foreign legal and financial systems, unexpected changes in legal and regulatory requirements, differing technology standards and pace of adoption, fluctuations in currency exchange rates, varying regional and geopolitical business conditions and demands. The difficulties associated with managing a large organization spread throughout various countries and potential tax issues, including restrictions on repatriating earnings and multiple conflicting, changing and complex tax laws and regulations, and the differences in foreign laws and regulations, including foreign tax, data privacy requirements, anti-competition, intellectual property, labor, contract, trade and other laws. Additionally, compliance with international and U.S. laws and regulations that apply to our international operations may increase our cost of doing business in foreign jurisdictions. Violation of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, or prohibitions on the conduct of our business. As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

Fluctuations in foreign currency exchange rates could result in foreign currency transaction losses, which could harm our operating results and financial condition.

We consider the US dollar to be our functional currency. However, given our international operations we currently have, and expect to have in the future, revenue and expenses and related assets and liabilities denominated in foreign currencies. Foreign currency transaction exposure results primarily from transactions with customers or vendors denominated in currencies other than the functional currency of the entity in which we record the transaction. Any fluctuation in the exchange rate of these foreign currencies may positively or negatively affect our business, financial condition and operating results.

We face exposure to movements in foreign currency exchange rates due to the fact that we have non-U.S. dollar denominated revenue worldwide. Weakening of foreign currencies relative to the U.S. dollar adversely affects the U.S. dollar value of our foreign currency denominated revenue and positively affects the U.S. dollar value of our foreign currency denominated expenses. If foreign currencies were to weaken or strengthen relative to the U.S. dollar, we might elect to raise or lower our international pricing, which could potentially impact demand for our services. Alternatively, we might opt not to adjust our international pricing as a result of fluctuations in foreign currency exchange rates, which could potentially have a positive or negative impact on our results of operations and financial condition.

Similarly, our financial performance may be impacted by fluctuations in currency exchange rates when it comes to our non-U.S. dollar denominated expenses. The third-party vendors and suppliers to whom we owe payments for non-U.S. dollar denominated expenses may, or may not, decide to increase or decrease their pricing to reflect fluctuations in foreign currency exchange rates.

If there continues to be volatility in foreign currency exchange rates, we will continue to experience fluctuations in our operating results due to revaluing our assets and liabilities that are not denominated in the functional currency of the entity that recorded the asset or liability. Further, as foreign currency exchange rates change, the translation of our non-U.S. denominated revenue and expenses into U.S. dollars affects the year-over-year comparability of our operating results.

We must recruit and retain our key management and other key personnel and our failure to recruit and retain qualified employees could have a negative impact on our business.

We believe that our success depends in part on the continued contributions of our senior management and other key personnel to generate business and execute programs successfully. In addition, the relationships and reputation that these individuals have established and maintain with our customers and within the industries in which we operate contribute to our ability to maintain good relations with our customers and others within those industries. The loss of any members of senior management or other key personnel could materially impair our ability to identify and secure new contracts and otherwise effectively manage our business. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash- and equity-based compensation. If we do not obtain the stockholder approval needed to continue granting equity compensation in a competitive manner, our ability to attract, retain, and motivate executives and key employees could be weakened. Further, in the technology industry, there is substantial and continuous competition for highly skilled business, product development, technical and other personnel. Competition for qualified personnel at times can be intense and as a result we may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our ability to meet our commitments and new product delivery objectives. If we are unable to maintain or expand our direct sales capabilities, we may not be able to generate anticipated revenues. In addition, if we are unable to maintain or expand our product development capabilities, we may not be able to meet our product development goals.

Further, we rely on the expertise and experience of our senior management team. Although we have employment agreements with our executive officers, none of them or any of our other management personnel is obligated to remain employed by us. The loss of services of any key management personnel could lower productive output, interrupt our strategic vision and make it more difficult to pursue our business goals successfully.

Our employee retention and hiring may be adversely impacted by immigration restrictions and related factors.

Competition for skilled personnel is intense in our industry and any failure on our part to hire and retain appropriately skilled employees could harm our business. Our ability to hire and retain skilled employees is impacted, at least in part, by the fact that a portion of our professional workforce in the United States is comprised of foreign nationals who are not United States citizens. In order to be legally allowed to work for us, these individuals generally hold immigrant visas (which may or may not be tied to their employment with us) or green cards, the latter of which makes them permanent residents in the United States.

The ability of these foreign nationals to remain and work in the United States is impacted by a variety of laws and regulations, as well as the processing procedures of various government agencies. Changes in applicable laws, regulations or procedures could adversely affect our ability to hire or retain these skilled employees and could affect our costs of doing business and our ability to deliver services to our customers. In addition, if the laws, rules or procedures governing the ability of foreign nationals to work in the United States were to change or if the number of visas available for foreign nationals permitted to work in the United States were to be reduced, our business could be adversely affected, if, for example, we were unable to hire or no longer able to retain a skilled worker who is a foreign national.

Employing foreign nationals may require significant time and expense and our foreign national employees may choose to leave after we have made this investment. While a foreign national who is working under an immigrant visa tied to his or her employment by us may be less likely to choose to leave our Company than a similarly situated employee who is a United States national or a green card holder (as leaving our employ could mean also having to leave the United States), this may not always be the case. Additionally, many of our foreign national employees hold green cards, which means that they have greater flexibility to leave our Company without facing the risk of also having to leave the United States.

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Our use of "open source" software could negatively affect our ability to sell our services and subject us to possible litigation.

A portion of the technologies licensed by us incorporates "open source" software, and we may incorporate open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. If we fail to comply with these licenses, we may be subject to certain conditions, including requirements that we offer any of our services that incorporate the open source software at no cost. Additionally, we may be required to make publicly available any source code for modifications or derivative works we create based upon, incorporating or using the open source software and/or license those modifications or alterations on terms that are unfavorable to us. If an author or other third party that distributes open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from selling those of our services that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our services.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide technology support, maintenance, warranties or assurance of title or controls on the origin of the software.

Our inability to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products and enhancements to our platforms or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our common stock could decline. In addition, the terms of any future issued equity securities could entitle the holders of those equity securities to rights, preferences and privileges superior to those of holders of our common stock. Furthermore, if we engage in debt financing, the holders of debt might have priority over the holders of common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness, including restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products and platforms;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or internationally; or
- respond to competitive pressures or unanticipated working capital requirements.

If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our Series A Convertible Participating Perpetual Preferred Stock (the "Series A Preferred Stock") contains covenants that may limit our business flexibility.

On February 15, 2018, in accordance with the terms of that certain Securities Purchase Agreement dated as of October 17, 2017 with Silver Private Holdings I, LLC (“Silver”), an affiliate of Siris Capital Group, LLC (“Siris”), we issued to Silver 185,000 shares of our newly issued Series A Convertible Participating Perpetual Preferred Stock (the “Series A Preferred Stock”), par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to us of 5,994,667 shares of our common stock held by Silver. In connection with the issuance of the Series A Preferred Stock, we filed a Certificate of Designations with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock (the “Series A Certificate”). The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of our annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of our Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of our Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

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For so long as the holders of shares of our Series A Preferred Stock have the right to nominate at least one director, we are required to obtain the prior approval of Silver prior to taking certain actions, including:

(i) certain dividends, repayments and redemptions;
(ii) any amendment to our certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock;
(iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of us;
(iv) changes in the size of our Board of Directors;
(v) any amendment, alteration, modification or repeal of the charter of our Nominating and Corporate Governance Committee of the Board of Directors and related documents; and
(vi) any change in our principal business or the entry into any line of business outside of our existing lines of businesses.

In addition, in the event that we are in EBITDA Non-Compliance (as defined in the Series A Certificate or the undertaking of certain actions would result in Synchronoss exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of $10.0 million, enter or consummate any transaction where the fair market value exceeds $5.0 million individually or $10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of $25.0 million in a fiscal year.

There is no guarantee that the holders of the Series A Preferred Stock would approve any such restricted action, even where such an action would be in the best interests of our stockholders. Any failure to obtain such approval could harm our business and result in a decrease in the value of our common stock.

Our Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A Preferred Stock differing from those of our common stockholders.

The holders of our Series A Preferred Stock have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to stockholders before any payment may be made to holders of any other class or series of capital stock, an amount equal to the greater of the stated value of such holder’s shares of Series A Preferred Stock or the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of such series of Series A Preferred Stock had been converted into common stock immediately prior to such liquidation, dissolution or winding up, plus accrued but unpaid dividends.

In addition, dividends on the Series A Preferred Stock accrue and are cumulative at the rate of 14.5% per annum, payable quarterly in arrears in cash or in-kind. The holders of our Series A Preferred Stock also have certain redemption rights, including the right to require us to repurchase all or any portion of the Series A Preferred Stock upon the occurrence of certain events.

These dividend and redemption obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Preferred Stock, including the requirement that we obtain the consent of the holders of Series A Preferred Stock prior to incurring additional indebtedness under certain circumstances, could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of shares of

Series A Preferred Stock and holders of our common stock. The two members of our Board of Directors elected by the Series A Preferred Stock, Frank Baker and Peter Berger, are affiliated with Silver, which holds all outstanding shares of our Series A Preferred Stock. Notwithstanding the fact that all directors are subject to fiduciary duties to us and to applicable law, the interests of the directors elected by the holders of the Series A Preferred may differ from the interests of our security holders as a whole or of our other directors.

We continue to incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to new and ongoing compliance initiatives.

We operate as a public company, and will continue to incur significant legal, accounting and other expenses as we comply with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act” or “SOX”), the Dodd-Frank Wall Street Reform and Consumer Protection Act and other public company disclosure and corporate governance requirements, as well as any new rules that may subsequently be implemented by the Securities and Exchange Commission and/or Nasdaq, the exchange on which our common stock is listed (Nasdaq: SNCR). These rules impose various requirements on public companies, including requirements related to disclosures, corporate governance and internal controls. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly and place significant strain on our personnel, systems and resources.

Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costlier. For example, we expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In connection with the restatement of certain of our financial statements, our management identified material weaknesses in our internal control over financial reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We are continuing to remediate our disclosure controls and other procedures and taken other remedial actions that are designed to ensure that the information that we are required to disclose in the reports that we will file with the Securities and Exchange Commission is properly recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. We are also continuing to improve our internal control over financial reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting. Further, Section 404 of Sarbanes-Oxley requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year, which is included in Item 9A “Controls and Procedures” in this Form 10-K. Our continued compliance with Section 404 will require that we continue to incur substantial expense and expend significant management time on compliance related issues.

As described in Item 9A “Controls and Procedures” in this Form 10-K, we determined that we did not maintain effective internal control over financial reporting as of December 31, 2018 due to the existence of material weaknesses. Further, additional material weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop, remediate or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will be required to include in our periodic reports that will be filed with the SEC. If we were to have ineffective disclosure controls and procedures or internal control over financial reporting, our investors could lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock and may cause us to lose public confidence in our financial reporting. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

Changes in, or interpretations of, accounting principles could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles, or their interpretation, could have a significant effect on our reported results and may even retroactively affect previously reported results. Our accounting principles that recently have been or may be affected by changes in accounting principles are: (i) revenue recognition guidance; (ii) accounting for stock-based compensation; (iii) accounting for income taxes; (iv) accounting for business combinations and goodwill; and (v) accounting for foreign currency translation.

Changes in, or interpretations of, tax rules and regulations, could adversely affect our effective tax rates.

On December 22, 2017, President Trump signed into law the tax legislation commonly known as the "Tax Cuts and Jobs Act" (the "TCJA") that significantly changes the U.S. Internal Revenue Code of 1986, as amended. During 2018, the U.S. Department of Treasury and Internal Revenue Service issued several complex proposed and final regulations, and related guidance, regarding provisions of the Tax Act. However, several aspects of the legislation remain unclear and subject to interpretation. While our current tax accounting is complete based on legislative updates relating to the U.S. TCJA, further interpretive guidance of the

U.S TCJA's provisions could result in further adjustments that could have an impact on our future results of operations, cash flows or financial positions. Furthermore, states continue to issue guidance and enact legislation in response to the Tax Act, all of which could have an impact on our income tax expense, assets and liabilities.

Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in tax laws or the interpretation of tax laws or by changes in the valuation of our deferred tax assets and liabilities. It is possible that future requirements, including the recently proposed implementation of International Financial Reporting Standards (“IFRS”) could change our current application of U.S. GAAP, resulting in a material adverse impact on our financial position or results of operations. In addition, we are subject to the continued examination of our income tax returns by the Internal Revenue Service (“IRS”), and other tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations, if any, to determine the adequacy of our provision for income taxes. We believe our estimates to be reasonable, but there can be no assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are required to collect sales and use taxes on the services we sell in additional jurisdictions, we may be subject to liability for past sales and our future sales could decrease.

We currently collect sales or use tax on our services in most states. Historically, with a few exceptions, we have not charged or collected value added tax on our services anywhere in the world. We may lose sales or incur significant expenses should tax authorities in other jurisdictions where we do business be successful in imposing sales and use taxes, value added taxes or similar taxes on the services we provide. A successful assertion by one or more tax authorities that we should collect sales or other taxes on the sale of our services could result in substantial tax liabilities for past sales, including interest and penalty charges, and could discourage customers from purchasing our services and otherwise harm our business. Further, we may conclude based on our own review that our services may be subject to sales and use taxes in other areas where we do business. Under these circumstances, we may voluntarily disclose our estimated liability to the respective tax authorities and initiate activities to collect taxes going forward.

It is not clear that our services are subject to sales and use tax in certain jurisdictions. States and certain municipalities in the United States, as well as countries outside the United States, have different rules and regulations governing sales and use taxes. These rules and regulations are subject to varying interpretations that may change over time and, in the future, our services may be subject to such taxes. Although our customer contracts typically provide that our customers are responsible for the payment of all taxes associated with the provision and use of our services, customers may decline to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. In certain cases, we may elect not to request customers to pay back taxes. If we are required to collect and pay back taxes and associated interest and penalties, and if our customers fail or refuse to reimburse us for all or a portion of these amounts, or if we elect not to seek payment of these amounts, we will incur unplanned expenses that may be substantial. Moreover, imposition of such taxes on our services going forward will effectively increase the cost of our services to our customers and may adversely affect our ability to retain existing customers or gain new customers in jurisdictions in which such taxes are imposed. Any of the foregoing could have a material adverse effect on our business, results of operation or financial condition.

Economic, political and market conditions can adversely affect our business, results of operations and financial condition.

Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting. These include but are not limited to general economic and business conditions, the overall demand for cloud-based products and services, general political developments and currency exchange rate fluctuations. Economic uncertainty may exacerbate negative trends in consumer spending and may negatively impact the businesses of certain of our customers, which may cause a reduction in their use of our platforms or increase their likelihood of defaulting on their payment obligations, and therefore cause a reduction in our revenues. These conditions and uncertainty about future economic conditions may make it challenging for us to forecast our operating results, make business decisions and identify the risks that may affect our business, financial conditions and results of operations. In addition, these factors could result in quarterly fluctuations in our business performance. Finally, changes in these conditions may result in a more competitive environment, resulting in possible pricing pressures.

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Catastrophic events may disrupt our business.

A natural disaster, telecommunications failure, power outage, cybersecurity attack, war, terrorist attack or other catastrophic event could cause us to suffer system interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data. An event of this nature could also prevent us from fulfilling customer orders or maintaining certain service level requirements, particularly in respect of our SaaS and hosted offerings. While we have developed certain disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of these types of events, a catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our business, operating results and financial condition could be adversely affected.

Risks Related to Our Common Stock

Our stock price may continue to experience significant fluctuations and could subject us to litigation.

Our stock price, like that of other technology companies, continues to fluctuate greatly. For example, upon the announcement of the resignation of our Chief Executive Officer and Chief Financial Officer in April 2017, our stock price dropped significantly. Our stock price, and demand for our stock, can be affected by many factors, such as unanticipated changes in management, quarterly increases or decreases in our earnings, speculation in the investment community about our financial condition or results of operations and changes in revenue or earnings estimates, announcement of new services, technological developments, alliances, or acquisitions by us. Additionally, the price of our common stock may continue to fluctuate greatly in the future due to factors that are non-company specific, such as the decline in the United States and/or international economies, acts of terror against the United States or other jurisdictions where we conduct business, war or due to a variety of company specific factors, including quarter to quarter variations in our operating results, shortfalls in revenue, gross margin or earnings from levels projected by securities analysts and the other factors discussed in these risk factors. In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition.

Fluctuation in market price and demand for our common stock may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. Causes of volatility in the market price of our stock could subject us to securities class action litigation. We are currently, and may in the future be, the subject of lawsuits that could require us to incur substantial costs defending against those lawsuits and divert the time and attention of our management.

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We currently have research coverage by securities and industry analysts, though we do not control these analysts and have no ability to ensure that they will continue to cover our common stock. If one or more of the analysts who covers us downgrades our stock or states a view that our business prospects are reduced, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, interest in the purchase of our stock could decrease, which could cause our stock price or trading volume, or both, to decline.

The restatement of our previously issued financial results may result in private litigation and could result in private litigation judgments that could have a material adverse impact on our results of operations and financial condition.

We are subject to stockholder derivative litigation relating to certain of our previous public disclosures. For additional discussion of this litigation, see Item 3. "Legal Proceedings" contained in this Form 10-K. Our management has been and may be required in the future to devote significant time and attention to this litigation, and this and any additional matters that arise could have a material adverse impact on our results of operations and financial condition as well as on our reputation. While we cannot estimate our potential exposure in these matters at this time, we have already incurred significant expense defending this litigation and expect to continue to need to incur significant expense in the defense. The existence of any litigation may have an adverse effect on our reputation with referral sources and our customers themselves, which could have an adverse effect on our results of operations and financial condition.

The outcome and amount of resources needed to respond to, defend or resolve lawsuits is unpredictable and may remain unknown for long periods of time. Our exposure under these matters may also include our indemnification obligations, to the extent we have any, to current and former officers and directors and, in some cases former underwriters, against losses incurred in connection with these matters, including reimbursement of legal fees and other expenses. Although we maintain insurance for

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claims of this nature, our insurance coverage does not apply in all circumstances and may be denied or insufficient to cover the costs related to the class action and stockholder derivative lawsuits. In addition, these matters or future lawsuits involving us may increase our insurance premiums, deductibles or co-insurance requirements or otherwise make it more difficult for us to maintain or obtain adequate insurance coverage on acceptable terms, if at all. Moreover, adverse publicity associated with negative developments in pending legal proceedings could decrease customer demand for our services. As a result, the pending lawsuits and any future lawsuits involving us, or our officers or directors, could have a material adverse effect on our business, reputation, financial condition, results of operations, liquidity and the trading price of our common stock.

The restatement of our previously issued financial results could result in adverse determinations in litigation and could result in private litigation judgments that could have a material adverse impact on our results of operations and financial condition.

We may be subject to securities class action litigation and shareholder demands relating to the restatement. For additional discussion of legal proceedings related to the restatement, see Item 3. “Legal Proceedings” of this Form 10-K. We could also become subject to other litigation, arising out of the misstatements in our previously issued financial statements. Our management may be required to devote significant time and attention to these matters, and these and any additional matters that arise could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows. While we cannot estimate our potential exposure in these matters at this time, we expect to expend significant amounts of time and money defending the litigation.

We are at risk of additional securities class action and derivative lawsuits.

Securities class action and derivative lawsuits are often filed against public companies following a decline in the market price of their securities. After our announcement regarding the departure of our Chief Executive Officer and Chief Financial Officer in April 2017, our stock price declined and we and certain of our officers and directors were named as parties in purported stockholder class actions and derivative lawsuits. Those class action lawsuits are ongoing. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K. Soon after the announcement of a restatement of our financial statements for the Relevant Periods, we and certain of our officers and directors were named as parties in a purported derivative lawsuit relating to the restatement, which are ongoing. We may experience stock price volatility in the future related to other matters. This risk is especially relevant for us because technology companies have experienced greater than average stock price volatility in recent years. We may be named in additional litigation, which could require significant management time and attention and result in significant legal expenses and may result in an unfavorable outcome, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Such litigation could result in additional substantial costs and a diversion of management’s and the Board of Directors’ attention and resources, which could harm our business.

Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital, impacts our ability to obtain alternative financing and could have negative consequences under the terms of our existing credit agreements.

We did not file our Form 10-K for the year ended December 31, 2017 or our Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2017, June 30, 2017, September 30, 2017 or March 31, 2018 within the timeframes required by the SEC. As a result of our late filings, we may be limited in our ability to access the public markets to raise debt or equity capital, which could prevent us from pursuing transactions or implementing business strategies that we believe would be beneficial to our business. We are ineligible to use shorter and less costly filings, such as Form S-3, or Form S-8, to register our securities for sale for a period of 12 months following the month in which we regain compliance with our SEC reporting obligations. We may be able to use Form S-1 to register a sale of our stock to raise capital or complete acquisitions but doing so would likely increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

Other than payment of dividends on our Series A Preferred Stock, we have never paid dividends on our capital stock and we do not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in our common stock will likely depend on whether the price of our common stock increases.

Other than the payment of dividends, either in-kind or in cash, on our Series A Preferred Stock in accordance with the Series A Certificate, we have not paid dividends on any of our classes of capital stock and we currently intend to retain our future earnings, if any, to fund the development and growth of our business, other than the payment of any dividends on our Series A Preferred Stock in accordance with the Series A Certificate. In addition, the terms of any future indebtedness that we may incur could preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be a shareholder's sole source of gain for the foreseeable future. Consequently, in the foreseeable future, a shareholder will likely only experience a gain from an investment in our common stock if the price of our common stock increases.

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Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, therefore depressing the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and bylaws and credit agreements may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of the stock to elect some directors;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following election;
- require that directors only be removed from office for cause;
- provide that vacancies on the board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

The affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of our capital stock is generally necessary to amend or repeal the above provisions that are contained in our amended and restated certificate of incorporation. Also, absent approval of our board of directors, our amended and restated by-laws may only be amended or repealed by the affirmative vote of the holders of a majority of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease approximately 120,000 square feet of office space for our corporate headquarters in Bridgewater, New Jersey. We also lease approximately 38,000 square feet of office space in Phoenix, Arizona and 100,000 square foot facility in Bangalore, India. In addition to the above office space, we lease offices in certain countries including Australia, France, Ireland, England, and Japan and in various states in the United States including California, Arizona, Colorado, Pennsylvania, Texas and Virginia. Lease terms for our locations expire in the years between 2019 and 2029. We believe that the facilities we now lease are sufficient to meet our needs through at least the next twelve months. However, we may require additional office space after that time or if our current business plans change.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Company is regularly subject to various claims, suits, regulatory inquiries and investigations. The Company records a liability for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable, and the loss can be reasonably estimated. Management has also identified certain other legal matters where they believe an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the Company’s business, financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management’s view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company.

On May 1, 2017, May 2, 2017, June 8, 2017 and June 14, 2017, four putative class actions were filed against the Company and certain of its officers and directors in the United States District Court for the District of New Jersey (the “Securities Law Action”). After these cases were consolidated, the court appointed as lead plaintiff Employees’ Retirement System of the State of Hawaii, which filed, on November 20, 2017, a consolidated amended complaint purportedly on behalf of purchasers of the Company’s common stock between February 3, 2016 and June 13, 2017. On February 2, 2018, the defendants moved to dismiss the consolidated amended complaint in its entirety, with prejudice. Before that motion was decided, on August 24, 2018, lead plaintiff filed a second consolidated amended complaint purportedly on behalf of purchasers of our common stock between October 28, 2014 and June 13, 2017. The second consolidated amended complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and it alleges, among other things, that the defendants made false and misleading statements of material information concerning the Company’s financial results, business operations, and prospects. Defendants’ motion to dismiss the second consolidated amended complaint is pending before the Court. The plaintiff seeks unspecified damages, fees, interest, and costs. The Company believes that the asserted claims lack merit, and the Company intends to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the actions at this time and can give no assurance that the asserted claims will not have a material adverse effect on the financial position or results of operations of the Company.

On September 15, 2017, October 24, 2017, October 27, 2017 and October 30, 2017, Synchronoss shareholders filed derivative lawsuits against certain of the Company’s officers and directors and the Company (as nominal defendant) in the United States District Court for the District of New Jersey (the “Derivative Suits”). On May 24, 2018, the Court consolidated the Derivative Suits and appointed Lisa LeBoeuf as lead plaintiff. The lead plaintiff designated as the

Operative Complaint the complaint she previously had filed on October 27, 2017, which alleges claims related to breaches of fiduciary duties and unjust enrichment. The Operative Complaint's allegations relate to substantially the same facts as those underlying the Securities Law Action described above. Plaintiff seeks unspecified damages and for the Company to take steps to improve its corporate governance and internal procedures. Defendants' motion to dismiss the Operative Complaint is pending before the Court. On March 7, 2019, Synchronoss shareholders, Beth Daniel and Juan Solis, filed a separate derivative lawsuit against certain of the Company's officers and directors and the Company (as nominal defendant) in the Court of Chancery of the State of Delaware, asserting substantially the same allegations as those underlying the Derivative Suits and the Securities Law Action described above. The Company believes that the asserted claims lack merit, and the Company intends to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the Derivative Suits at this time, and the Company can give no assurance that the asserted claims will not have a material adverse effect on the Company's financial position or results of operations.

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On July 11, 2017, Shareholder Representative Services LLC, on behalf of the persons entitled to receive merger consideration (the “Sellers”) in connection with the Company’s acquisition of Razorsight, commenced arbitration against the Company with respect to a dispute over the amount due to the Sellers as additional consideration. Under the Razorsight purchase agreement, the Sellers are entitled to a percentage of any revenue recognized by the Company generated from the sale or licensing of Razorsight products in 2016 after a specific revenue threshold is obtained. The parties disagreed over the determination of the amount of revenue recognized in 2016. The parties entered into an agreement resolving the arbitration in May 2018.

On June 13, 2018, The Bank of New York Mellon, in its capacity as trustee (the “Trustee”) under the indenture dated as of August 12, 2014 (the “Indenture”) governing for the 2019 Notes, filed a verified complaint with the Court of Chancery of the State of Delaware, captioned The Bank of New York Mellon, as Indenture Trustee v. Synchronoss Technologies, Inc. (the “BNY Action”). The BNY Action complaint alleges that a “Fundamental Change” has occurred under the Indenture as a result of the Company’s Common Stock ceasing to be listed or quoted on Nasdaq and that an event of default under the Indenture has occurred as a result of the Company’s failure to provide a notice of such Fundamental Change which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes, which otherwise mature on August 15, 2019. On November 2, 2018, the Company retired approximately $116.0 million of 2019 Notes as a part of settlement agreement entered into on November 1, 2018, among the Company, Indaba Capital Fund, L.P. (“Indaba”) and Westwood Management Corp. (“Westwood”) related to BNY Action, and as a result the parties filed a stipulation of dismissal.

Except as set forth above, the Company is not currently subject to any legal proceedings that could have a material adverse effect on its operations; however, it may from time to time become a party to various legal proceedings arising in the ordinary course of its business. The Company is currently the plaintiff in several patent infringement cases. The defendants in several of these cases have filed counterclaims. Although the Company cannot predict the outcome of the cases at this time due to the inherent uncertainties of litigation, the Company continues to pursue its claims and believes that the counterclaims are without merit, and the Company intends to defend against all of such counterclaims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information

As of December 31, 2018, our common stock was traded and listed on the Nasdaq Global Select Market under the symbol "SNCR." The following table sets forth, for each period during the past two years, the high and low sale prices.

	Common Stock			
	2018		2017	
	High	Low	High	Low
First Quarter	$11.24	$6.51	$40.28	$23.59
Second Quarter	$12.12	$5.70	$24.92	$10.11
Third Quarter	$7.25	$3.90	$17.09	$8.71
Fourth Quarter	$7.00	$5.31	$15.69	$8.48

On May 11, 2018, the Company received a notification letter from Nasdaq indicating that trading in the Company's common stock was suspended effective at the open of business on May 14, 2018. The Panel also determined to delist the Company's shares from Nasdaq after applicable appeal periods have lapsed. The Company appealed the decision to the Nasdaq Listing and Hearing Review Council and the common stock continued to be traded on the Over-The-Counter market. On September 26, 2018, the Company received notice that the Nasdaq Listing Qualifications Staff (the "Staff") approved the listing of its common stock on The Nasdaq Stock Market ("Nasdaq") and trading of the Company's common stock resumed trading under the symbol "SNCR".

As of December 31, 2018, there were approximately 53 named holders of record of our common stock as according to our transfer agent. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by banks, brokers and other nominees. On December 31, 2018, the last reported sale price of our common stock as reported on the Nasdaq Global Select Market was $6.14 per share.

Dividend Policy

Common Stock

We have never declared or paid cash dividends on our common equity. We do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our Board of Directors may deem relevant.

Preferred Stock

On February 15, 2018, the Company issued to Silver 185,000 shares of our newly issued Series A Preferred Stock, par value $0.0001 per share. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive, on each share of Series A Preferred Stock on a quarterly basis, an amount equal to the dividend rate of 14.5% divided by four and multiplied by the then-applicable Liquidation Preference (as defined in the Series A Certificate) per share of Series A Preferred Stock (collectively, the "Preferred Dividends"). The Preferred Dividends are due on January 1, April 1, July 1 and October 1 of each year (each, a "Series A Dividend Payment Date"). The Company may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event we do not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the

Preferred Dividend will be added to the Liquidation Preference.

The Company declared and paid the following Preferred Dividends during fiscal year 2018:

- Second Quarter - 3,353 shares of preferred dividends in the form of shares of Series A Preferred Stock
- Third Quarter - 6,828 shares of preferred dividends in the form of shares of Series A Preferred Stock
- Fourth Quarter - $7.1 million cash dividend

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As of December 31, 2018, there were 195,181 shares of Series A Preferred Stock outstanding, including the initial issuance of 185,000 shares of Series A Preferred Stock and the issuance of 10,181 shares of Series A Preferred Stock as Preferred Dividends.

There were no shares of preferred stock outstanding as of December 31, 2017.

Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on our common stock between December 31, 2013 and December 31, 2018, with the cumulative total return of (i) the Nasdaq Computer Index and (ii) the Nasdaq Composite Index, over the same period. This graph assumes the investment of $100 on December 31, 2013 in our common stock, the Nasdaq Computer Index and the Nasdaq Composite Index, and assumes the reinvestment of dividends, if any. The graph assumes the initial value of our common stock on December 31, 2013 was the closing sales price of $31.07 per share.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

Information used in the graph was obtained from Nasdaq, a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
Synchronoss Technologies, Inc.	100	135	113	123	29	20
Nasdaq Composite Index	100	113	120	129	165	159
Nasdaq Computer Index	100	120	127	143	198	191

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Issuer Purchases of Equity Securities

On February 15, 2018, in connection with execution of the Share Purchase Agreement, the Company received 6.0 million shares of Synchronoss common stock, which have been recorded as Treasury shares as of December 31, 2018.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our consolidated financial statements and related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial data included elsewhere in this Form 10 K. The selected statements of operations and the selected balance sheet data are derived from our consolidated audited financial statements for all periods except 2014.

	Year Ended December 31,				
	2018	2017	2016	2015	2014 (Unaudited)
	(In thousands, except per share data)				
Statements of Operations Data:					
Net revenues	$325,839	$402,361	$426,294	$372,561	$233,416
Loss from continuing operations	(164,276)	(129,602)	(122,604)	(37,113)	(81,450)
Net loss from continuing operations	(245,280)	(194,224)	(93,869)	(37,782)	(80,557)
Net loss attributable to noncontrolling interests	(8,837)	(9,291)	(15,203)	(628)	—
Net loss from continuing operations attributable to Synchronoss	(262,036)	(184,933)	(78,666)	(37,154)	(80,557)
Basic:					
Continuing operations*	$(6.51)	$(4.14)	$(1.81)	$(0.88)	$(1.99)
Diluted:					
Continuing operations*	$(6.51)	$(4.14)	$(1.81)	$(0.88)	$(1.99)
Weighted average common shares outstanding:					
Basic	40,277	44,669	43,551	42,284	40,418
Diluted	40,277	44,669	43,551	42,284	40,418

*Excludes Net loss attributable to redeemable noncontrolling interests and Preferred stock dividend

	As of December 31,				
	2018	2017	2016	2015	2014 (Unaudited)
	(In thousands)				
Balance Sheet Data:					
Cash, cash equivalents, restricted cash and marketable securities	$144,748	$249,236	$226,913	$233,864	$ 290,377
Working capital	50,690	178,493	186,488	265,975	287,938
Total assets	703,255	965,411	1,054,351	931,562	836,865
Contingent consideration obligation - long term	—	—	—	930	—
Lease financing obligation - long-term	9,494	11,183	12,450	13,391	9,579
Long-term convertible debt, net of debt issuance costs	—	227,704	226,291	224,878	223,465
Redeemable noncontrolling interest	12,500	25,280	25,280	25,280	—
Total stockholders' equity	188,909	463,587	529,797	505,323	463,464

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. The MD&A should be read in conjunction with the Financial Statements and Notes to the consolidated financial statements.

Revenues

We generate a majority of our revenues on a per transaction or subscription basis, which is derived from contracts that extend up to 60 months from execution.

During the year ended December 31, 2018, the Company made significant changes in its accounting policies over revenue recognition, to align with the adoption of ASU 2014-09, "Revenue from Contracts with Customers," ("Topic 606"). These updates are described in Note 2. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements, in Part II, Item 8 of this Form 10-K.
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The future success of our business depends on the continued growth of Business to Business and Business to Business to Consumer driving customer transactions, and continued expansion of our platforms into the TMT Market globally through Digital Transformation, Messaging, Cloud and Internet of Things ("IoT") markets. As such, the volume of transactions and our ability to expand our footprint in TMT and globally may result in revenue fluctuations on a quarterly basis.

Most of our revenues are recorded in U.S. dollars but as we continue to expand our footprint with international carriers, we will become subject to currency translation that could affect our future net sales as reported in U.S. dollars.

Our top five customers accounted for 69%, 73% and 74% of net revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of our revenues in 2018. The loss of Verizon as a customer would have a material negative impact on our company. However, we believe that the costs incurred and subscriber disruption by Verizon to replace Synchronoss' solutions would be substantial.

Key Developments

Honeybee Acquisition

In May 2018, the Company completed the acquisition of the honeybee software business ("honeybee"), a provider of digital solutions targeted at optimizing the customer experience from Dixons Carphone plc which offers a digital transformation platform that makes it easier for companies to design and launch omni-channel customer journeys. Consideration paid by the Company consisted of approximately $9.7 million in cash and deferred consideration $8.7 million to be paid over the next three years. As of December 31, 2018, the balance sheet reflected intangible assets, other long term receivables and net working capital in the amount of $8.1 million, $8.7 million and $1.6 million, respectively. Customers of the honeybee platform, such as mobile operators and other communication service providers, can rapidly create and adapt digital sales processes for contact centers, retail stores, and online channels. This helps reduce complexity for the end-user as well as internal employees, while delivering a single customer experience at all touch-points and improved business outcomes such as reduced cost and increased revenue. The acquisition did not have a material impact on the Company's Consolidated Statements of Operations for the year ended

December 31, 2018.

Intralinks Acquisition and Divestiture

On January 19, 2017, the Company purchased all outstanding shares of Intralinks Holdings, Inc. (“Intralinks”) for approximately $815.0 million, net of cash acquired. In connection with the acquisition, the Company entered into a $900.0 million senior secured term loan (the “2017 Term Facility”). Intralinks is a global technology provider of SaaS solutions for secure enterprise content collaboration within and among organizations. Intralinks’ cloud-based solutions enable organizations to securely manage, control, track, search, exchange and collaborate on sensitive information inside and outside the firewall. The total purchase price consideration consisted of the repayment of existing Intralinks indebtedness, and non-cash consideration for services rendered on unvested Intralinks equity awards that were converted into the Company equity awards on the acquisition date. The acquisition was primarily funded from the proceeds of the $900.0 million credit agreement.

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On June 23, 2017, the Company received a non-binding indication of interest from Siris to acquire the Company. In light of the indication of interest, the Board of Directors decided to explore a broad range of strategic alternatives that would have the potential to unlock shareholder value. In October 2017, the Company concluded its review of strategic alternatives and determined that the best approach for the Company to achieve the goal of maximizing shareholder value was to focus on its core TMT business, divest non-core assets and improve its balance sheet strength, cash position and potential profitability. Under the terms of certain definitive agreements, investment funds affiliated with Siris acquired all of the stock of the Company's wholly-owned subsidiary, Intralinks, for consideration of cash and an investment in convertible preferred equity of the Company. On October 17, 2017, the Company announced its entry into definitive agreements for the sale of Intralinks, and the right to sell a newly created series of preferred stock of Synchronoss to affiliates of Siris. Subject to the terms and conditions set forth in a share purchase agreement, dated as of October 17, 2017 (the "Share Purchase Agreement"), among Synchronoss, Intralinks and Impala Private Holdings II, LLC, an affiliate of Siris ("Impala"), Impala agreed to acquire from the Company, the issued and outstanding shares of common stock of Intralinks for approximately $977.3 million in cash plus a potential contingent payment of up to $25.0 million, subject to an adjustment for cash, debt and working capital (the "Intralinks Transaction"). The total amount of funds used to complete the Intralinks Transaction and related transactions and pay related fees and expenses was approximately $1.0 billion, which was funded through a combination of equity and debt financing obtained by Impala.

Subsequently, on November 14, 2017, the Company sold Intralinks to Impala, for approximately $991.0 million in cash, subject to post-closing adjustments for changes in cash, debt and working capital. As a result of the sale, the Company prepaid the remaining balance on the 2017 Term Facility. If, in the future, Impala receives net cash proceeds in excess of $440.0 million from any sale of equity or assets of Intralinks, or a dividend or distribution in respect of the shares of Intralinks, then Impala is required to pay the Company up to an additional $25.0 million in cash or publicly traded securities. Immediately following the consummation of the Intralinks Transaction, the Company paid to Impala $5.0 million as partial reimbursement of the out-of-pocket fees and expenses incurred by Impala, Siris and their respective affiliates in connection with the execution of the Share Purchase Agreement and the Intralinks Transaction. Amounts reimbursed were recorded as a reduction in the gain on sale. The operations of Intralinks were presented as discontinued operations in 2017.

In September of 2018, Impala agreed to sell Intralinks. Per the terms of the Share Purchase Agreement, this event triggered the above $25.0 million payment from Impala to the Company, which was received in November 2018 and recorded in Net income from discontinued operations, net of taxes in the Consolidated Statement of Operations.

For further details, see Note 3. Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

SNCR, LLC

On November 16, 2015, we formed a venture with Goldman, referred to as SNCR, LLC in order to develop and deploy the Synchronoss Secure Mobility Suite, leveraging the technology contributed by Goldman, providing a safe, secure mobile device environment that also effectively supports BYOD. We obtained a 67% interest in SNCR, LLC in exchange for a perpetual license for the use of Workspace.

During the fourth quarter of 2017, we entered into a termination agreement with Goldman to terminate the venture, and provide a perpetual, irrevocable license of the venture's intellectual property for use in Goldman's back-office. As part of the agreement, the Company was relieved of any future obligations to support Goldman's use of the software. The venture formally ended in the first quarter of 2018.

Other Acquisitions and Investments

On March 1, 2016, we acquired all outstanding shares of Openwave for $114.5 million, net of working capital adjustments and liabilities assumed, comprised of $92.5 million paid in cash and $22.0 million paid in shares of our common stock, based upon the average market value of the common stock for the ten trading days prior to the acquisition date. Openwave's product portfolio includes its core complete messaging platform optimized for today's most complex messaging requirements worldwide with a particular geographic strength in Asia Pacific. With this acquisition and combined with our current global footprint, we increased direct access to subscribers around the world for the Synchronoss Personal Cloud platform and bolstered our go-to-market efforts internationally.

Other Divestitures

On February 1, 2017, we completed the divestiture of our SpeechCycle business for consideration of $13.5 million to an unrelated third party. As part of the divestiture, we entered into a one-year transition services agreement with the acquirer to support

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various indirect activities such as customer software support, technical support services and maintenance and support services. These services were terminated during the first quarter of 2018. We recorded a pre-tax gain of $4.9 million as a result of the divestiture which is included in other income (expense), net in the Consolidated Statement of Operations.

For further details, see Note 3. Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Discussion of the Consolidated Statements of Operations

The following table presents an overview of our results of operations for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Twelve Months Ended December 31,			2018 vs 2017	2017 vs 2016
	2018	2017	2016	$ Change	$ Change
Net revenues	$325,839	$402,361	$426,294	$(76,522)	$(23,933)
Cost of revenues*	158,802	181,453	194,684	(22,651)	(13,231)
Research and development	79,172	90,850	114,493	(11,678)	(23,643)
Selling, general and administrative	122,112	154,037	126,228	(31,925)	27,809
Net change in contingent consideration obligation	—	—	1,194	—	(1,194)
Restructuring charges	12,375	10,739	6,333	1,636	4,406
Depreciation and amortization	117,654	94,884	105,966	22,770	(11,082)
Total costs and expenses	490,115	531,963	548,898	(41,848)	(16,935)
Loss from continuing operations	$(164,276)	$(129,602)	$(122,604)	$(34,674)	$(6,998)

*Cost of revenues excludes depreciation and amortization which are shown separately.

As a result of the adoption of Topic 606, revenues increased $29.4 million for the year ended December 31, 2018. The change was comprised of an increase in Cloud revenues of $6.0 million, an increase in Digital Transformation revenue of $20.9 million and an increase in Messaging revenue of $2.5 million. These impacts are reflected in the discussion below.

Net revenues decreased $76.5 million to $325.8 million for the year ended December 31, 2018, compared to the same period in 2017. The overall change is due to:

- a $68.7 million decrease in Cloud revenues due to:
  - a change in the business model from a freemium pricing model to an active premium pricing model, resulting in a $63.7 million decrease;
  - a $11.0 million reduction from a decline in business volume related to decisions to sunset certain non-strategic cloud customers; and
  - a $6.0 million increase as a result of the adoption of Topic 606.
- a $17.7 million decrease in Digital Transformation revenues due to:
  - a decrease in transaction revenue of $9.3 million resulting from a decline in business volume of $8.3 million and the divestiture of the SpeechCycle business of $1.0 million;
  - a decrease in subscription revenue of $20.3 million resulting from a decline in business volume;
  - a decrease in professional services revenue of $6.0 million;
  - a decrease in license revenue of $3.0 million; and
  - a $20.9 increase as a result of the adoption of Topic 606.
- an increase in Messaging revenue of $9.9 million primarily due to the delivery of an advanced messaging solution to a customer in the Japanese market, an uptick in business volume in our core messaging business and the adoption of

Topic 606.

Net revenues decreased $23.9 million to $402.4 million for the year ended December 31, 2017, compared to the same period in 2016. This was due to:

- a $38.5 million decrease in Cloud revenues due to:
  - a reduction in professional fees from one of our largest cloud customers that was preparing to reposition their cloud business to focus more on its premium subscriber base;
  - a proactive decision we made to sunset a platform previously acquired which was being used by a number of smaller customers; and

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the decision by a larger international customer to in-source their cloud offering onto an internally built solution;

- a $1.6 million increase in Digital Transformation revenues due to:

an increase in digital activation and professional services revenue, partially offset by the divestiture of the SpeechCycle business

- a $13.0 million increase in Messaging revenue due to new sales in the Japanese market

Cost of revenues decreased $22.7 million to $158.8 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 decrease was primarily due to cost savings initiatives implemented in 2017 and 2018. These initiatives resulted in a $16.8 million decrease in the use of outside consultants and a $14.9 million reduction in telecommunication and facility costs driven primarily by lower hosting fees, partially offset by an increase in stock-based compensation for new employees in 2018 and increased operating costs related to the honeybee acquisition.

Cost of revenues decreased $13.2 million to $181.5 million for the year ended December 31, 2017 compared to the same period in 2016. The aforementioned cost saving initiatives that began in 2017 also had a favorable impact on 2017 costs reducing customer related hosting fees and telecommunications costs and personnel related costs by $11.2 million and $7.5 million respectively. These cost reductions were partially offset by an increase of $6.2 million due to higher use of outside consultants in 2017.

Research and development expense decreased $11.7 million to $79.2 million for the year ended December 31, 2018, compared to the same period in 2017. The decrease in 2018 is primarily due to the realization of our strategic efforts that began in 2016 to reduce costs and refocus our resources on key strategic priorities resulting in the following: (i) $3.5 million in decreased outside consulting fees and (ii) $7.8 million in decreased personnel related costs including stock-based compensation expense.

Research and development expense decreased $23.6 million to $90.9 million for the year ended December 31, 2017, compared to the same period in 2016. The decrease in 2017 was driven primarily by a reduction of $12.0 million in outside consulting fees, a $9.7 million reduction of personnel and related costs and a $2.9 million reduction in stock-based compensation through cost cutting efforts employed in outsourced research and development and through restructuring initiatives implemented in December 2016 and early 2017.

Selling, general and administrative expense decreased $31.9 million to $122.1 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 decrease was primarily due to $11.7 million in decreased merger and acquisition costs related to Intralinks in the prior year period as well a $21.0 million net reduction in professional services and outside consulting fees, slightly offset by increased stock-based compensation expense for awards granted in 2017.

Selling, general and administrative expense increased $27.8 million to $154.0 million for the year ended December 31, 2017, compared to the same period in 2016. The 2017 increase was primarily due to $38.8 million increased professional fees related to our financial restatement process and acquisition costs, partially offset by decreases of $6.1 million in stock-based compensation and $5.4 million in personnel related costs.

Restructuring charges were $12.4 million, $10.7 million and $6.3 million for the years ended December 31, 2018, 2017 and 2016, respectively, which primarily related to employment termination costs as a result of the work-force reduction and facility consolidation plans initiated in connection with acquisition and divestiture activities. We commenced separate plans designed to reduce operating costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or in the subsequent quarter.

Depreciation and amortization expense increased $22.8 million to $117.7 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 increase was primarily attributable to our decision to sunset certain product offerings related to the Company's consolidated joint venture Zentry, LLC ("Zentry") that resulted in (i) $11.0 million write down of the intangible assets and (ii) $9.1 million write down of goodwill. The remaining increase was primarily attributable to the expiration of amortizable acquired assets, offset by the increased amortization of capitalized software.

Depreciation and amortization decreased $11.1 million to $106.0 million for the year ended December 31, 2017, compared to the same period in 2016. The 2017 decrease was primarily driven by approximately $11.1 million of asset impairment realized in 2016 related to our investments in SNCR, LLC including our Synchronoss Workspace platform.

Interest income decreased $4.7 million to $7.8 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 decrease was primarily due to lower interest earned on a paid-in-kind purchase money note (the "PIK Note") issued to the Company by Sequential Technology Holdings LLC balance compared to the respective prior year period. The company began deferring interest income effective July 1, 2018 related to PIK Note.

Interest income increased $10.6 million to $12.5 million for year ended December 31, 2017, compared to the same period in 2016. The 2017 increase was primarily due to interest earned on higher balances of related party PIK note extended in connection with the sale of our BPO business.

Interest expense decreased $50.9 million to $4.9 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 decrease was primarily due to a decrease in our borrowings outstanding in 2018 after the termination of our $900 million senior secured term loan (the “2017 Term Facility”) in the fourth quarter of 2017.

Interest expense increased $48.4 million to $55.8 million for the year ended December 31, 2017, compared to the same period in 2016. The 2017 increase was primarily due to incremental interest related to the 2017 Credit Agreement and waiver fees and subsequent default interest paid due to our delayed filings during 2017.

Other expense increased $57.2 million to $74.9 million for the year ended December 31, 2018, compared to the same period in 2017. The 2018 increase was primarily due to the $84.3 million write down of the PIK note, partially offset by other net income of $4.5 million in legal settlements and $3.8 million from the remeasurement of a mandatorily redeemable financial instrument, which expired in the first quarter.

Other income (expense), net changed $18.7 million to a net other expense of $17.7 million for the year ended December 31, 2017, compared to a net other income of $1.0 million in the same period in 2016. The decrease was due primarily to a $14.6 million impairment of our PIK note receivable from Sequential Technology International LLC, a $4.4 million loss on the change in fair value on our financial instruments and increased net losses from foreign currency exchange rate fluctuations, partially offset by a $4.9 million gain recognized on the sale of our SpeechCycle business in 2017.

Equity method investment income (loss) changed $19.5 million to a loss of $28.6 million for the year ended December 31, 2018, compared to a loss of $9.1 million for the same period in 2017. All equity method investment income (loss) are the result of our 30% equity interest in STIN and vary based on the financial results of the investment company during the respective reporting period. In 2018, the Company determined that its investment in STIN was other-than-temporarily impaired due to the deteriorating financial position of the investee. As a result, the Company recorded a non-cash, other-than-temporary impairment of $22.9 million. The remaining change in Equity method investment (losses) for 2018 and 2017 is attributable to our earnings (losses) pickup related to our investment in STIN.

Income tax. The Company recognized approximately $17.9 million and $34.9 million in related income tax benefit during the year ended December 31, 2018 and 2017, respectively. The effective tax rate was approximately 6.8% for the year ended December 31, 2018, which was lower than the U.S. federal statutory rate primarily due to the full valuation allowance recorded in the fourth quarter of 2017 and the tax benefits recorded discretely in the third quarter of 2018 from the expiration of the statute of limitations for uncertain tax positions and the reversal of a deferred tax liability related to a change in foreign tax residency. The Company’s effective tax rate was approximately 15.2% for the year ended December 31, 2017, which was lower than the U.S. federal statutory rate primarily due to the impact of losses in foreign jurisdictions which have lower tax rates than the U.S.

Liquidity and Capital Resources

As of December 31, 2018, our principal sources of liquidity have been cash provided by operations and proceeds from divestitures. Our cash, cash equivalents, marketable securities and restricted cash balance was $144.7 million at December 31, 2018. We anticipate that our principal uses of cash in the future will be to fund the expansion of our business through both organic growth and acquisition activities and the expansion of our customer base as well as the repayment of our Convertible Senior Notes due in August 2019. Uses of cash will also include facility and technology expansion, significant integration and restructuring activities, capital expenditures, and working capital.

At December 31, 2018, our non-U.S. subsidiaries held approximately $26.4 million of cash and cash equivalents that are available for use by all of our operations around the world. At this time, we believe the funds held by all non-U.S. subsidiaries will be permanently reinvested outside of the U.S. However, if these funds were repatriated to the U.S. or used for U.S. operations, certain amounts could be subject to U.S. tax for the incremental amount in excess of the foreign tax paid. Due to the timing and circumstances of repatriation of these earnings, if any, it is not practical to determine the unrecognized deferred tax liability related to the amount.

We believe that our existing cash, cash equivalents, marketable securities, and expected positive cash flows generated from operations will be sufficient to fund our operations for the next twelve months based on our current business plans. Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Forward-Looking Statements" section of this Form 10-K and Part I, Item 1A. “Risk Factors” of this Form 10-K, some of which are outside of our control.

Convertible Senior Notes

On August 12, 2014, we issued the 2019 Notes. The 2019 Notes mature on August 15, 2019, and bear interest at a rate of 0.75% per annum payable semi-annually in arrears on February 15 and August 15 of each year. We accounted for the $230.0 million face value of the debt as a liability and capitalized approximately $7.1 million of financing fees, related to the issuance.

The 2019 Notes are our senior unsecured obligations and are convertible into shares of our common stock based on a conversion rate of 18.8072 shares per $1,000 principal amount of 2019 Notes which is equivalent to an initial conversion price of approximately $53.17 per share. We will satisfy any conversion of the 2019 Notes with shares of our common stock. The 2019 Notes are convertible at the note holders’ option prior to their maturity and if specified corporate transactions occur. The issue price of the 2019 Notes was equal to their face amount.

The 2019 Notes are our direct senior unsecured obligations and rank equal in right of payment to all of our existing and future unsecured and unsubordinated indebtedness.

On November 2, 2018, we retired approximately $116.0 million of the 2019 Notes as part of a settlement agreement entered into on November 1, 2018, among us, Indaba Capital Fund, L.P and Westwood Management Corp. related to the BNY Action and, as a result the parties filed a stipulation of dismissal of the BNY Action. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K.

At December 31, 2018, the carrying amount of the liability was $113.5 million and the outstanding principal of the 2019 Notes was $114.0 million, with an effective interest rate of approximately 1.37%. The fair value of the liability of the 2019 Notes was determined using a discounted cash flow model based on current market interest rates available to the Company.

2017 Credit Agreement

On January 19, 2017, we completed the acquisition of Intralinks. In connection with the acquisition, we entered into the 2017 Credit Agreement which was comprised of the 2017 Term Facility with a maturity date of January 19, 2024 (the “2017 Term Facility”) and the Revolving Facility with a maturity date of January 19, 2022 (the “Revolving Facility”), (together, the “2017 Credit Agreement”, as defined previously). Obligations under the 2017 Credit Agreement were guaranteed by certain of our subsidiaries and secured by substantially all of the Company’s and its subsidiaries’ assets.

The 2017 Term Facility amortized at 1% per annum in equal quarterly installments with the balance payable on the maturity date. The proceeds of the 2017 Term Facility were used to: finance a portion of the cash consideration in the offer and the merger to purchase all of the outstanding shares of Intralinks common stock; to refinance certain of our existing indebtedness, including the Amended Credit Agreement (the “Amended Credit Agreement”) with Wells Fargo Bank, National Association, as administrative agent (the “Administrative Agent”) and the several lenders party thereto dated July 7, 2016, the indebtedness of Intralinks (or our subsidiaries); and to pay related fees and expenses. The Revolving Facility included borrowing capacity available for letters of credit and for borrowings on same-day notice under swingline loans and borrowing thereunder could be used for working capital needs and other general corporate purposes.

The 2017 Term Facility initially bore interest at a rate equal to, at our option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate, in each case, plus an applicable margin of 2.75% or 1.75%, respectively. The Revolving Facility initially bore interest at a rate equal to, at our option, the adjusted LIBOR rate or an alternate base rate, in each case, plus an applicable margin of 2.50% or 1.50%, respectively, subject to step-downs based on our ratio of first lien secured debt to adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"), as defined in the 2017 Credit Agreement. We paid a commitment fee in the range of 0.25% to 0.375% on the unused balance of the Revolving Facility. Interest was payable quarterly under the 2017 Credit Agreement.

Subject to certain customary exceptions, the 2017 Term Facility was subject to mandatory prepayments in amounts equal to: (1) 100% of the net cash proceeds from any non-ordinary course sale or other disposition of assets (including as a result of casualty or condemnation) by Synchronoss or its subsidiaries subject to customary reinvestment provisions and certain other exceptions; (2) 100% of the net cash proceeds from incurrences of debt (other than permitted debt); and (3) a customary annual excess cash flow sweep at levels based on our applicable ratio of first lien secured debt to adjusted EBITDA, as defined in the 2017 Credit Agreement.

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The 2017 Credit Agreement contained a number of customary affirmative and negative covenants and events of default, which, among other things, restricted our ability to incur debt, allow liens on assets, make investments, pay dividends or prepay certain other debt. The 2017 Credit Agreement also required us to comply with certain financial maintenance covenants, including a total gross leverage ratio and an interest charge coverage ratio.

Certain of the lenders under the 2017 Credit Agreement, or their affiliates, provided, and may in the future from time to time provide, certain commercial and investment banking, financial advisory and other services in the ordinary course of business for the registrant and its affiliates, for which they have in the past and may in the future receive customary fees and commissions.

As a result of our restatement, we were unable to comply with covenants requiring the timely delivery of audited financial statements and interim financial information. We obtained waivers to extend the dates by which the Company was required to deliver such financial information to June 30, 2017.

Waiver Agreement to 2017 Credit Agreement

On June 30, 2017, the Company, the Lenders and the Administrative Agent entered into a Limited Waiver to Credit Agreement (the “Waiver Agreement”) pursuant to which the Lenders agreed, subject to the limitations contained in the Waiver Agreement, to temporarily waive (the “Limited Waiver”) the anticipated event of default (the “Anticipated Event of Default”) resulting from our failure to deliver its first quarter 2017 financial statements, together with related items required under the 2017 Credit Agreement on or prior to June 30, 2017. In the absence of the Limited Waiver, after the occurrence of the Anticipated Event of Default the Lenders would be permitted to exercise their rights and remedies available to them under the 2017 Credit Facility with respect to an event of default. The Limited Waiver was designed to give us and the Lenders additional time to negotiate in good faith and document certain amendments to the 2017 Credit Facility.

As consideration for the Limited Waiver, we agreed to pay a consent fee to each Lender who consented to the Waiver Agreement in an amount equal to 0.15% of the aggregate principal amount of such consenting Lender’s revolving credit commitments and term loans outstanding under the 2017 Credit Agreement, which amount was credited against any consent fee that was required to be paid in connection with any subsequent waiver of the Anticipated Event of Default or related amendment of the 2017 Credit Agreement. In addition, we paid the reasonable fees and expenses of counsel and other costs and expenses requested by the Administrative Agent on behalf of the Lenders and certain other fees as set forth in the Waiver Agreement.

First Amendment to 2017 Credit Agreement

On July 19, 2017, we entered into a first amendment and limited waiver to the 2017 Credit Agreement (the “First Amendment”). Pursuant to the First Amendment, the lenders and administrative agent agreed to extend the time period for delivery of our quarterly financial statements for the quarters ended March 31, 2017 and June 30, 2017 (the “2017 Quarterly Financial Statements”) and to waive the default and event of default arising from our failure to deliver the 2017 Quarterly Financial Statements within the timeframe originally required by the 2017 Credit Agreement (or, at our election, November 16, 2017, if prior to October 17, 2017 we pay a fee to the Lenders equal to 25 basis points on the aggregate principal amount of revolving commitments and terms loans outstanding).

The First Amendment effected various other changes to the terms of the Credit Agreement, including reducing revolving credit commitments from $200.0 million to $100.0 million (with a sub-limit on usage of $50.0 million until the earliest date by which the Company has delivered the 2017 Quarterly Financial Statements, the restated financial statements for the fiscal years ended December 31, 2016 and 2015 (and the respective quarterly periods) and certain information with respect to disclosing and remedying any material weaknesses in our internal control structure related to financial reporting).

Under the First Amendment, we were required to maintain a first lien secured net leverage ratio of no more than (x) 5.50 to 1 for any period ending from September 30, 2017 through March 31, 2019; (y) 5.00 to 1 for any period ending June 30, 2019 through December 31, 2019; and (z) 4.25 to 1 for any period ending March 31, 2020 and thereafter. We were also required to maintain a minimum interest coverage ratio of no less than 2.00 to 1.

Until the earlier of (A) the later of (i) December 15, 2017 and (ii) in the event that, prior to December 15, 2017, the Company has publicly announced a strategic transaction, or merger, business combination, acquisition or divestiture that would result in a change of control or a requirement to prepay the loans and terminate commitments under the Amended Credit Agreement, the date on which such transaction is consummated or abandoned (the "Initial Period End Date") and (B) June 15, 2018, term loans under the Amended Credit Agreement bear interest at a rate equal to, at our option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins increase to 5.75% and 4.75%, respectively, if our first

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lien secured net leverage ratio is less than or equal to 5.00 to 1, and to 6.75% and 5.75%, respectively, if our first lien secured net leverage ratio is greater than 5.00 to 1. The foregoing applicable margins are subject to a retroactive increase of 0.25% each if the Restated Financial Statements show an amount of net revenue for any fiscal year ended December 31, 2015, December 31, 2016 and, if applicable, December 31, 2014 that varies by greater than 15% of the net revenue set forth on Consolidated Balance Sheets and related Consolidated Statements of Operations of the Company for such fiscal year that had originally been filed with the Securities and Exchange Commission.

Until the Initial Period End Date, revolving loans under the Amended Credit Agreement bear interest at a rate equal to, at our option, the adjusted LIBOR rate or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins will be subject to step-downs based on our first lien secured net leverage ratio.

Until the Initial Period End Date, term loans under the Amended Credit Agreement are subject to a prepayment premium of 1.00% solely if prepaid with proceeds of a repricing transaction. Thereafter, the term loans will be subject to (x) a 2.00% prepayment premium for any voluntary prepayments (including upon a change of control) made through the one-year anniversary of the Initial Period End Date and (y) a 1.00% prepayment premium for any voluntary prepayments (including upon a change of control) made after the one-year anniversary of the Initial Period End Date and prior to the second anniversary thereof.

The Amendment also effected various other changes to the baskets and exceptions under the negative covenants of the Credit Agreement.

Our effective interest rate on the term loans was approximately 4.08% prior to the First Amendment and ranged from 5.74% to 5.76% from July 19, 2017 through November 2017. During 2017, we paid approximately $16.8 million in fees related to obtaining waivers, amendments, and consents in relation to the 2017 Credit Agreement as a result of the delay in the delivery of the 2017 Quarterly Financial Statements. These costs were recognized within the Interest expense line of the Consolidated Statements of Operations until the debt was repaid in the fourth quarter of 2017. The remaining balance was recognized within the Extinguishment of debt line item of the Consolidated Statements of Operations.

Repayment of 2017 Credit Agreement

In connection with the consummation of the Intralinks divestiture (See Note 3. Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K), we utilized a portion of the proceeds from the Intralinks divestiture to repay all outstanding obligations under the 2017 Credit Agreement. In connection therewith, we delivered all notices and took all other actions to facilitate and cause the termination of the 2017 Credit Agreement, the repayment in full of all obligations then outstanding thereunder and the release of any security interests in connection therewith, effective as of November 14, 2017. The aggregate payoff amount was approximately $897.5 million and included all accrued interest, fees and prepayment penalties associated therewith. The Company incurred approximately $29.4 million of a loss on the extinguishment of the 2017 Credit Agreement for the year ended December 31, 2017.

Amended Credit Facility

On July 7, 2016, we entered into an Amended Credit Facility, with the Administrative Agent and several lenders party thereto, which was permitted to be used for general corporate purposes was a $250.0 million unsecured revolving line of credit that was set to mature on July 7, 2021 (“Amended Credit Facility”), subject to terms and conditions set forth therein. We paid a commitment fee in the range of 15 to 30 basis points on the unused balance of the revolving credit facility under the Amended Credit Facility. We had the right to request an increase in the aggregate principal amount of the Amended Credit Facility up to $350.0 million. Interest on the borrowings ranged from 1.94% to 2.03%.

On January 19, 2017, the Company repaid all outstanding obligations under the Amended Credit Facility with Wells Fargo Bank and the several lenders party thereto. The aggregate payoff amount was $29.0 million and included all accrued interest and associated prepayment penalties. For further details, see Note 10. Debt of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Share Repurchase Program

There were no repurchases in 2018. In 2018, the Company retired 3.9 million shares of Common Stock that were previously repurchased in prior years. Any related additional paid in capital and par values were removed from the Common Stock numbers. There were no repurchases in 2017.

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Redeemable Shares

Under the terms of the Share Purchase Agreement, the Company issued Series A Preferred to Siris for consideration totaling $185.0 million, of which $97.7 million was paid in cash, with the remainder settled by Siris' delivery of 5,994,667 shares of Synchronoss common stock. The Share Purchase Agreement also provided Siris with an option to put those shares to Synchronoss at price of $14.56 per share, or $87.3 million in the aggregate, if the Share Purchase Agreement was terminated. The Share Purchase Agreement required the Company to establish an escrow account of $87.3 million on the earlier date of the sale of Intralinks to Siris or the termination of the Share Purchase Agreement to fund our obligation under the put option. The option was exercisable within five days of the termination of the Share Purchase Agreement.

Shares of Preferred Stock

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the "PIPE Purchase Agreement"), with Silver Private Holdings I, LLC, an affiliate of Siris ("Silver"), on February 15, 2018, we issued to Silver 185,000 shares of our newly issued Series A Preferred Stock, par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to us of the 5,994,667 shares of our common stock held by Silver (the "Preferred Transaction"). In connection with the issuance of the Series A Preferred Stock, we (i) filed the Series A Certificate and (ii) entered into an Investor Rights Agreement with Silver setting forth certain registration, governance and preemptive rights of Silver with respect to us (the "Investor Rights Agreement"). Pursuant to the PIPE Purchase Agreement, at the closing, we paid to Siris $5.0 million as a reimbursement of Silver's reasonable costs and expenses incurred in connection with the Preferred Transaction.

Certificate of Designation of the Series A Preferred Stock

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series A Preferred Stock are set forth in the Series A Certificate. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive Preferred Dividends. The Preferred Dividends are due on each Series A Dividend Payment Date. We may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event we do not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of our common stock.

Each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the "Conversion Price" (as that term is defined in the Series A Certificate) multiplied by the then applicable "Conversion Rate" (as that term is defined in the Series A Certificate). Each share of Series A Preferred Stock is initially convertible into 55.5556 shares of common stock, representing an initial "conversion price" of approximately $18.00 per share of common stock. The Conversion Rate is subject to equitable proportionate adjustment in the event of stock splits, recapitalizations and other events set forth in the Series A Certificate.

On and after the fifth anniversary of February 15, 2018, holders of shares of Series A Preferred Stock have the right to cause the Company to redeem each share of Series A Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series A Preferred Stock is also redeemable at the option of the holder upon the occurrence of a "Fundamental Change" (as that term is defined in the Series A Certificate) at a specified premium ("Liquidation Value"). In addition, the Company is also permitted to redeem all outstanding shares of the Series A Preferred Stock at any time (i) within the first 30 months of the date of issuance for the sum of the then-applicable Liquidation Preference, accrued but unpaid dividends and a make whole amount (known as "Redemption Value") and (ii) following the 30-month anniversary of the date of issuance for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends. As of December 31, 2018, the

Liquidation Value and Redemption Value of the Preferred Shares was $251.9 million.

The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of our annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of our Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of our Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of Series A Preferred Stock have the right to nominate at least one director, we are required to obtain the prior approval of Silver prior to taking certain actions, including: (i) certain dividends, repayments and redemptions; (ii) any amendment to our certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock; (iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of us; (iv) changes in the size of our Board of Directors; (v) any amendment, alteration, modification or repeal of the charter of our Nominating and Corporate Governance Committee of the Board of Directors and related documents; and (vi) any change in our principal business or the entry into any line of business outside of our existing lines of businesses. In addition, in the event that we are in EBITDA Non-Compliance (as defined in the Series A Certificate) or the undertaking of certain actions would result in us exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of $10.0 million, enter or consummate any transaction where the fair market value exceeds $5.0 million individually or $10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of $25.0 million in a fiscal year.

Each holder of Series A Preferred Stock has one vote per share on any matter on which holders of Series A Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent. The holders of Series A Preferred Stock are permitted to take any action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or electronic transmission of the holders of the Series A Preferred Stock entitled to cast not less than the minimum number of votes that would be necessary to authorize, take or consent to such action at a meeting of stockholders. In addition to any vote (or action taken by written consent) of the holders of the shares of Series A Preferred Stock as a separate class provided for in the Series A Certificate or by the General Corporation Law of the State of Delaware, the holders of shares of the Series A Preferred Stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote on an as-converted basis with the holders of common stock) on all matters submitted to a vote or to the consent of the stockholders of the Company (including the election of directors) as one class.

Under the Series A Certificate, if Silver and certain of its affiliates have elected to effect a conversion of some or all of their shares of Series A Preferred Stock and if the sum, without duplication, of (i) the aggregate number of shares of our common stock issued to such holders upon such conversion and any shares of our common stock previously issued to such holders upon conversion of Series A Preferred Stock and then held by such holders, plus (ii) the number of shares of our common stock underlying shares of Series A Preferred Stock that would be held at such time by such holders (after giving effect to such conversion), would exceed the 19.9% of the issued and outstanding shares of our voting stock on an as converted basis (the “Conversion Cap”), then such holders would only be entitled to convert such number of shares as would result in the sum of clauses (i) and (ii) (after giving effect to such conversion) being equal to the Conversion Cap (after giving effect to any such limitation on conversion). Any shares of Series A Preferred Stock which a holder has elected to convert but which, by reason of the previous sentence, are not so converted, will be treated as if the holder had not made such election to convert and such shares of Series A Preferred Stock will remain outstanding. Also, under the Series A Certificate, if the sum, without duplication, of (i) the aggregate voting power of the shares previously issued to Silver and certain of its affiliates held by such holders at the record date, plus (ii) the aggregate voting power of the shares of Series A Preferred Stock held by such holders as of such record date, would exceed 19.99% of the total voting power of our outstanding voting stock at such record date, then, with respect to such shares, Silver and certain of its affiliates are only entitled to cast a number of votes equal to 19.99% of such total voting power. The limitation on conversion and voting ceases to apply upon receipt of the requisite approval of holders of our common stock under the applicable listing standards.

Form of Investor Rights Agreement

Concurrently with the closing of the Preferred Transaction, Synchronoss and Silver entered into an Investor Rights Agreement. Under the terms of the Investor Rights Agreement, Silver and Synchronoss have agreed that, effective as of the closing of the Preferred Transaction, the Board of Directors of Synchronoss will consist of ten members. From and after the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate a member to the Board of Directors pursuant to the Series A Certificate, the Board of Directors of Synchronoss will consist of (i) two directors nominated and elected by the holders of shares of Series A Preferred Stock; (ii) four directors who meet the independence criteria set forth in the applicable listing standards (each of whom will be initially agreed upon by Synchronoss and Silver); and (iii) four other directors, two of whom shall satisfy the independence criteria of the applicable listing standards and, as of the closing of the Preferred Transaction, one of whom shall be the individual then serving as chief executive officer of Synchronoss and one of whom shall be the current chairman of the Board of Directors of Synchronoss as of the date of execution of the Investors Rights Agreement. Following the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate at least one director to the Board of Directors of Synchronoss pursuant to the Series A Certificate, Silver will have the right to designate two members of the Nominating and Corporate Governance Committee of the Board of Directors.

Pursuant to the terms of the Investor Rights Agreement, neither Silver nor its affiliates may transfer any shares of Series A Preferred Stock subject to certain exceptions (including transfers to affiliates that agree to be bound by the terms of the Investor Rights Agreement).

For so long as Silver has the right to appoint a director to the Board of Directors of Synchronoss, without the prior approval by a majority of directors voting who are not appointed by the holders of shares of Series A Preferred Stock, neither Silver nor its affiliates will directly or indirectly purchase or acquire any debt or equity securities of Synchronoss (including equity-linked derivative securities) if such purchase or acquisition would result in Silver's Standstill Percentage (as defined in the Investor Rights Agreement) being in excess of 30%. However, the foregoing standstill restrictions would not prohibit the purchase of shares pursuant to the PIPE Purchase Agreement or the receipt of shares of Series A Preferred Stock issued as Preferred Dividends pursuant to the Series A Certificate, shares of Common Stock received upon conversion of shares of Series A Preferred Stock or receipt of any shares of Series A Preferred Stock, Common Stock or other securities of the Company otherwise paid as dividends or as an increase of the Liquidation Preference (as defined in the Series A Certificate) or distributions thereon. Silver will also have preemptive rights with respect to issuances of securities of Synchronoss in order to maintain its ownership percentage.

Under the terms of the Investor Rights Agreement, Silver will be entitled to (i) three demand registrations, with no more than two demand registrations in any single calendar year and provided that each demand registration must include at least 10% of the shares of Common Stock held by Silver, including shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock and (ii) unlimited piggyback registration rights with respect to primary issuances and all other issuances.

Discussion of Cash Flows

A summary of net cash flows follows (in thousands):

	Twelve Months Ended December 31, 2018	2017	2016	2018 vs 2017 Change	2017 vs 2016 Change
Net cash provided by (used in):					
Operating activities	$(31,369)	$(18,248)	$104,559	$(13,121)	$(122,807)
Investing activities	(67,282)	98,245	(39,775)	(165,527)	138,020
Financing activities	(35,885)	(35,664)	(370)	(221)	(35,294)

Our primary source of cash is receipts from revenue. The primary uses of cash are personnel and related costs, telecommunications and facility costs related primarily to our cost of revenue and general operating expenses including professional service fees, consulting fees, building and equipment maintenance and marketing expense.

Cash flows from operating activities for the year ended December 31, 2018 was a $31.4 million use of cash, as compared to $18.2 million of cash used by operating activities for the same period in 2017. The increase of cash used in operating activities of $13.1 million was primarily due to favorable changes in cash earnings of $12.2 million and an unfavorable change in working capital of $25.3 million. Cash flows from operating activities in 2017 decreased by $122.8 million compared to 2016. The decrease was primarily due to unfavorable changes in cash earnings of $51.0 million and an unfavorable change in working capital of $71.8 million.

Cash flows from investing for the year ended December 31, 2018 was a use of cash of $67.3 million, as compared to $98.2 million in cash provided by investing activities during the same period in 2017. The decrease of $165.5 million in cash in investing activities was due primarily to (i) cash provided by the divestiture of Intralinks and SpeechCycle in 2017 and (ii) cash used for purchases of marketable securities and the acquisition of Honeybee in 2018. Cash flows used by investing activities in 2017 increased by $138.0 million as compared to the prior year period primarily due to the cash provided by the sale of Intralinks and SpeechCycle.

Cash flows from financing for year ended December 31, 2018 was $35.9 million, as compared to $35.7 million of cash used by financing activities for the same period in 2017. The cash used by financing for 2018 was primarily driven by the $113.7 million partial repayment of the convertible debt offset by $86.2 million of proceeds for the issuance of preferred stock. Additionally, cash flows from financing activities in 2017 decreased by $35.3 million in comparison to 2016 primarily due to a $39.0 million increase debt issuance costs and the payment of all outstanding borrowings on the revolving line of credit.

Effect of Inflation

Although inflation generally affects us by increasing our cost of labor and equipment, we do not believe that inflation has had any material effect on our results of operations during 2018, 2017 and 2016. We do not expect the current rate of inflation to have a material impact on our business.

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Contractual Obligations

Our contractual obligations consist of principal and interest related to our Convertible Senior Notes, contingent consideration, non-cancelable capital leases, operating leases or long-term agreements for office space, automobiles, office equipment and colocation services and contractual commitments under third-party hosting, software licenses and maintenance agreements. The following table summarizes our long term contractual obligations as of December 31, 2018 (in thousands).

	Payments Due by Period				
	Total	2019	2020 - 2022	2023 - 2024	Thereafter
Capital lease obligations [1]	$14,847	$2,494	$4,782	$3,188	$ 4,383
Convertible Senior Notes	113,980	113,980	—	—	—
Interest [2]	534	534	—	—	—
Operating lease obligations	88,190	10,343	32,023	16,205	29,619
Purchase obligations [3]	57,709	27,287	30,422	—	—
Other long-term liabilities [4]	2,621	2,621	—	—	—
Total	$277,881	$157,259	$67,227	$19,393	$ 34,002

(1) Amount includes the Pennsylvania facility lease and the cloud hosting data center in England.

(2) Amount represents obligation and interest associated with 2019 Notes.

(3) Amount represents obligations associated with colocation agreements and other customer delivery related purchase obligations.

(4) Amount represents unrecognized tax positions recorded in our balance sheet. Although the timing of the settlement is uncertain, we believe this amount will be settled within three years.

Uncertain Tax Positions

Unrecognized tax benefits of $1.4 million at December 31, 2018 are excluded from the table above as we are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We do not expect that the balance of unrecognized tax benefits will significantly increase or decrease over the next twelve months.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements in accordance with U.S. GAAP requires us to utilize accounting policies and make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during a fiscal period. The SEC considers an accounting policy to be critical if it is important to a company's financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. We have discussed the selection and development of the critical accounting policies with the Audit Committee, and the Audit Committee has reviewed our related disclosures in this Form 10-K. Although we believe that our judgments and estimates are appropriate, correct and reasonable under the circumstances, actual results may differ from those estimates. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See Part I, "Item 1A. Risk Factors" in this Form 10-K for certain matters bearing risks on our future results of operations.

We believe the following to be our critical accounting policies because they are important to the portrayal of our consolidated financial condition and results of operations and they require critical management judgments and estimates about matters that are uncertain.

During the year ended December 31, 2018, the Company made significant changes in its accounting policies over revenue recognition, to align with the adoption of Topic 606. These updates are described in detail in Note 2. Summary of Significant Accounting Policies.

Revenue Recognition and Deferred Revenue

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During the year ended December 31, 2018, the Company made significant changes in its accounting policies over revenue recognition, to align with the adoption of Topic 606. These updates are described below and in detail in Note 2. Summary of Significant Accounting Policies.

The Company generates revenue from the delivery of a range of products, solutions and services for operators, enterprises, OEMs and technology providers. We offer services principally on a Transactional or Subscription basis (SaaS) or in the form of Professional Services or Software Licenses. Revenues are recognized when control of the promised goods or services are transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates all of its revenue from contracts with customers.

Subscription and Transaction revenues consist of revenues derived from the processing of transactions through the Company's service platforms, providing enterprise portal management services on a subscription basis and maintenance agreements on software licenses. The Company generates revenue from Subscription services from monthly active user fees, software as a service ("SaaS") fees, hosting and storage fees, and fees for the related maintenance support for those services. In most cases, the subscription or transaction arrangement is a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). The Company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage, under Topic 606 Section 10-25-14(b). When the Company does not allocate variable consideration to distinct periods of service, the total estimated transaction price is recognized ratably over the term of the contract, where the level of service provided to the customer does not vary significantly from one period to another.

Transaction service arrangements include services such as processing equipment orders, new account set up and activation, number port requests, credit checks and inventory management. Transaction revenues are principally based on a contractual price per transaction and are recognized based on the number of transactions processed during each reporting period. Revenues are recorded based on the total number of transactions processed at the applicable price established in the relevant contract.

Many of the Company's contracts guarantee minimum volume transactions from the customer. In these instances, if the customer's total estimated transaction volume for the period is expected to be less than the contractual amount, the Company records revenues at the minimum guaranteed amount on a straight line based over the period covered by the minimum. Set up fees for transactional service arrangements are deferred until set up activities are completed and recognized on a straight line basis over remaining expected customer relationship period. Revenues are presented net of discounts, which are volume level driven.

In accordance with Topic 606 Section 10-50-20, any credits due to customers, which are generally performance driven and based upon system availability or response times to incidents, are determined and accounted for in the period in which the services are provided. The Company recognizes revenues from support and maintenance performance obligations over the service delivery period.

The Company's software licenses typically provide for a perpetual or term right to use the Company's software. The Company has concluded that in most cases its software license is distinct as the customer can benefit from the software on its own. Software revenue is typically recognized when the software is delivered to the customer. Contracts that include software customization or specified upgrades may result in the combination of the customization services with the software license as one performance obligation. The Company does not have a history of returns, or refunds of is software licenses, however, in limited instances, the Company may constrain consideration to high-risk customers, until collection is resolved.

The Company’s professional services include software development and customization. The contracts generally include project deliverables specified by each customer. The performance obligations in the agreements are generally combined into one deliverable and generally result in the transfer of control over time. The underlying deliverable is owned and controlled by the customer and does not create an asset with an alternative use to us. The Company recognizes revenue on fixed fee contracts on the proportion of labor hours expended to the total hours expected to complete the contract performance obligation.

Most of the Company’s contracts with customers contain multiple performance obligations which generally include either 1) a perpetual software license with support and maintenance and sometimes a hosting agreement or 2) a term SaaS agreement, in many cases these are sold along with professional services. For these contracts, the Company accounts for individual goods and services separately if they are distinct performance obligations. This often requires significant judgment based upon knowledge of the products, the solution provided and the structure of the sales contract. In SaaS agreements, the Company provides a service to the customer which combines the software functionality, maintenance and hosting into a single performance obligation when the customer doesn’t have the ability to take possession of the underlying software license. The Company may also sell the same three goods and services in a contract, but there may be three performance obligations, where the customer has the right to take possession of the software license without significant penalty.

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The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company estimates standalone selling prices of software based on observable inputs of past transactions to similarly situated customers. When such observable data is not available for certain software licenses because there is a limited number of transactions or prices are highly variable, the Company will estimate the standalone selling price using the residual approach. Standalone selling prices of services are typically determined based on observable transactions when these services are sold on a standalone basis to similarly situated customers or estimated using a cost-plus margin approach.

Estimating the transaction price of variable consideration including the variable quantity subscription or transaction contracts in a multiple performance obligation arrangement requires significant judgment. The Company generally estimates this variable consideration at the most likely amount to which the Company expects to be entitled and in certain cases based on the expected value. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company’s estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company’s anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The Company reviews and updates these estimates on a quarterly basis.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated bad debts resulting from the inability of our customers to make required payments. The amount of the allowance account is based on historical experience and our analysis of the accounts receivable balance outstanding. While credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit losses that we have in the past or that our reserves will be adequate. If the financial condition of one of our customers were to deteriorate, resulting in its inability to make payments, additional allowances may be required which would result in an additional expense in the period that this determination was made.

Allowance for Loan Losses

The Company’s allowance for credit losses relates to the related party note receivable and is based on the probable estimated losses that may be incurred. The allowance is based on two basic principles of accounting: (1) ASC Topic 450, “Accounting for Contingencies”, which requires that losses be accrued when they are probable of occurring and estimable, and (2) ASC Topic 310, “Accounting by Creditors for Impairment of a Loan”, which requires that losses be accrued based on the differences between the value of collateral and the present value of future cash flows.

The allowance for loan losses is established to estimate losses that may occur by recording a provision for loan losses that is charged to earnings in the period known. The allowance is evaluated by management taking into consideration adverse situations that may affect the borrower’s ability to repay and the estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Measured impairment and credit losses are charged against the allowance when management believes to the extent amounts are not collectible.

Stock-Based Compensation

As of December 31, 2018, we maintain eight stock-based compensation plans. We utilize the Black-Scholes pricing model to determine the fair value of stock options on the dates of grant. Restricted stock awards are measured based on the fair market values of the underlying stock on the dates of grant. We recognize stock-based compensation over the requisite service period with an offsetting credit to additional paid-in capital.

For our performance restricted stock awards, we estimate the number of shares the recipient is to receive by applying a probability of achieving the performance goals. The actual number of shares the recipient receives is determined at the end of the performance period based on the results achieved versus goals based on our performance targets, such as revenue and EBITDA. Once the number of awards is determined, the compensation cost is fixed and continues to be recognized using straight line recognition over the requisite service period for each vesting tranche.

During 2017, our Board approved the issuance of performance-based restricted stock to certain executives which are eligible to vest if the volume-weighted average closing price over 20 consecutive trading days equals or exceeds certain stock prices during the specific performance period from July 2017 to July 2019. We utilized the Monte Carlo simulation to estimate the fair value of the restricted stock on its grant date.

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Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on our historical information of our stock. The average expected life was determined using historical stock option exercise activity. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. We have never declared or paid cash dividends on our common or preferred equity and do not anticipate paying any cash dividends in the foreseeable future. Forfeitures are accounted for as they occur.

Income Taxes

On December 22, 2017, the U.S. government enacted TCJA. The TCJA makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. While our accounting for the recorded impact of the TCJA is deemed to be complete as of December 31, 2018, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the Internal Revenue Service (IRS) could impact our recorded amounts in future periods. In 2018, the impact of the TCJA was minor due to the losses incurred and the valuation allowance position.

Since we conduct operations on a global basis, our effective tax rate has and will depend upon the geographic distribution of our pre-tax earnings among locations with varying tax rates. We account for the effects of income taxes that result from our activities during the current and preceding years. Under this method, deferred income tax liabilities and assets are based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse or be utilized. The realization of deferred tax assets is contingent upon the generation of future taxable income. A valuation allowance is recorded if it is “more likely than not” that a portion or all of a deferred tax asset will not be realized.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured by determining the amount that has a greater than 50 percent likelihood of being realized upon the settlement of the position. Components of the reserve are classified as current or a long-term liability in the Consolidated Balance Sheets based on when we expect each of the items to be settled. We record interest and penalties accrued in relation to uncertain tax benefits as a component of interest expense.

While we believe we have identified all reasonably identifiable exposures and that the reserve we have established for identifiable exposures is appropriate under the circumstances, it is possible that additional exposures exist and that exposures may be settled at amounts different than the amounts reserved. It is also possible that changes in facts and circumstances could cause us to either materially increase or reduce the carrying amount of our tax reserves. In general, tax returns for the year 2015 and thereafter are subject to future examination by tax authorities.

Our policy has been to leave our cumulative unremitted foreign earnings invested indefinitely outside the United States, and we intend to continue this policy. Although the transition tax in the TCJA has removed U.S. federal taxes on distributions to the U.S. on a go forward basis, the Company continues to assert permanent reinvestment of foreign earnings. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

Business Combinations

We account for business combinations in accordance with the acquisition method. The acquisition method of accounting requires that assets acquired, and liabilities assumed and any noncontrolling interest in the aquiree (if any), be recorded at their fair values on the date of a business acquisition. Our consolidated financial statements and results of operations reflect an acquired business from the completion date of the transaction.

The judgments that we make in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. We generally use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach

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presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We record contingent consideration resulting from a business combination at its fair value on the acquisition date. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as an adjustment to net change in contingent consideration obligation within the Consolidated Statements of Operations. Changes in the fair value of the contingent consideration obligation can result from updates in the achievement of financial or other operational targets and changes to the weighted probability of achieving those future targets. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, any change in the assumptions described above, could have a material impact on the amount of the net change in contingent consideration obligation that we record in any given period.

Discontinued Operations

Management classifies a disposal transaction as discontinued operation in the consolidated financial statements when it qualifies as a component of the Company, meets the held for sale criteria, is disposed of by sale, or is disposed of other than by sale and it represents a strategic shift that has a major effect on our operations and financial results. Insignificant and non-strategic shifting divestitures are not classified as within discontinued operations.

Investments in Affiliates and Other Entities

In the normal course of business, we enter into various types of investment arrangements, each having unique terms and conditions. These investments may include equity interests held by us in business entities, including general or limited partnerships, contractual ventures, or other forms of equity participation. Management determines whether such investments involve a variable interest entity ("VIE") based on the characteristics of the subject entity. If the entity is determined to be a VIE, then management determines if we are the primary beneficiary of the entity and whether or not consolidation of the VIE is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When we are deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a noncontrolling interest.

We generally account for investments that we make in VIEs in which we have determined that we do not have a controlling financial interest but have significant influence over and hold at least a 20% ownership interest using the equity method. Any such investment not meeting the parameters to be accounted under the equity method would be accounted for using the cost method unless the investment had a readily determinable fair value, at which it would then be reported.

If an entity fails to meet the characteristics of a VIE, management then evaluates such entity under the voting model. Under the voting model, we would consolidate the entity if it is determined that we, directly or indirectly, have greater than 50% of the voting shares, and determine that other equity holders do not have substantive participating rights.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired, including other definite-lived intangible assets. Our policy is to perform an impairment test of goodwill at least annually, and more frequently if events or circumstances occurred that would indicate a reduced fair value in our reporting units could exist. Typically, we perform a qualitative assessment in the fourth quarter of the fiscal year to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value. As part of this qualitative assessment, we perform a quantitative assessment where necessary in substantiating our qualitative assessment.

During our qualitative assessment we make significant estimates, assumptions, and judgments, around the financial performance of the Company, changes in our share price, and forecasts of earnings, working capital requirements, and cash flows. We consider each reporting unit's historical results and operating trends as well as any strategic difference from our historical results when determining these assumptions.

If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, we perform a quantitative goodwill impairment test. Fair value estimates used in the quantitative impairment test are

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calculated using a combination of the income and market approaches. The income approach is based on the present value of future cash flows of each reporting unit, while the market approach is based on certain multiples of selected guideline public companies or selected guideline transactions. The approaches incorporate a number of market participant assumptions including future growth rates, discount rates, income tax rates and market activity in assessing fair value and are reporting unit specific. If the carrying amount exceeds the reporting unit's fair value, we recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

The fair value measurement associated with the quantitative goodwill impairment test is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value goodwill could significantly increase or decrease the fair value estimates used for impairment assessments.

For our 2018 impairment tests, the Company identified two reporting units, Core and Zentry. As a result of various business changes to Zentry, the Company elected to sunset certain product offerings for the reporting unit. The Company evaluated the impact of these business changes and determined that the future cash flows generated by the assets were not sufficient to support its recoverability. Accordingly, the Company recorded an impairment charge for the reporting unit’s outstanding goodwill of $9.1 million and intangible assets of $11.0 million.

The Company performed a quantitative impairment assessment, as of October 1, 2018, for the Core reporting unit. The amounts below represent the results of our quantitative assessment.

We use the average of our fair values for purposes of our comparison between carrying value and fair value for the quantitative impairment test. The table below depicts the methods employed, assumptions used and percentage fair value in excess of carrying value.

	2018 Impairment Test					
Reporting Unit	Discount Rate	Growth rate range	Terminal Growth Rate	Goodwill	Fair Value Exceeds Carrying Value by	Fair Value method
Core	12.5 %	2.0 - 15.0%	2.0 %	$ 225,380	22.3 %	Income Approach, Market Approach

The 2018 fair value of the reporting unit was estimated using a combination of the income approach, which incorporates the use of the discounted cash flow method, and the market approach, which incorporates the use of earnings and revenue multiples based on market data. We generally applied an equal weighting to the income and market approaches for our analysis when both are applied.

For the income approach, we used projections, which require the use of significant estimates and assumptions specific to the reporting unit as well as those based on general economic conditions. Factors specific to each reporting unit include revenue and cost growth, profit margins, terminal value growth rates, capital expenditures projections, assumed tax rates, discount rates and other assumptions deemed reasonable by management.

For the market approach, we used judgment in identifying the relevant comparable-company market multiples. These estimates and assumptions may vary between each reporting unit depending on the facts and circumstances specific to that unit. If sufficient comparable data is not present, the market approach will not be employed. The discount rate for each reporting unit is influenced by general market conditions as well as factors specific to the reporting unit.

Factors influencing the revenue growth rates include the nature of the services the reporting unit provides for its clients, the maturity of the reporting unit and any known concentrated customer contract renewals. We believe that the estimates and assumptions we made are reasonable, but they are susceptible to change from period to period. Actual results of operations, cash flows and other factors will likely differ from the estimates used in our valuation, and it is possible that differences and changes could be material.

A deterioration in profitability, adverse market conditions, significant client losses, changes in spending levels of our existing clients or a different economic outlook than currently estimated by management could have a significant impact on the estimated fair value of our reporting units and could result in an impairment charge in the future.

Capitalized Software Development Costs

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Software development costs are accounted for in accordance with either ASC 985-20, "Software - Costs of Software to be Sold, Leased or Marketed," or ASC 350-40, "Internal-Use Software." Costs associated with the planning and designing phase of software development are classified as research and development costs and are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities and interest. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients.

Amortization is calculated on a solution-by-solution basis and is recognized over the estimated economic life of the software, typically ranging two to three years. Amortization begins when the software is substantially completed for its intended use. Costs incurred during the preliminary and post-implementation stages are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities and interest. Software development costs are evaluated for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Unrecoverable costs are reviewed annually and recognized in the period they become unrecoverable, as needed, and are recorded in the Consolidated Statements of Operations as depreciation and amortization expense.

Impairment of Long-Lived Assets

A review of long-lived assets for impairment is performed when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to the asset's carrying amount. If the undiscounted future cash flows are less than the carrying amount of the asset, the Company records an impairment loss equal to the amount by which the asset's carrying amount exceeds its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis.

This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value long lived assets could significantly increase or decrease the fair value estimates used for impairment assessments.

Long lived assets that do not have indefinite lives are amortized/depreciated over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company reevaluates the useful life determinations each year to determine whether events and circumstances warrant a revision to the remaining useful lives.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards see Note 2. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

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Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2018 and December 31, 2017 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 are material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The following discussion about market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We deposit our excess cash in what we believe are high-quality financial instruments, primarily money market funds and certificates of deposit and, we may be exposed to market risks related to changes in interest rates. We do not actively manage the risk of interest rate fluctuations on our marketable securities; however, such risk is mitigated by the relatively short-term nature of these investments. These investments are denominated in United States dollars.

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations, while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short- and long-term investments in a variety of securities, which could include commercial paper, money market funds and corporate and government debt securities. Our cash, cash equivalents and marketable securities at December 31, 2018 and December 31, 2017 were invested in liquid money market accounts, certificates of deposit and government securities. All market-risk sensitive instruments were entered into for non-trading purposes.

Foreign Currency Exchange Risk

We are exposed to translation risk because certain of our foreign operations utilize the local currency as their functional currency and those financial results must be translated into U.S. dollars. As currency exchange rates fluctuate, translation of the financial statements of foreign businesses into U.S. dollars affects the comparability of financial results between years.

We do not hold any derivative instruments and do not engage in any hedging activities. Although our reporting currency is the U.S. dollar, we may conduct business and incur costs in the local currencies of other countries in which we may operate, make sales and buy materials and services. As a result, we are subject to foreign currency transaction risk. Further, changes in exchange rates between foreign currencies and the U.S. dollar could affect our future net sales, cost of sales and expenses and could result in foreign currency transaction gains or losses.

We cannot accurately predict future exchange rates or the overall impact of future exchange rate fluctuations on our business, results of operations and financial condition. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase and hedging activities may be considered if appropriate.

Interest Rate Risk

We are exposed to the risk of interest rate fluctuations on the interest income earned on our cash and cash equivalents. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents outstanding at December 31, 2018 would increase interest income by approximately $1.0 million on an annual basis.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Synchronoss Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Synchronoss Technologies, Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 18, 2019 expressed an adverse opinion thereon.

Adoption of ASU No. 2014-09

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for recognizing revenue in 2018 to the adoption of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), and the amendments in ASUs 2015-14, 2016-08, 2016-10 and 2016-12.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2001.
Iselin, New Jersey
March 18, 2019

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$103,771	$156,299
Restricted cash**	6,089	89,826
Marketable securities, current	28,230	3,111
Accounts receivable, net of allowances of $4,599 and $3,107 at December 31, 2018 and December 31, 2017, respectively**	102,798	78,186
Prepaid expenses	45,058	33,957
Other current assets	8,508	9,600
Total current assets	294,454	370,979
Marketable securities, non-current	6,658	—
Property and equipment, net	67,937	111,825
Goodwill	224,899	237,303
Intangible assets, net	98,706	132,167
Other assets	8,982	5,236
Note receivable from related party**	—	73,984
Equity method investment	1,619	33,917
Total assets	$703,255	$965,411
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$13,576	$5,959
Accrued expenses	59,545	72,739
Deferred revenues, current	57,101	75,829
Short-term convertible debt, net of debt issuance costs	113,542	—
Mandatorily redeemable financial instrument	—	37,959
Total current liabilities	243,764	192,486
Lease financing obligation	9,494	11,183
Long-term convertible debt, net of debt issuance costs	—	227,704
Deferred tax liabilities	1,347	13,735
Deferred revenues, non-current	59,841	25,241
Other liabilities	10,797	6,195
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interest	12,500	25,280
Series A Convertible Participating Perpetual Preferred Stock, $0.0001 par value; 10,000 shares authorized; 195 shares issued and outstanding at December 31, 2018	176,603	—
Stockholders' equity:		
Common stock, $0.0001 par value; 100,000 shares authorized, 49,836 and 52,024 shares issued; 42,674 and 46,965 outstanding at December 31, 2018 and December 31, 2017, respectively	5	5
Treasury stock, at cost (7,162 and 5,059 shares at December 31, 2018 and December 31, 2017, respectively)	(82,087)	(105,584)

Additional paid-in capital	534,673	597,553
Accumulated other comprehensive loss	(30,383)	(23,373)
Accumulated deficit	(233,299)	(5,014)
Total stockholders’ equity	188,909	463,587
Total liabilities and stockholders’ equity	$703,255	$965,411

** See Note 5. Investments in Affiliates and Related Transactions for related party transactions reflected in this account.

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Twelve Months Ended December 31,		
	2018	2017	2016
Net revenues	$325,839	$402,361	$426,294
Costs and expenses:			
Cost of revenues*	158,802	181,453	194,684
Research and development	79,172	90,850	114,493
Selling, general and administrative	122,112	154,037	126,228
Net change in contingent consideration obligation	—	—	1,194
Restructuring charges	12,375	10,739	6,333
Depreciation and amortization	117,654	94,884	105,966
Total costs and expenses	490,115	531,963	548,898
Loss from continuing operations	(164,276)	(129,602)	(122,604)
Interest income	7,770	12,502	1,907
Interest expense	(4,911)	(55,771)	(7,414)
Gain (loss) on extinguishment of debt	1,760	(29,413)	—
Other (expense) income, net	(74,917)	(17,678)	1,022
Equity method investment loss, net	(28,600)	(9,125)	—
Loss from continuing operations, before taxes	(263,174)	(229,087)	(127,089)
Benefit for income taxes	17,894	34,863	33,220
Net loss from continuing operations	(245,280)	(194,224)	(93,869)
Net income from discontinued operations, net of tax**	18,288	75,495	90,560
Net loss	(226,992)	(118,729)	(3,309)
Net loss attributable to redeemable noncontrolling interests	8,837	9,291	15,203
Preferred stock dividend	(25,593)	—	—
Net loss attributable to Synchronoss	$(243,748)	$(109,438)	$11,894
Basic:			
Continuing operations	$(6.51)	$(4.14)	$(1.81)
Discontinued operations**	0.46	1.69	2.08
	$(6.05)	$(2.45)	$0.27
Diluted:			
Continuing operations	$(6.51)	$(4.14)	$(1.81)
Discontinued operations**	0.46	1.69	2.08
	$(6.05)	$(2.45)	$0.27
Weighted-average common shares outstanding:			
Basic	40,277	44,669	43,551
Diluted	40,277	44,669	43,551

*Cost of revenues excludes depreciation and amortization which are shown separately.
**See Note 3. Acquisitions and Divestitures for transactions classified as discontinued operations.

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Twelve Months Ended December 31,		
	2018	2017	2016
Net loss	$(226,992)	$(118,729)	$(3,309)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(6,152)	17,027	(4,114)
Unrealized (loss) gain on available for sale securities	(37)	18	3
Net (loss) income on intra-entity foreign currency transactions	(821)	1,932	(725)
Total other comprehensive (loss) income	(7,010)	18,977	(4,836)
Comprehensive loss	(234,002)	(99,752)	(8,145)
Comprehensive loss attributable to redeemable noncontrolling interests	8,837	9,291	15,203
Comprehensive (loss) income attributable to Synchronoss	$(225,165)	$(90,461)	$7,058

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Treasury Stock		Additional	Accumulative Other		Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Stockholders' Equity
Balance at December 31, 2015	48,287	$ 4	(3,892)	$(68,327)	$514,964	$ (37,514)	$96,202	$ 505,329
Cumulative effect of adjustment to retained earnings (ASU Adoption)	—	—	—	—	710	—	(476)	234
Stock based compensation	—	—	—	—	33,361	—	—	33,361
Issuance of restricted stock	585	—	—	—	—	—	—	—
Issuance of common stock on exercise of options	608	1	—	—	13,912	—	—	13,913
ESPP compensation	—	—	—	—	817	—	—	817
Issuance of common stock related to acquisition	840	—	—	—	22,000	—	—	22,000
Issuance of common stock to a subsidiary	20	—	—	—	—	—	—	—
Issuance of common stock to employee stock purchase plan	48	—	—	—	955	—	—	955
Repurchase of treasury shares	—	—	(1,262)	(40,025)	—	—	—	(40,025)
Sale of treasury stock in connection with an employee stock purchase plan	—	—	58	1,721	(493)	—	—	1,228
Other	—	—	—	—	130	—	—	130
Adjustments to redemption value of noncontrolling interest	—	—	—	—	(15,203)	—	—	(15,203)
Net income attributable to Synchronoss	—	—	—	—	—	—	11,894	11,894
Total other comprehensive income (loss)	—	—	—	—	—	(4,836)	—	(4,836)
Balance at December 31, 2016	50,388	$ 5	(5,096)	$(106,631)	$571,153	$ (42,350)	$107,620	$ 529,797
Cumulative effect of adjustment to retained earnings (ASU Adoption)	—	—	—	—	—	—	(3,196)	(3,196)
Stock based compensation	—	—	—	—	28,446	—	—	28,446
Issuance of restricted stock	1,565	—	—	—		—	—	—
Issuance of common stock on exercise of options	104	—	—	—	2,460	—	—	2,460
ESPP compensation	—	—	—	—	495	—	—	495
Sale of treasury stock in connection with an employee	—	—	36	1,047		—	—	1,047

stock purchase plan								
Shares withheld for taxes in connection with issuance of restricted stock	(29)	—	—	—	(442)	—	—	(442)
Fair value of awards assumed on acquisition	—	—	—	—	4,701	—	—	4,701
Other	—	—	—	—	31	—		31
Adjustments to redemption value of noncontrolling interest	—	—	—	—	(9,291)	—	—	(9,291)
Net loss attributable to Synchronoss	—	—	—	—	—	—	(109,438)	(109,438)
Total other comprehensive income (loss)	—	—	—	—		18,977	—	18,977
Balance at December 31, 2017	52,028	$ 5	(5,060)	$(105,584)	$597,553	$ (23,373)	$(5,014)	$ 463,587

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(See Note 2)
(In thousands)

	Common Stock		Treasury Stock		Additional	Accumulative Other		Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Stockholders' Equity
Balance at December 31, 2017	52,028	$ 5	(5,060)	$(105,584)	$597,553	$ (23,373)	$(5,014)	$ 463,587
Stock based compensation	—	—	—	—	27,201	—	—	27,201
Issuance of restricted stock	1,707	—	—	—	—	—	—	—
Preferred stock dividends	—	—	—	—	(24,331)	—	—	(24,331)
Amortization of preferred stock issuance costs	—	—	—	—	(1,262)	—	—	(1,262)
Retirement of treasury stock	(3,893)	—	3,893	68,327	(68,327)	—	—	—
Shares withheld for taxes in connection with issuance of restricted stock	(6)	—	—	—	(76)	—	—	(76)
Treasury shares received in connection with PIPE Purchase Agreement	—	—	(5,995)	(44,830)	—	—	—	(44,830)
Net loss attributable to Synchronoss	—	—	—	—	—	—	(218,155)	(218,155)
Non-controlling interest	—	—	—	—	3,943	—	—	3,943
Total other comprehensive loss	—	—	—	—	—	(7,059)	—	(7,059)
ASC 606 revenue recognition implementation impact	—	—	—	—	—	49	(10,130)	(10,081)
Other	—	—	—	—	(28)	—	—	(28)
Balance at December 31, 2018	49,836	$ 5	(7,162)	$(82,087)	$534,673	$ (30,383)	$(233,299)	$ 188,909

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Twelve Months Ended December 31,		
	2018	2017	2016
Operating activities:			
Net loss from continuing operations	$(245,280)	$(194,224)	$(93,869)
Net income from discontinued operations**	—	75,495	90,560
Gain (loss) on sale of discontinued operations, net of tax	18,288	(122,842)	(113,129)
Adjustments to reconcile Net Loss to net cash used in operating activities:			
Depreciation and amortization expense	97,092	93,924	94,911
Goodwill impairment	9,100	—	—
Impairment of long-lived assets and capitalized software	11,462	960	11,055
Change in fair value of financial instruments	(3,849)	4,367	—
Amortization of debt issuance costs	1,294	12,771	1,607
(Gain) loss on extinguishment of debt	(1,760)	29,413	—
Accrued PIK interest*	(7,037)	(12,090)	(34)
Allowance for loan losses*	84,314	14,562	—
(Earnings) loss from equity method investments*	28,600	9,125	—
Loss (Gain) on disposals	277	(4,947)	(122)
Discontinued operations non-cash and working capital adjustments**	—	48,647	371
Amortization of bond premium	107	244	1,416
Deferred income taxes	(12,350)	19,243	17,148
Non-cash interest on leased facility	—	1,203	1,392
Stock-based compensation	27,604	22,495	34,178
Contingent consideration obligation	—	(2,711)	1,194
Changes in operating assets and liabilities:			
Accounts receivable, net of allowance for doubtful accounts	(21,521)	29,283	(13,650)
Prepaid expenses and other current assets	(5,315)	(5,513)	31,648
Other assets	973	3,237	8,880
Accounts payable	6,846	(9,098)	(10,089)
Accrued expenses	(18,068)	(4,949)	(7,523)
Other liabilities	(4,675)	(3,337)	(6,558)
Deferred revenues	2,529	(23,506)	55,173
Net cash used in operating activities	(31,369)	(18,248)	104,559
Investing activities:			
Purchases of fixed assets	(11,656)	(12,151)	(42,570)
Purchases of intangible assets and capitalized software	(14,372)	(9,119)	(7,677)
Proceeds from the sale of SpeechCycle	—	13,500	—
Purchases of marketable securities available for sale	(36,789)	(219)	(13,445)
Maturity of marketable securities available for sale	4,865	12,371	82,904
Proceeds from the sale of discontinued operations	—	928,171	27,335
Equity investment distributions	404	608	—
Investing in discontinued operations**	—	(13,721)	—
Investment in note receivable	—	(6,187)	—

Business acquired, net of cash	(9,734)	(815,008)	(86,322)
Net cash used in investing activities	(67,282)	98,245	(39,775)

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Financing activities:			
Proceeds from the exercise of stock options	—	2,584	13,633
Taxes paid on withholding shares	—	(442)	—
Payments on contingent consideration	—	(122)	—
Debt issuance costs related to the Credit Facility	—	(3,692)	(1,346)
Debt issuance cost related to amendment	—	(16,776)	—
Debt issuance costs related to long-term debt	—	(19,887)	—
Extinguishment of outstanding Convertible Senior Notes	(113,696)	—	—
Proceeds from issuance of long-term debt	—	900,000	—
Repayment of long-term debt	—	(900,000)	—
Borrowings on revolving line of credit	—	—	144,000
Repayment of revolving line of credit	—	(29,000)	(115,000)
Excess tax benefits from stock option exercises	—	17	—
Repurchase of common stock	—	—	(40,025)
Proceeds from the sale of treasury stock in connection with an employee stock purchase plan	—	1,047	2,183
Proceeds from issuance of preferred stock	86,220	—	—
Preferred dividend payment	(7,075)	—	—
Proceeds from mandatorily redeemable financial instruments	—	33,592	—
Payments on capital obligations	(1,334)	(2,985)	(3,815)
Net cash provided by financing activities	(35,885)	(35,664)	(370)
Effect of exchange rate changes on cash	(1,729)	(9,641)	(853)
Net decrease in cash, restricted cash and cash equivalents	(136,265)	34,692	63,561
Cash, restricted cash and cash equivalents, beginning of period	246,125	211,433	147,872
Cash, restricted cash and cash equivalents, end of period	$109,860	$246,125	$211,433
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$22,549	$7,612	$4,661
Cash paid for interest	$3,258	$55,957	$6,981
Supplemental disclosures of non-cash investing and financing activities:			
Accrued dividends on Series A Convertible Participating Perpetual Preferred Stock	$7,075	$—	$—
Issuance of common stock in connection with Openwave acquisition	$—	$—	$22,000
Issuance of common stock in connection with Intralinks acquisition	$—	$4,700	$—
Cash and cash equivalents per the Consolidated Balance Sheets	$103,771	$156,299	$169,801
Restricted cash per the Consolidated Balance Sheets	$6,089	$89,826	$41,632
Total cash, cash equivalents and restricted cash	$109,860	$246,125	$211,433

* See Note 5. Investments in Affiliates and Related Transactions for related party transactions reflected in this account.
** See Note 3. Acquisitions and Divestitures for transactions classified as discontinued operations.

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

1. Description of Business

General

Synchronoss Technologies, Inc. (“Synchronoss” or the “Company”) Digital, Cloud, Messaging and IoT platforms help the world’s leading companies, including operators, original equipment manufacturers (“OEMs”), Media and Technology providers deliver continuously transformative customer experiences that create high value engagement and new monetization opportunities.

The Company currently operates in and markets solutions and services directly through the Company’s sales organizations in North America, Europe and Asia-Pacific. The Company’s platforms give customers new opportunities in the Telecommunications, Media and Technology (“TMT”) space, taking advantage of the rapidly converging services, connected devices, networks and applications.

The Company delivers platforms, products and solutions including:

- Digital experience management (Platform as a Service) - including digital journey creation, and journey design products that use analytics that power digital advisor products for IT and Business Channel Owners
- Cloud sync, backup, storage, device set up, content transfer and content engagement for user generated content
- Advanced, multi-channel messaging peer-to-peer (“P2P”) communications and application-to-person (“A2P”) commerce solutions
- IoT management technology for Smart Cities, Smart Buildings, Automotive and more

The Company’s platforms are designed and built to be Operator-grade, secure, flexible and scalable and easy to deploy and use - enabling multiple converged communications, commerce and applications and devices - deployed across multiple distribution channels including e-commerce, m-commerce, telesales, retail stores, care and call centers, self-service, indirect and other outlets.

The Synchronoss Digital Experience Platform (“DXP”) is a purpose-built experience management toolset that sits between the customers’ end-user facing applications and their existing back end systems, enabling the authoring and management of customer journeys in a cloud-native no/low-code environment. This platform uses products such as Journey Creator, Journey Advisor, CX Baseline and Digital Coach to create a wide variety of insight-driven customer experiences across existing channels (digital and analogue) including creating the ability to pause and resume continuous, intelligent experiences in an Omni-channel environment. DXP can be operated by IT professionals and “citizen developers (business analysts, etc.) enabling the Company’s customers to bring more compelling and complex experiences to market in less time with fewer and more diverse resources in a real-time, collaborative environment.

The Synchronoss Personal Cloud Platform™ is a secure and highly scalable white label platform designed to store and sync subscriber’s personally created content seamlessly to and from current and new devices. This allows carrier’s customers to protect, engage with and manage their personal content and gives the Company’s Operator customers the ability to increase ARPU through a new monthly recurring charge (“MRC”) and opportunities to mine valuable data that will give subscribers accesses to new, beneficial services. Additionally, the Company’s Personal Cloud Platform performs and expanding set of value-add services including facilitating an Operator’s initial device setup and enhancing visibility and control across disparate devices within subscribers’ smart homes.

The Synchronoss Messaging Platform powers hundreds of millions of subscribers’ mail boxes worldwide. The Company’s Advanced Messaging Product is a powerful, secure and intelligent white label messaging platform that expands capabilities for Operators and TMT companies to offer P2P messaging via Rich Communications Services (“RCS”). Additionally, the Company’s Advanced Messaging Product powers commerce and a robust ecosystem for Operators, brands and advertisers to execute Application to Person (“A2P”) commerce and data-rich dialogue with subscribers.

The Synchronoss IoT Platform creates an easy to use environment and extensible ecosystem making the management of disparate devices, sensors, data pools and networks easier to manage by IoT administrators and drives the propagation of new IoT applications and monetization models for TMT companies. The Company’s IoT platform utilizes Synchronoss platforms (DXP, Cloud, Messaging), products and solutions to make IoT more accessible and actionable for Smart Building facility managers, Smart City planners, Automotive OEMs and TMT ecosystem players.

2. Summary of Significant Accounting Policies

SYNCHRONOSS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and variable interest entities ("VIE") in which the Company is the primary beneficiary and entities in which the Company has a controlling interest. Investments in less than majority-owned companies in which the Company does not have a controlling interest, but does have significant influence, are accounted for as equity method investments. Investments in less than majority-owned companies in which the Company does not have the ability to exert significant influence over the operating and financial policies of the investee are accounted for using the cost method. All material intercompany transactions and accounts are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue

The Company generates revenue from the delivery of a range of products, solutions and services principally on a transactional or subscription basis ("SaaS") or in the form of Professional Services or Software Licenses. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, fees are fixed or determinable and collection is considered probable.

Transactional and Subscription Service Arrangements: Transaction and subscription revenues consist of revenues derived from the processing of transactions through the Company's service platforms, providing enterprise portal management services on a subscription basis and maintenance agreements on software licenses. Transaction service arrangements include services such as processing equipment orders, new account set-up and activation, number port requests, credit checks and inventory management. Subscription services include monthly active user fees, SaaS fees, hosting and storage and the related maintenance support for those services.

Transaction revenues are principally based on a contractual price per transaction and are recognized based on the number of transactions processed during each reporting period. Revenues are recorded based on the total number of transactions processed at the applicable price established in the relevant contract. The total amount of revenue recognized is based primarily on the volume of transactions. Subscription revenues are recorded one of two ways: on a straight-line basis over the life of the contract or on a fixed monthly fee based on a set contracted amount.

Many of the Company's contracts guarantee minimum volume transactions from the customer. In these instances, if the customer's total transaction volume for the period is less than the contractual amount, the Company record revenues at the minimum guaranteed amount. Set-up fees for transactional service arrangements are deferred and recognized on a straight-line basis over the life of the contract since these amounts would not have been paid by the customer without the related transactional service arrangement. Revenues are presented net of discounts, which are volume level driven, or credits, which are performance driven, and are determined in the period in which the volume thresholds are met, or the services are provided.

Professional Service and Software License Arrangements: Professional services include process and workflow consulting services and development services. Professional services when sold with transactional or subscription service arrangements are accounted for separately when the professional services have value to the customer on a standalone basis and there is objective and reliable evidence of fair value of the professional services. When accounted for separately, professional service revenues are recognized as services are performed and all other elements of revenue recognition have been satisfied.

In determining whether professional service revenues can be accounted for separately from transaction or subscription service revenues, the Company considers the following factors for each professional services agreement: availability of the professional services from other vendors, whether objective and reliable evidence of fair value exists of the undelivered elements, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the transaction or subscription service start date and the contractual independence of the transactional or subscription service from the professional services.

If a professional service arrangement were not to qualify for separate accounting, the Company would recognize the professional service revenues ratably over the remaining term of the transaction or subscription agreement.

Multiple Element Arrangements: Revenue from software license arrangements is recognized when the license is delivered to the customers and all of the software revenue recognition criteria are met. When software arrangements include multiple elements, the arrangement consideration is allocated at the inception to all deliverables using the residual method provided the Company has vendor specific objective evidence ("VSOE") on all undelivered elements. The Company determines VSOE for each element based on historical stand-alone sales to third-parties.

When transaction or subscription service arrangements, include multiple elements, the arrangement consideration is allocated at the inception of an arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's selling price. The selling price used for each deliverable will be based on VSOE if available, third-party evidence ("TPE") if vendor- specific objective evidence is not available or estimated selling price ("ESP") if neither vendor-specific objective evidence nor third-party evidence is available. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company determines ESP by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. ESP is generally used for offerings that are not typically sold on a stand-alone basis or for new or highly customized offerings.

While specific and detailed rules and guidelines related to revenue recognition are followed, the Company makes and uses management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above, as well as collectability. If management made different estimates or judgments, differences in the timing of the recognition of revenue could occur.

Deferred Revenue

Deferred revenues represent billings to customers for services in advance of the performance of services, with revenues recognized as the services are rendered, and also include the fair value of deferred revenues recorded as a result of acquisitions.

Service Level Standards

Pursuant to certain contracts, the Company is subject to service level standards and to corresponding penalties for failure to meet those standards. All performance-related penalties are reflected as a corresponding reduction of the Company's revenues. These penalties, if applicable, are recorded in the month incurred and were insignificant for the years ended December 31, 2018, 2017 and 2016, respectively.

Cost of Revenues

Cost of services includes all direct materials, direct labor and those indirect costs related to revenues such as indirect labor, materials and supplies and facilities cost, exclusive of depreciation expense.

Research and Development

Software development costs are accounted for in accordance with either ASC 985-20, “Software - Costs of Software to be Sold, Leased or Marketed,” or ASC 350-40, “Internal-Use Software.” Costs associated with the planning and designing phase of software development are classified as research and development costs and are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

Amortization is calculated on a solution-by-solution basis and is recognized over the estimated economic life of the software, typically ranging two to three years. Amortization begins when the software is substantially completed for its intended use. Costs incurred during the preliminary and post-implementation stages are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities. Software development costs are evaluated for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Unrecoverable costs are reviewed annually and recognized in the period they become unrecoverable, as needed, and are recorded in the Consolidated Statements of Operations as depreciation and amortization expense.

The unamortized software development costs and amortization expense were as follows:

	Year ended December 31,		
	2018	2017	2016
Unamortized software development costs	$17,490	$11,695	$5,754
Software development amortization expense	8,123	3,178	3,507

The Company recognized impairment charges to its capitalized software intangible assets, of $0.5 million, $1.0 million, and $11.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company includes these impairments within the depreciation and amortization in its Consolidated Statements of Operations.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. The Company maintains its cash and cash equivalents at several major financial institutions. The Company has not experienced any realized losses in such accounts and believes it is not exposed to any significant credit risk related to cash, cash equivalents and securities. The Company's cash equivalents and short-term marketable securities consist primarily of money market funds, certificates of deposit, commercial paper, and municipal and corporate bonds. The Company believes that concentration of credit risk with respect to accounts receivable is limited because of the creditworthiness of its major customers.

The Company's top five customers accounted for 69%, 73% and 74% of net revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of the Company's revenues in 2018.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Restricted Cash

Restricted cash includes amounts to various deposits, escrows and other cash collateral that are restricted by contractual obligation. During the year ended December 31, 2018, $87.3 million was released from escrow on notification that Siris Capital Group, LLC ("Siris") would exercise its option on the issuance of preferred stock. These funds were restricted from the proceeds received upon the sale of Intralinks, through the date of issuance of preferred stock. Remaining amounts were primarily attributed to cash held in transit, and operating cash held by the Company's consolidated joint venture Zentry, LLC ("Zentry"), which cannot be used to fulfill the obligations of the Company as a whole.

Accounts Receivable

Accounts receivable include current notes, amounts billed to customers, claims, and unbilled revenue, which consists of amounts recognized as sales but not yet billed. Substantially all amounts of unbilled receivables are expected to be billed and collected in the subsequent year. The Company had unbilled receivable balances of $4.5 million and $7.4 million as of December 31, 2018 and December 31, 2017, respectively.

Fair Value of Financial Instruments and Liabilities

The Company includes disclosures of fair value information about financial instruments and liabilities, whether or not recognized on the Consolidated Balance Sheets, for which it is practicable to estimate that value. Due to their short-term nature, the carrying amounts reported in the financial statements approximate the fair value for cash and cash equivalents, marketable securities, accounts receivable and accounts payable.

Derivatives

The Company evaluates convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under Accounting Standards Codification (“ASC”) Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Consolidated Statements of Operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

Allowance for Doubtful Accounts

The Company maintains an allowance for estimated losses resulting from the inability of its customers to make required payments. The Company estimates uncollectible amounts based upon historical bad debts, current customer receivable balances, the age of customer receivable balances, the customer’s financial condition and current economic trends.

Property and Equipment

Property and equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years, or the lesser of the related initial term of the lease or useful life for leasehold improvements. Amortization of property and equipment recorded under a capital lease is included with depreciation expense. Expenditures for routine maintenance and repairs are charged against operations, while major replacements, improvements and additions are capitalized.

Noncontrolling Interests and Mandatorily Redeemable Financial Instruments

Noncontrolling interests (“NCI”) are evaluated by the Company and are shown as either a liability, temporary equity (shown between liabilities and equity) or as permanent equity depending on the nature of the redeemable features at amounts based on formulas specific to each entity. Generally, mandatorily redeemable NCIs are classified as liabilities and non-mandatorily redeemable NCIs are classified outside of stockholders’ equity in the Consolidated Balance Sheets as temporary equity under the caption, redeemable noncontrolling interests, and are measured at their redemption values at the end of each period. If the redemption value is greater than the carrying value, an adjustment is recorded in retained earnings to record the NCI at its redemption value. Redeemable NCIs that are mandatorily redeemable are classified as a liability in the Consolidated Balance Sheets under either other current liabilities or other long-term liabilities, depending on the remaining duration until settlement, and are measured at the amount of cash that would be paid if settlement occurred at the balance sheet date with any change from the prior period recognized as interest expense.

If the noncontrolling interest is not currently redeemable yet probable of becoming redeemable, the Company is required to either (1) accrete changes in the redemption value over the period from the date of issuance to the earliest redemption date of the instrument using an appropriate methodology, usually the interest method, or (2) recognize changes in the redemption value immediately as they occur and adjust the carrying value of the security to equal the redemption value at the end of each reporting period. The Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying value of the noncontrolling interest to the greater of the estimated redemption value, which approximates fair value, at the end of each reporting period or the initial carrying amount.

Net income attributable to NCIs reflects the portion of the net income (loss) of consolidated entities applicable to the NCI stockholders in the accompanying Consolidated Statements of Operations. The net income attributable to NCI is classified in the Consolidated Statements of Operations as part of consolidated net income and deducted from total consolidated net income to arrive at the net income attributable to the Company.

As of December 31, 2018 and 2017, the Company had a put option derivative financial instrument described as “Mandatorily redeemable financial instrument on its Consolidated Balance Sheets of zero and $38.0 million, respectively.

Business Combinations

The Company accounts for business combinations in accordance with the acquisition method. The acquisition method of accounting requires that assets acquired, liabilities assumed and any noncontrolling interest in the aquiree (if any), be recorded at their fair values on the date of a business acquisition. The Company’s consolidated financial statements and results of operations reflect an acquired business from the completion date of the transaction.

The judgments that the Company makes in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. The Company generally uses either the income, cost or market approach to aid in its conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

The Company records contingent consideration resulting from a business combination at its fair value on the acquisition date. Each reporting period thereafter, the Company revalues these obligations and records increases or decreases in their fair value as an adjustment to net change in contingent consideration obligation within the Consolidated Statements of Operations. Changes in the fair value of the contingent consideration obligation can result from updates in the achievement of financial or other operational targets and changes to the weighted probability of achieving those future targets. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, any change in the assumptions described above, could have a material impact on the amount of the net change in contingent consideration obligation that the Company records in any given period.

Discontinued Operations

The Company generally classifies a disposal transaction as discontinued operation in the consolidated financial statements when it qualifies as a component of the Company, meets the held for sale criteria, is disposed of by sale, or is disposed of other than by sale and it represents a strategic shift that has a major effect on the Company’s operations and financial results. Insignificant and non-strategic shifting divestitures are not classified within discontinued operations.

Investments in Affiliates and Other Entities

In the normal course of business, Synchronoss enters into various types of investment arrangements, each having unique terms and conditions. These investments may include equity interests held by Synchronoss in business entities, including general or limited partnerships, contractual ventures, or other forms of equity participation. Synchronoss determines whether such investments involve a variable interest entity ("VIE") based on the characteristics of the subject entity. If the entity is determined to be a VIE, then management determines if Synchronoss is the primary beneficiary of the entity and whether or not consolidation of the VIE is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When Synchronoss is deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a noncontrolling interest.

The Company generally accounts for investments it makes in VIEs in which it has determined that it does not have a controlling financial interest but has significant influence over and holds at least a 20% ownership interest using the equity method. Any such investment not meeting the parameters to be accounted under the equity method would be accounted for using the cost method unless the investment had a readily determinable fair value, at which it would then be reported.

If an entity fails to meet the characteristics of a VIE, the Company then evaluates such entity under the voting model. Under the voting model, the Company consolidates the entity if they determine that they, directly or indirectly, have greater than 50% of the voting shares, and determine that other equity holders do not have substantive participating rights.

Allowance for Loan Losses

The Company's allowance for credit losses relates to the related party note receivable and is based on the probable estimated losses that may be incurred. The allowance is based on two basic principles of accounting: (1) ASC Topic 450, "Accounting for Contingencies", which requires that losses be accrued when they are probable of occurring and estimable, and (2) ASC Topic 310, "Accounting by Creditors for Impairment of a Loan", which requires that losses be accrued based on the differences between the value of collateral and the present value of future cash flows.

The allowance for loan losses is established to estimate losses that may occur by recording a provision for loan losses that is charged to earnings in the period known. The allowance is evaluated by management taking into consideration adverse situations that may affect the borrower's ability to repay and the estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Measured impairment and credit losses are charged against the allowance when management believes to the extent amounts are not collectible.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired, including other definite-lived intangible assets. Goodwill is reviewed for impairment annually as of October 1st of each year or when an interim triggering event has occurred indicating potential impairment. The Company has concluded that it has two operating segments and one reportable segment because the aggregation criteria and the quantitative threshold test was met. The Company tests for goodwill impairment on each of its reporting units, which is at the operating segment or one level below the operating segment.

During the Company's qualitative assessment, the Company makes significant estimates, assumptions, and judgments, around the financial performance of the Company, changes in share price, and forecasts of earnings, working capital requirements, and cash flows. The Company considers each reporting unit's historical results and operating trends as well as any strategic difference from the Company's historical results when determining these assumptions.

The Company can opt to perform a qualitative assessment to test a reporting unit's goodwill for impairment or the Company can directly perform the quantitative impairment test. If the Company determines that the fair value of a reporting unit is more likely than not to be less than its carrying amount, a quantitative impairment test is performed.

Fair value estimates used in the quantitative impairment test are calculated using a combination of the income and market approaches. The income approach is based on the present value of future cash flows of each reporting unit, while the market approach is based on certain multiples of selected guideline public companies or selected guideline transactions. The approaches incorporate a number of market participant assumptions including future growth rates, discount rates, income tax rates and market activity in assessing fair value and are reporting unit specific. If the carrying amount exceeds the reporting unit's fair value, the Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

The fair value measurement associated with the quantitative goodwill impairment test is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value goodwill could significantly increase or decrease the fair value estimates used for impairment assessments.

In order to assess the reasonableness of the estimated fair value of the Company's reporting units, the Company compares the aggregate reporting unit fair value to the Company's market capitalization on an overall basis and calculates an implied control premium (the excess of the sum of the reporting units' fair value over the Company's market capitalization on an overall basis). The Company evaluates the control premium by comparing it to observable control premiums from recent comparable transactions. If the implied control premium is determined to not be reasonable in light of these recent transactions, the Company re-evaluates its reporting unit fair values, which may result in an adjustment to the discount rate and/or other assumptions.

This re-evaluation could result in a change to the estimated fair value for certain or all reporting units. If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired.

If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized as an impairment loss.

The Company recorded a $9.1 million impairment charge on the Zentry joint venture in 2018. There were no goodwill impairment charges recognized during the years ended December 31, 2017 and 2016. For further details, see Note 7. Goodwill and Intangibles.

Impairment of Long-Lived Assets

A review of long-lived assets for impairment is performed when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to the asset's carrying amount. If the undiscounted future cash flows are less than the carrying amount of the asset, the Company records an impairment loss equal to the amount by which the asset's carrying amount exceeds its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis.

This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value long lived assets could significantly increase or decrease the fair value estimates used for impairment assessments.

Long lived assets that do not have indefinite lives are amortized/depreciated over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company reevaluates the useful life determinations each year to determine whether events and circumstances warrant a revision to the remaining useful lives.

The Company recognized impairment charges to its intangible assets of $11.0 million, $1.0 million, and $11.1 million for the years ended December 31, 2018, 2017 and 2016 respectively. The Company includes these impairments within depreciation and amortization in its Consolidated Statements of Operations.

Income Taxes

On December 22, 2017, the U.S. government enacted TCJA. The TCJA makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. While our accounting for the recorded impact of the TCJA is deemed to be complete as of December 31, 2018, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the Internal Revenue Service (IRS) could impact our recorded amounts in future periods. In 2018, the impact of the TCJA was minor due to the losses incurred and the valuation allowance position.

Since the Company conducts operations on a global basis, the effective tax rate has, and will depend upon, the geographic distribution of pre-tax earnings among locations with varying tax rates. The Company accounts for the effects of income taxes that result from activities during the current and preceding years. Under this method, deferred income tax liabilities and assets are based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse or be utilized. The realization of deferred tax assets is contingent upon the generation of future taxable income. A valuation allowance is recorded if it is “more likely than not” that a portion or all of a deferred tax asset will not be realized.

In evaluating the Company’s ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating loss.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured by determining the amount that has a greater than 50 percent likelihood of being realized upon the settlement of the position. Components of the reserve are classified as current or a long-term liability in the Consolidated Balance Sheets based on when the Company expects each of the items to be settled. The Company records interest and penalties accrued in relation to uncertain tax benefits as a component of interest expense.

While the Company believes it has identified all reasonably identifiable exposures and that the reserve it has established for identifiable exposures is appropriate under the circumstances, it is possible that additional exposures exist and that exposures may be settled at amounts different than the amounts reserved. It is also possible that changes in facts and circumstances could cause it to either materially increase or reduce the carrying amount of tax reserves. In general, tax returns for the year 2015 and thereafter are subject to future examination by tax authorities.

The Company’s policy has been to leave the cumulative unremitted foreign earnings invested indefinitely outside the United States, and it intends to continue this policy. Although the transition tax in the TCJA has removed U.S. federal taxes on distributions to the U.S. on a go forward, the Company continues to assert permanent reinvestment on foreign earnings. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

Foreign Currency

The functional currency of non-U.S. entities is translated into U.S. dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders’ equity within accumulated other comprehensive income.

Gains or losses resulting from transactions denominated in foreign currencies are included in other income or expense, within the Consolidated Statements of Operations and were as follows:

	Year ended December 31,		
	2018	2017	2016
Net loss on foreign currency translations	$(478)	$(4,952)	$(270)

Comprehensive Income (Loss)

Reporting on comprehensive income requires components of other comprehensive income, including unrealized gains or losses on available-for-sale securities, to be included as part of total comprehensive income. Comprehensive income is comprised of net income, translation adjustments and unrealized gains and losses on available-for-sale securities. The components of comprehensive income are included in the Consolidated Statements of Comprehensive Income (Loss).

Basic and Diluted Net Income Attributable to Common Stockholders per Common Share

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year, excluding amounts associated with restricted shares.

Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the potential dilutive effect of common stock equivalents using the treasury stock method and the average market price of the Company's common stock for the year. The potential dilutive effect of common stock includes stock options, convertible debt and unvested restricted stock. The dilutive effects of stock options and restricted stock awards are based on the treasury stock method. The dilutive effect of the assumed conversion of convertible debt is determined using the if-converted method. The after-tax effect of interest expense related to the convertible securities is added back to net income, and the convertible debt is assumed to have been converted into common shares at the beginning of the period.

The Company includes participating securities (Redeemable Convertible Preferred Stock - Participation with Dividends on Common Stock that contain preferred dividend) in the computation of EPS pursuant to the two-class method. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company.

Stock-Based Compensation

As of December 31, 2018, the Company maintains eight stock-based compensation plans.

The Company utilizes the Black-Scholes pricing model to determine the fair value of stock options on the dates of grant. Restricted stock awards are measured based on the fair market values of the underlying stock on the dates of grant. The Company recognizes stock-based compensation over the requisite service period with an offsetting credit to additional paid-in capital.

For the Company's performance restricted stock awards, the Company estimates the number of shares the recipient is to receive by applying a probability of achieving the performance goals. The actual number of shares the recipient receives is determined at the end of the performance period based on the results achieved versus goals based on the performance targets, such as revenues and earnings before interest, tax, depreciation and amortization ("EBITDA") after certain adjustments. Once the number of awards is determined, the compensation cost is fixed and continues to be recognized using straight line recognition over the requisite service period for each vesting tranche.

During 2017, the Board approved the issuance of performance-based restricted stock to certain executives which are eligible to vest if the volume-weighted average closing price over 20 consecutive trading days equals or exceeds certain stock prices during the specific performance period from July 2017 to July 2019. The Company utilized the Monte Carlo simulation to estimate the fair value of the restricted stock on its grant date.

Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on historical information of the Company's stock. The average expected life was determined using historical stock option exercise activity. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The Company has never declared or paid cash dividends on the common or preferred equity and does not anticipate paying any cash dividends in the foreseeable future. Forfeitures are accounted for as they occur.

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Recently Issued Accounting Standards

Recent accounting pronouncements adopted

Standard	Description	Effect on the financial statements
Accounting Standards Update ("ASU") 2017-09 Stock Compensation (Topic 718), Scope of Modification	In May 2017, the Financial Accounting Standards Board ("FASB") issued guidance which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. The guidance also clarifies that a modification to an award could be significant and therefore require disclosure, even if modification accounting is not required. ASU 2017-09 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2017. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued. ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date.	This ASU did not have a material effect on the Company's consolidated financial statements as of the date of adoption.
Date of adoption: January 1, 2018.		

Revenue

In May 2014, the FASB issued a new accounting standard related to revenue recognition, ASU 2014-09, "Revenue from Contracts with Customers," ("Topic 606"). The new standard supersedes the existing revenue recognition requirements under U.S. GAAP and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also requires increased disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

On January 1, 2018, the Company adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The Company recorded a net reduction to opening retained earnings of approximately $10.1 million as of January 1, 2018 due to the cumulative impact of adopting Topic 606. The impact to revenues for the year ended December 31, 2018 was an increase of $29.4 million as a result of adopting Topic 606. The impact to costs was not material.

The impact of adoption primarily relates to (1) the delayed pattern of recognition under Topic 606 for certain professional services revenue when such professional services involve the customization of features and functionality for subscription services customers, and (2) the earlier pattern of recognition under Topic 606 for license revenue when the Company provides hosting services for on-premise license customers. In the case of professional services that involve the customization of features and functionality for subscription services, under historic accounting policies the professional services were considered to have standalone value, and as a result were recognized as the services were performed. Under Topic 606, such professional services are not considered to be a distinct performance obligation within the context of the subscription services contract, and as such each month's customization services revenue is recognized over the shorter of the estimated remaining life of the subscription software (typically three years) or the remaining term of the subscription services contract. In the case of license contracts sold in association with hosting, under historic accounting policies the license revenue was recognized over the hosting term due to the lack of vendor specific objective evidence ("VSOE") of fair value for the hosting services. Under Topic 606, VSOE is no longer required in order separate revenue between the license and the hosting elements, and the license revenue is generally recognized upon delivery of the software based on the relative allocation of the contract price based on the established standalone selling price ("SSP").

Additional impacts of adoption include (1) in certain cases changes in the amount allocated to the various performance obligations in accordance with the relative standalone selling price method required by Topic 606 compared to the amount allocated to the various elements in accordance with the residual method or the relative selling price method, as applicable, under historic accounting policies, (2) the capitalization and subsequent amortization of certain sales commissions as costs to obtain a contract under ASC 340-40, whereas under historic accounting policies all such amounts were expensed as incurred (3) the timing and amount of revenue recognition for certain sales contracts that are considered to involve variable consideration under Topic 606, but were considered to either not be fixed or determinable or to involve contingent revenue features under historic accounting policies, (4) in certain limited cases, the accounting for discounted customer options to purchase future software or services as material rights under Topic 606, as well as (5) the income tax impact of the above items, as applicable.

Changes in accounting policies as a result of adopting Topic 606 and nature of goods

The following is a description of principal activities from which the Company generates revenue. Revenues are recognized when control of the promised goods or services are transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates all of its revenue from contracts with customers.

Subscription and Transaction revenues consist of revenues derived from the processing of transactions through the Company's service platforms, providing enterprise portal management services on a subscription basis and maintenance agreements on software licenses. The Company generates revenue from Subscription services from monthly active user fees, software as a service ("SaaS") fees, hosting and storage fees, and fees for the related maintenance support for those services. In most cases, the subscription or transaction arrangement is a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). The Company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage, under Topic 606 Section 10-25-14(b). When the Company does not allocate variable consideration to distinct periods of service, the total estimated transaction price is recognized ratably over the term of the contract, where the level of service provided to the customer does not vary significantly from one period to another.

Transaction service arrangements include services such as processing equipment orders, new account set up and activation, number port requests, credit checks and inventory management.

Transaction revenues are principally based on a contractual price per transaction and are recognized based on the number of transactions processed during each reporting period. Revenues are recorded based on the total number of transactions processed at the applicable price established in the relevant contract.

Many of the Company's contracts guarantee minimum volume transactions from the customer. In these instances, if the customer's total estimated transaction volume for the period is expected to be less than the contractual amount, the Company records revenues at the minimum guaranteed amount on a straight line based over the period covered by the minimum. Set up fees for transactional service arrangements are deferred until set up activities are completed and recognized on a straight line basis over remaining expected customer relationship period. Revenues are presented net of discounts, which are volume level driven.

In accordance with Topic 606 Section 10-50-20, any credits due to customers, which are generally performance driven and based upon system availability or response times to incidents, are determined and accounted for in the period in which the services are provided. The Company recognizes revenues from support and maintenance performance obligations over the service delivery period.

The Company's software licenses typically provide for a perpetual or term right to use the Company's software. The Company has concluded that in most cases its software license is distinct as the customer can benefit from the software on its own. Software revenue is typically recognized when the software is delivered to the customer. Contracts that include software customization or specified upgrades may result in the combination of the customization services with the software license as one performance obligation. The Company does not have a history of returns, or refunds of is software licenses, however, in limited instances, the Company may constrain consideration to high-risk customers, until collection is resolved.

The Company's professional services include software development and customization. The contracts generally include project deliverables specified by each customer. The performance obligations in the agreements are generally combined into one deliverable and generally result in the transfer of control over time. The underlying deliverable is owned and controlled by the customer and does not create an asset with an alternative use to us. The Company recognizes revenue on fixed fee contracts on the proportion of labor hours expended to the total hours expected to complete the contract performance obligation.

Most of the Company's contracts with customers contain multiple performance obligations which generally include either 1) a perpetual software license with support and maintenance and sometimes a hosting agreement or 2) a term SaaS agreement, in many cases these are sold along with professional services. For these contracts, the Company accounts for individual goods and services separately if they are distinct performance obligations. This often requires significant judgment based upon knowledge of the products, the solution provided and the structure of the sales contract. In SaaS agreements, the Company provides a service to the customer which combines the software functionality, maintenance and hosting into a single performance obligation when the customer doesn't have the ability to take possession of the underlying software license. The Company may also sell the same three goods and services in a contract, but there may be three performance obligations, where the customer has the right to take possession of the software license without significant penalty.

The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company estimates standalone selling prices of software based on observable inputs of past transactions to similarly situated customers. When such observable data is not available for certain software licenses because there is a limited number of transactions or prices are highly variable, the Company will estimate the standalone selling price using the residual approach. Standalone selling prices of services are typically determined based on observable transactions when these services are sold on a standalone basis to similarly situated customers or estimated using a cost-plus margin approach.

Estimating the transaction price of variable consideration including the variable quantity subscription or transaction contracts in a multiple performance obligation arrangement requires significant judgment. The Company generally estimates this variable consideration at the most likely amount to which the Company expects to be entitled and in certain cases based on the expected value. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company’s anticipated performance and all information (historical, current and forecasted) that is reasonably available. The Company reviews and update these estimates on a quarterly basis.

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The Company’s typical performance obligations include the following:

Performance Obligation	When Performance Obligation is Typically Satisfied	When Payment is Typically Due	How Standalone Selling Price is Typically Estimated
Software License			
Software License	Upon shipment or made available for download (point in time)	Within 90 days of delivery	Observable transactions or residual approach when prices are highly variable or uncertain
Software License with significant customization	Over the performance of the customization and installation of the software (over time)	Within 90 days of services being performed	Residual approach
Hosting Services	As hosting services are provided (over time)	Within 90 days of services being provided	Estimated using a cost-plus margin approach
Professional Services			
Consulting	As work is performed (over time)	Within 90 days of services being performed	Observable transactions
Customization	SaaS: Over the remaining term of the SaaS agreement License: Over the performance of the customization and installation of the software (over time)	Within 90 days of services being performed	Observable transactions
Transaction Services	As transaction is processed (over time)	Within 90 days of transaction	Observable transactions
Subscription Services			
Customer Support	Ratably over the course of the support contract (over time)	Within 90 days of the start of the contract period	Observable transactions
SaaS	Over the course of the SaaS service once the system is available for use (over time)	Within 90 days of services being performed	Estimated using a cost-plus margin approach

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers into the nature of the products and services and geographical regions. The Company’s geographic regions are the Americas, EMEA, and APAC. The majority of the Company’s revenue is from the Technology, Media and Telecom (collectively, “TMT”) sector.

	Twelve Months Ended December 31, 2018				Twelve Months Ended December 31, 2017			
	Cloud	Digital	Messaging	Total	Cloud	Digital	Messaging	Total
Geography								
Americas	$153,649	$86,422	$ 9,603	$249,674	$224,058	$106,629	$ 8,809	$339,496
APAC	—	5,954	35,397	41,351	—	6,506	23,208	29,714
EMEA	8,921	7,018	18,875	34,814	7,283	3,992	21,876	33,151

Total	$162,570	$99,394	$ 63,875	$325,839	$231,341	$117,127	$ 53,893	$402,361
Service Line								
Professional Services	$14,232	$18,383	$ 11,539	$44,154	$29,211	$24,150	$ 5,292	$58,653
Transaction Services	9,025	9,706	—	18,731	11,831	19,024	—	30,855
Subscription Services	139,100	67,623	33,071	239,794	180,304	62,621	28,627	271,552
License	213	3,682	19,265	23,160	9,995	11,332	19,974	41,301
Total	$162,570	$99,394	$ 63,875	$325,839	$231,341	$117,127	$ 53,893	$402,361

Trade Accounts Receivable and Contract balances

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). For example, the Company recognizes a receivable for revenues related to its time and materials and transaction or volume-based contracts. The Company presents such receivables in Trade accounts receivable, net in its consolidated statements of financial position at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other applicable factors.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. For example, the Company would record a contract asset if it records revenue on a professional services engagement but are not entitled to bill until the Company achieves specified milestones. Contract asset balance at December 31, 2018 is $4.1 million.

Amounts collected in advance of services being provided are accounted for as contract liabilities, which are presented as deferred revenue on the accompanying balance sheet and are realized with the associated revenue recognized under the contract. Nearly all of the Company's contract liabilities balance is related to services revenue, primarily subscription services contracts.

The Company’s contract assets and liabilities are reported in a net position on a customer basis at the end of each reporting period.

Significant changes in the contract liabilities balance (current and noncurrent) during the period are as follows (in thousands):

	Contract Liabilities*
Balance - January 1, 2018	$ 115,009
Revenue recognized in the period	(262,709)
Amounts billed but not recognized as revenue	264,642
Balance - December 31, 2018	$ 116,942

*Comprised of Deferred Revenue

Revenues recognized during the year ended December 31, 2018 for performance obligations satisfied or partially satisfied in previous periods were immaterial.

Contract acquisition costs

In connection with the adoption of Topic 606 and the related cost accounting guidance under Accounting Standards Codification (“ASC”) 340, the Company is required to capitalize certain contract acquisition costs consisting primarily of commissions and bonuses paid when contracts are signed. The Company adopted Topic 606 on January 1, 2018 and capitalized $0.7 million in contract acquisition costs related to contracts that were not completed. For contracts that have a duration of less than one year, the Company follows a Topic 606 practical expedient and expenses these costs over the estimated customer life, because it does not pay commissions upon renewals that are commensurate with the initial contract. In the year ended December 31, 2018, the amount of amortization was $0.2 million and there was no impairment loss in relation to costs capitalized.

Contract Fulfillment Costs

Under ASC 340-40, the Company evaluates whether or not it should capitalize the costs of fulfilling a contract. Such costs would be capitalized when they are not within the scope of other standards and: (1) are directly related to a contract; (2) generate or enhance resources that will be used to satisfy performance obligations; and (3) are expected to be recovered. As of December 31, 2018, the Company had $5.8 million of capitalized contract fulfillment costs.

Transaction price allocated to the remaining performance obligations

Topic 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of December 31, 2018. The Company has elected not to disclose transaction price allocated to remaining performance obligations for:

1. Contracts with an original duration of one year or less, including contracts that can be terminated for convenience without a substantive penalty;
2. Contracts for which the Company recognizes revenues based on the right to invoice for services performed;
3. Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with Topic 606 Section 10-25-14(b), for which the criteria in Topic 606 Section 10-32-40 have been met. This applies to a limited number of situations where the Company is dependent upon data from a third party or where fees are highly variable.

Many of the Company’s performance obligations meet one or more of these exemptions. Specifically, the Company has excluded the following from the Company’s remaining performance obligations, all of which will be resolved in the period in which amounts are known:

- consideration for future transactions, above any contractual minimums
- consideration for success-based transactions contingent on third party data
- credits for failure to meet future service level requirements

As of December 31, 2018, the aggregate amount of transaction price allocated to remaining performance obligations, other than those meeting the exclusion criteria above, was $344.7 million, of which approximately 96.2% is expected to be recognized as revenues within 2 years, and the remainder thereafter.

Estimates of revenue expected to be recognized in future periods also exclude unexercised customer options to purchase services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for in accordance with Topic 606 when the customer exercises its option to purchase additional goods or services.

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In accordance with Topic 606, the disclosure of the impact of adoption to the Company's Consolidated Balance Sheet and Consolidated Statement of Operations was as follows:

	December 31, 2018		
	As Reported	Impacts of the New Revenue Standard	Adjusted amounts under prior GAAP
ASSETS			
Current assets:			
Cash and cash equivalents	$103,771	$—	$103,771
Restricted cash**	6,089	—	6,089
Marketable securities, current	28,230	—	28,230
Accounts receivable, net (1)	102,798	8,027	94,771
Prepaid expenses	45,058	—	45,058
Other current assets (2)	8,508	(641)	9,149
Total current assets	294,454	7,386	287,068
Marketable securities, non-current	6,658	—	6,658
Property and equipment, net	67,937	—	67,937
Goodwill	224,899	—	224,899
Intangible assets, net	98,706	—	98,706
Deferred tax assets	—	—	—
Other assets (2)	8,982	320	8,662
Equity method investment	1,619	—	1,619
Total assets	$703,255	$7,706	$695,549
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$13,576	$—	$13,576
Accrued expenses	59,545	—	59,545
Deferred revenues, current (3)	57,101	(12,134)	69,235
Short-term convertible debt, net of debt issuance costs	113,542	—	113,542
Total current liabilities	243,764	(12,134)	255,898
Lease financing obligation	9,494	—	9,494
Deferred tax liabilities	1,347	—	1,347
Deferred revenues, non-current (3)	59,841	1,869	57,972
Other liabilities	10,797	—	10,797
Redeemable noncontrolling interest	12,500	—	12,500
Commitments and contingencies (Note 9)			
Series A Convertible Participating Perpetual Preferred Stock, $0.0001 par value; 10,000 shares authorized; 195 shares issued and outstanding at December 31, 2018	176,603	—	176,603
Stockholders' equity:			
Common stock, $0.0001 par value; 100,000 shares authorized, 49,836 and 52,024 shares issued; 42,674 and 46,965 outstanding at December 31, 2018 and December 31, 2017, respectively	5	—	5

Treasury stock, at cost (7,162 and 5,059 shares at December 31, 2018 and December 31, 2017, respectively)	(82,087)	—	(82,087)
Additional paid-in capital	534,673	—	534,673
Accumulated other comprehensive loss (4)	(30,383)	35	(30,418)
Accumulated deficit	(233,299)	17,936	(251,235)
Total stockholders’ equity	188,909	17,971	170,938
Total liabilities and stockholders’ equity	$703,255	$7,706	$695,549

** See Note 5. Investments in Affiliates and Related Transactions for related party transactions reflected in this account.

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	Twelve Months Ended December 31, 2018		
	As Reported	Impacts of the New Revenue Standard	Adjusted amounts under prior GAAP
Net revenues [3]	$325,839	$29,367	$296,472
Costs and expenses:			
Cost of revenues* [5]	158,802	841	157,961
Research and development	79,172	—	79,172
Selling, general and administrative [2]	122,112	202	121,910
Restructuring charges	12,375	—	12,375
Depreciation and amortization	117,654	—	117,654
Total costs and expenses	490,115	1,043	489,072
Loss from continuing operations	(164,276)	28,324	(192,600)
Interest income	7,770	—	7,770
Interest expense	(4,911)	(138)	(4,773)
Gain on extinguishment of debt	1,760	—	1,760
Other expense, net	(74,917)	(120)	(74,797)
Equity method investment loss, net	(28,600)	—	(28,600)
Loss from continuing operations, before taxes	(263,174)	28,066	(291,240)
Benefit for income taxes	17,894	—	17,894
Net loss from continuing operations	(245,280)	28,066	(273,346)
Net income from discontinued operations, net of tax**	18,288	—	18,288
Net loss	(226,992)	28,066	(255,058)
Net loss attributable to redeemable noncontrolling interests	8,837	—	8,837
Preferred stock dividend	(25,593)	—	(25,593)
Net loss attributable to Synchronoss	$(243,748)	$28,066	$(271,814)
Basic:			
Continuing operations	$(6.51)	$0.69	$(7.20)
Discontinued operations**	0.46	—	0.46
	$(6.05)	$0.69	$(6.74)
Diluted:			
Continuing operations	$(6.51)	$0.69	$(7.20)
Discontinued operations**	0.46	—	0.46
	$(6.05)	$0.69	$(6.74)
Weighted-average common shares outstanding:			
Basic	40,277		40,277
Diluted	40,277		40,277

*Cost of revenues excludes depreciation and amortization which are shown separately.
**See Note 3. Acquisitions and Divestitures for transactions classified as discontinued operations.

(1) Reflects the impact of changes to the contract term as defined by the new revenue recognition standard.
(2) Reflects capitalization of costs to obtain a contract.
(3) Reflects the impact of changes in the delayed pattern of recognition on the Company's professional services, timing of revenue recognition and allocation of purchase price on software license contracts and legally enforceable rights and obligations prior to when persuasive evidence of an arrangement exists.
(4) Reflects the impact of foreign currency translation related to the above impacts.
(5) Reflects the impact of amortization of third-party costs over the term of the contract.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The table below shows Topic 606 Retained earnings reconciliation:

Cumulative catch up Topic 606 adjustment as of January 1, 2018	$(10,130)
Net loss from continued operations	28,066
Impact on Retained Earnings at December 31, 2018	$17,936

Standards issued not yet adopted

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that the rights and obligations created by leases with a duration greater than 12 months be recorded as assets and liabilities on the balance sheet of the lessee. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company plans to adopt this standard as of January 1, 2019 using the modified retrospective approach for all leases entered into before the effective date. The Company has also elected the option, as permitted in ASU 2018-11, Leases (Topic 842): Targeted Improvements, whereby initial application of the new leases standard would occur at the adoption date and a cumulative-effect adjustment would be recognized to the opening balance of retained earnings in the period of adoption. For comparability purposes, the Company will continue to comply with existing disclosure requirements in accordance with existing lease guidance for all periods presented in the year of adoption.

The Company will elect to apply the transition requirements as of January 1, 2019 and as such, the Company will neither restate comparative periods for the effects of applying ASC 842 nor provide the disclosures required by ASC 842 for the comparative periods. In addition, there are several practical expedients and accounting policy elections offered within ASC 842 to both ease the transition to, and simplify the adoption of, ASC 842. In connection therewith, the Company plans to elect the package of transition practical expedients related to lease identification, lease classification, and initial direct costs. The Company also plans to elect the lessor practical expedient to not separate lease and non-lease components when the requisite criteria is met to be treated as such. In addition, the Company plans to make the following accounting policy elections: (1) the Company will not separate lease and non-lease components by class of underlying asset (2) the Company will apply the portfolio approach, specifically in the development of the Company's discount rates (3) the Company will apply the short-term lease exemption by class of underlying asset (4) the Company will apply a capitalization threshold policy.

Upon adoption of this standard, the Company expects to recognize additional assets and liabilities upon implementation of ASC Topic 842 ranging from $60 million to $70 million to reflect right-of-use assets and lease liabilities as of January 1, 2019. The Company is still finalizing the impact of adopting this new accounting standard on its financial statement.

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Standard	Description	Effect on the financial statements
Update 2018-17-Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	For entities other than private companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this Update are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted.	The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.
Date of adoption: January 1, 2020.		
ASU 2018-15 Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Cloud Computing Arrangements	In August 2018, the FASB issued final guidance requiring a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in Accounting Standards Codification (“ASC”) 350-402 Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40) to determine which implementation costs to capitalize as assets. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019. Early adoption of the amendments is permitted, including adoption in any interim period, for all entities and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.	The Company is currently reviewing its cloud computing arrangements to evaluate the impact of adoption of the final guidance but does not expect that the pending adoption of this ASU will have a material effect on its consolidated financial statements.
Date of adoption: January 1, 2020.		
Update 2018-07—Compensation—Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting	In June 2018, the FASB issued ASU 2018-07, regarding ASC Topic 718 “Compensation - Stock Compensation,” which largely aligns the accounting for share-based compensation for non-employees with employees. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606.	The Company does not expect the adoption of this standard to have a material effect on its consolidated financial statements.
Date of adoption: January 1, 2019.		

ASU 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	In June 2016, the FASB issued ASU 2016-13 which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for public companies in annual periods beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted beginning after December 15, 2018 and interim periods within those years.	The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.
Date of adoption: January 1, 2020.		

Segment and Geographic Information

The Company's chief operating decision maker is the Principal Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions. However, in assessing financial performance and allocating resources, the Company considers the markets in which it operates. The Company has determined that it currently operates in two business segments: (i) providing cloud solutions and software based activation for connected devices globally and (ii) enterprise solutions. Given the size of the Company's enterprise segment, and the Company's shift in focus toward the telecommunications, media and technology ("TMT") market, the Company concluded that it has one reportable segment. Although the Company operates in North America, Europe and Asia Pacific a majority of the Company's revenue and long-lived assets are in the U.S.

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Revenues by geography are based on the billing addresses of the Company's customers. The following tables set forth revenues and property and equipment, net by geographic area:

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Domestic	$249,674	$334,970	$360,891
Foreign	76,165	67,391	65,403
Total	$325,839	$402,361	$426,294

	Year Ended December 31,	
	2018	2017
Property and equipment, net:		
Domestic	$59,054	$106,727
Foreign	8,883	5,098
Total	$67,937	$111,825

3. Acquisitions and Divestitures

2018 Transactions

Acquisition

Honeybee

In May 2018, the Company completed the acquisition of the honeybee software business ("honeybee"), a provider of digital solutions targeted at optimizing the customer experience from Dixons Carphone plc which offers a digital transformation platform that makes it easier for companies to design and launch omni-channel customer journeys. Consideration paid by the Company consisted of approximately $9.7 million in cash at the time of closing and deferred consideration of $8.7 million to be paid over the next three years. As of December 31, 2018, the balance sheet reflected intangible assets, other long term receivables and net working capital in the amount of $8.1 million, $8.7 million and $1.6 million, respectively. The Company is currently evaluating the impact of any changes in net working capital balances.

Customers of the honeybee platform, such as mobile operators and other communication service providers, can rapidly create and adapt digital sales processes for contact centers, retail stores, and online channels. This helps reduce complexity for the end-user as well as internal employees, while delivering a single customer experience at all touch-points and improved business outcomes such as reduced cost and increased revenue. The acquisition did not have a material impact on the Company's Consolidated Statements of Operations.

Divestitures

SNCR, LLC

On November 16, 2015, the Company formed a venture with Goldman Sachs ("Goldman"), referred to as SNCR, LLC in order to develop and deploy the Synchronoss Secure Mobility Suite, which would include integration of

Synchronoss Workspace platform with Goldman's internally developed mobile security intellectual property to help provide a safe, secure mobile device environment that also effectively supports bring your own device (“BYOD”).

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

During the fourth quarter of 2017, the Company entered into a termination agreement with Goldman to terminate the venture, and provide a perpetual, irrevocable license of the venture's intellectual property for use in Goldman's back-office. As part of the agreement, the Company was relieved of any future obligations to support Goldman's use of the software. The venture formally ended in the first quarter of 2018 resulting in the elimination of the Company's associated noncontrolling interest balance and an increase to additional paid in capital balance of $12.8 million on the Company's Consolidated Balance Sheet.

2017 Transactions

Intralinks

Acquisition

On January 19, 2017, the Company purchased all outstanding shares of Intralinks Holdings, Inc. ("Intralinks"). In connection with the acquisition, the Company entered into a $900.0 million senior secured term loan (the "2017 Term Facility"), as of the date of acquisition. Intralinks is a global technology provider of Software as a service ("SaaS") solutions for secure enterprise content collaboration within and among organizations. Intralinks' cloud-based solutions enable organizations to securely manage, control, track, search, exchange and collaborate on sensitive information inside and outside the firewall. The total purchase price consideration consisted of the repayment of existing Intralinks indebtedness, and non-cash consideration for services rendered on unvested Intralinks equity awards that were converted into the Company equity awards on the acquisition date. The acquisition was primarily funded from the proceeds of the $900.0 million credit agreement as of the date of acquisition (See Note 10. Debt for further discussion regarding the credit agreement).

The following is a summary of the components of the consideration transferred as part of the acquisition:

Cash consideration for outstanding Intralinks' common shares	$746,071
Cash consideration for accelerated equity awards to Intralinks' employees upon change in control	7,873
Cash consideration for vested unexercised Intralinks' stock options	19,838
Cash consideration for existing Intralinks' debt	77,800
Cash consideration for shareholders purchase price settlement	2,794
Total cash consideration transferred	854,376
Fair value of replacement awards	4,702
Total consideration transferred	$859,078

The purchase price allocation as of the date of the acquisition was as follows:

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	Weighted Average Life in Years	Purchase Price Allocation
Cash		$ 39,370
Accounts receivable		46,182
Prepaid expenses and other assets		9,775
Property and equipment, net	4	14,075
Goodwill		482,822
Intangible Assets:		
Developed technology	6	79,400
Capitalized software costs	1	277
Trade name	18	47,800
Customer relationships	10	284,100
		411,577
Other assets, long-term		3,865
Investment in unconsolidated affiliate		5,800
Total assets acquired		1,013,466
Accounts payable		4,853
Accrued expenses		21,421
Deferred revenues, short-term		12,449
Deferred tax liability		110,044
Deferred revenues, long-term		1,051
Other liabilities, long-term		4,570
Total liabilities		154,388
Net assets acquired		$ 859,078

The goodwill recorded in connection with this acquisition was primarily attributed to operating synergies and other benefits expected to result from the combined operations and the assembled workforce acquired. The goodwill acquired is not deductible for tax purposes.

Divestitures

On June 23, 2017, the Company received a non-binding indication of interest from Siris Capital Group, LLC ("Siris") to acquire the Company. In light of the indication of interest, the Company's Board of Directors decided to explore a broad range of strategic alternatives that would have the potential to unlock shareholder value. In October 2017, the Company concluded its review of strategic alternatives and determined that the best approach for the Company to achieve its goal of maximizing shareholder value was to focus on its core Telecommunication, Media and Technology ("TMT") business, divest non-core assets and improve the Company's balance sheet strength, cash position and potential profitability. Under the terms of certain definitive agreements, investment funds affiliated with Siris acquired all of the stock of the Company's wholly-owned subsidiary, Intralinks for consideration of cash and an option to investment in convertible preferred equity of the Company.

Subject to the terms and conditions set forth in the Share Purchase Agreement, dated as of October 17, 2017 (the "Share Purchase Agreement"), among Synchronoss, Intralinks and Impala Private Holdings II, LLC, an affiliate of Siris

(“Impala”), a related party, due to its significant interest in the Company’s common stock. Impala agreed to acquire from the Company the issued and outstanding shares of common stock of Intralinks for approximately $977.3 million in cash plus a potential contingent payment of up to $25.0 million, subject to an adjustment for cash, debt and working capital (the “Intralinks Transaction”). The total amount of funds used to complete the Intralinks Transaction and related transactions and pay related fees and expenses was approximately $1.0 billion, which was funded through a combination of equity and debt financing obtained by Impala.

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Under the terms of the Share Purchase Agreement, the Company also provided Siris with a Siris Put Right (“Siris Put Right”), which would allow Silver to put shares held at the time, to Synchronoss at price of $14.56 per share, or $87.3 million in the aggregate. The Company determined that the Call option on the issuance of preferred and the Siris Put Right, together, represented one mandatorily redeemable financial instrument with a fair value of $33.6 million, which reduced the gain on sale of Intralinks.

At the closing of the Intralinks Transaction on November 14, 2017, Impala acquired all of the issued and outstanding shares of Intralinks for approximately $991.0 million in cash, subject to post-closing adjustments for changes in cash, debt and working capital. If, in the future, Impala receives net cash proceeds in excess of $440.0 million from any sale of equity or assets of Intralinks, or a dividend or distribution in respect of the shares of Intralinks, then Impala is required to pay the Company up to an additional $25.0 million in cash or publicly traded securities. Immediately following the consummation of the Intralinks Transaction, the Company paid to Impala $5.0 million as partial reimbursement of the out-of-pocket fees and expenses incurred by Impala, Siris and their respective affiliates in connection with the execution of the Share Purchase Agreement and the Intralinks Transaction. Amounts reimbursed were recorded as a reduction in the gain on sale.

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the “PIPE Purchase Agreement”), with Silver Private Holdings I, LLC, an affiliate of Siris (“Silver”), on February 15, 2018, the Company issued to Silver 185,000 shares of its newly issued Series A Convertible Participating Perpetual Preferred Stock (the “Series A Preferred Stock”), par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to us of the 5,994,667 shares of our common stock held by Silver (the “Preferred Transaction”). In connection with the issuance of the Series A Preferred Stock, we (i) filed a Certificate of Designation with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock (the “Series A Certificate”) and (ii) entered into an Investor Rights Agreement with Silver setting forth certain registration, governance and preemptive rights of Silver with respect to us (the “Investor Rights Agreement”). See Note 12. Capital Structure for further discussion.

The following is a summary of the operating results of Intralinks during the year ended December 31, 2017, which have been reflected within income from discontinued operations, net of tax:

	2017
Net revenues	$213,178
Costs and expenses:	
Cost of services	35,393
Research and development	19,148
Selling, general and administrative	114,737
Restructuring	15,995
Depreciation and amortization	41,780
Total costs and expenses	227,053
Other income, net	1,448
Loss from discontinued operations	(12,427)
Gain on sale of discontinued operations	122,842
Income from discontinued operations before taxes	110,415
Provision for income taxes	(34,920)
Discontinued operations, net of taxes	$75,495

The pre-tax gain on sale of Intralinks included in the Consolidated Statement of Operations was $122.8 million for the year ended December 31, 2017.

The Company signed a Transition Service Agreement (“TSA”) to provide accounting, tax, legal, payroll and IT services for up to six months after the divestiture. Amounts earned under the agreement were reflected as a reduction in Selling, general and administrative expenses in the statement of operations.

SpeechCycle

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On February 1, 2017, the Company completed a divestiture of its SpeechCycle business, to an unrelated third party, for consideration of $13.5 million.

As part of the divestiture, the Company entered into a one-year transition services agreement with the acquirer to support various indirect activities such as customer software support, technical support services and maintenance and support services. These services were terminated during the first quarter of 2018. The Company recorded a pre-tax gain of $4.9 million as a result of the divestiture which is included in other income (expense), net in the Consolidated Statement of Operations.

Acquisition-Related Costs

Total acquisition-related costs recognized during the year ended December 31, 2018, 2017 and 2016 including transaction costs such as legal, accounting, valuation and other professional services, were $0.1 million, $13.0 million and $10.9 million, respectively, and are included in selling, general and administrative expense in the Consolidated Statements of Operations.

4. Fair Value Measurements

In accordance with accounting principles generally accepted in the United States, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy prioritizes the inputs used to measure fair value as follows:

- Level 1 - Observable inputs - quoted prices in active markets for identical assets and liabilities;
- Level 2 - Observable inputs other than the quoted prices in active markets for identical assets and liabilities includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and
- Level 3 - Unobservable inputs - includes amounts derived from valuation models where one or more significant inputs are unobservable and require the Company to develop relevant assumptions.

The following is a summary of assets, liabilities and redeemable noncontrolling interests and their related classifications under the fair value hierarchy:

	December 31, 2018			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Cash, cash equivalents and restricted cash (1)	$109,860	$109,860	$—	$—
Marketable securities-short term (2)	28,230	—	28,230	—
Marketable securities-long term (2)	6,658	—	6,658	—
Total assets	$144,748	$109,860	$34,888	$—
Temporary equity				
Redeemable noncontrolling interests (3)	$12,500	$—	$—	$12,500
Total temporary equity	$12,500	$—	$—	$12,500

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	December 31, 2017			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Cash, cash equivalents and restricted cash (1)	$246,125	$246,125	$—	$—
Marketable securities-short term (2)	3,111	—	3,111	—
Total assets	$249,236	$246,125	$3,111	$—
Liabilities				
Contingent interest derivative (4)	$193	$—	$—	$193
Mandatorily redeemable financial instrument (5)	$37,959	$—	$—	$37,959
Total liabilities	$38,152	$—	$—	$38,152
Temporary Equity				
Redeemable noncontrolling interests (3)	$25,280	$—	$—	$25,280
Total temporary equity	$25,280	$—	$—	$25,280

(1) Cash equivalents primarily included money market funds.
(2) Marketable securities are comprised of municipal bonds, certificates of deposit. corporate bonds, treasury bonds, and mutual funds.
(3) Put arrangements held by the noncontrolling interests in certain of the Company's joint ventures.
(4) Contingent interest derivative related to convertible debt is included in accrued expenses, for further details see Note 10 - Debt.
(5) Mandatorily redeemable financial instruments are comprised of the Company's contractual obligation to deliver a set number of preferred shares at a time in less than twelve months and the option for the Company to receive a set number of common shares. In 2018, this was exchanged as partial consideration in connection with issuance of the Company's Series A Convertible Participating Perpetual Preferred Stock.

Marketable Securities

The Company utilizes the market approach to measure fair value for its financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. The Company's marketable securities investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No transfers of assets between Level 1, Level 2 and Level 3 of the fair value measurement hierarchy occurred during the year ended December 31, 2018.

For marketable debt securities, unrealized gains and losses are reported as a component of accumulated other comprehensive income in stockholders' equity. The cost of securities sold is based on the specific identification method. The Company evaluates investments with unrealized losses to determine if the losses are other than temporary. The Company has determined that the gross unrealized losses at December 31, 2018 and 2017 are temporary. In making this determination, the Company considered the financial condition, credit ratings and near-term prospects of the issuers, the underlying collateral of the investments, and the magnitude of the losses as compared to the cost and the length of time the investments have been in an unrealized loss position. Additionally, while the Company classifies the securities as available for sale, the Company does not currently intend to sell such investments and it is more likely than not to recover the carrying value prior to being required to sell such investments.

The marketable equity securities are mutual funds measured at fair value and classified within Level 2 in the fair value hierarchy. Upon the adoption of ASU 2016-01 on January 1, 2018, unrealized gains and losses related to our marketable equity securities were recognized in other income (expense), net. The adoption of ASU 2016-01 did not have a material impact on the consolidated financial statements as there was no activity prior to 2018 and insignificant activity in the current year.

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At December 31, 2018 and December 31, 2017, the estimated fair value of investments in marketable debt securities, were as follows:

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable securities - debt:				
Certificates of deposit	$3,776	$ —	$ (16)	$3,760
Corporate bonds	402	—	(1)	401
Municipal bonds	10,913	—	(32)	10,881
Treasury bonds	15,685	—	—	15,685
Total	$30,776	$ —	$ (49)	$30,727

As of December 31, 2018, an insignificant amount of accumulated unrealized losses related to investments that have been in a continuous unrealized loss position for 12 months or longer. The aggregate fair value of investment with unrealized losses was approximately $14.9 million.

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable securities - debt:				
Certificates of deposit	$250	$ —	$ —	$250
Municipal bonds	2,867	—	(6)	2,861
Total	$3,117	$ —	$ (6)	$3,111

As of December 31, 2017, the aggregate related fair value of investment with unrealized losses was approximately $2.9 million.

The contractual maturities of marketable debt securities were as follows:

	December 31, 2018	
	Amortized Cost	Fair Value
Due within one year	$24,093	$24,069
Due after 1 year through 5 years	6,328	6,304
Due after 5 years through 10 years	355	354
Due after 10 years	—	—
Total marketable securities - debt	$30,776	$30,727

At December 31, 2018 and December 31, 2017, the estimated fair value of investments in marketable equity securities, were as follows:

Balance at December 31, 2017	$—
Mutual funds purchases	4,161
Realized gains (losses)	—
Balance at December 31, 2018	$4,161

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SYNCHRONOSS TECHNOLOGIES, INC.
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Redeemable Noncontrolling Interests

The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company’s joint ventures. The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the noncontrolling interest to the greater of the estimated redemption value, which approximates fair value, at the end of each reporting period or the initial carrying amount.

The fair value of the redeemable noncontrolling interests was estimated by applying an income approach using a discounted cash flow analysis. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value the redeemable noncontrolling interests could significantly increase or decrease the fair value estimates recorded in the Consolidated Balance Sheets.

The changes in fair value of the Company’s Level 3 redeemable noncontrolling interests during the year ended December 31, 2018 were as follows:

Balance at December 31, 2017	$25,280
Fair value adjustment	(3,943)
Net loss attributable to redeemable noncontrolling interests	(8,837)
Balance at December 31, 2018	$12,500

Fair Value of PIK Note

The fair value of the PIK note was estimated by applying an income approach using a discounted cash flow analysis to derive the fair value of the Sequential Technology International Holdings LLC (“STIH”) interest in Sequential Technology International, LLC (“STIN”), the collateral supporting the PIK Note. Additionally, the Company considered synthetic credit ratings of comparable notes in the market. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value the PIK note, for impairment, such as discount rate, credit rating, and growth rates could significantly increase or decrease the fair value estimates recorded in the Consolidated Balance Sheets. For further details see Note 5. Investments in Affiliates and Related Transactions.

5. Investments in Affiliates and Related Transactions

Sequential Technology International, LLC

The Company includes investments, which are accounted for using the equity method, under the caption equity method investment on the Company’s Consolidated Balance Sheets. As of December 31, 2018, the Company’s investments in equity interests was comprised of $1.6 million related to a 30% equity interest in STIN.

STIH, which holds a 70% equity interest in STIN, also holds a senior note issued by a Third Party (“Third-Party Note” or “Seller Note”). The Third-Party Note is secured against STIH’s equity interest in STIN and is senior to the Company’s equity interest in STIN. Under the arrangement, cash dividends due to the Company from STIN, other than required cash distributions made for tax purposes, are deferred until the Third-Party Note is paid in full. As of December 31, 2018, all the amounts under the Third-Party Note are paid in full. Under the terms of a paid-in-kind purchase money note (the “PIK Note”) issued to the Company by STIH, deferred distributions are added to the amounts outstanding under the PIK Note.

The Company concluded that STIN is a VIE as it lacks sufficient equity to finance its activities. However, the Company is not the primary beneficiary of STIN, as the Company does not have the power to direct the activities that most significantly impact STIN's economic performance and the obligation to absorb losses or the right to receive benefits from STIN that could potentially be significant to STIN.

In connection with the divestiture of the exception handling business of the Company, Synchronoss entered into a three-year Cloud Telephony and Support services agreement to grant STIN access to certain Synchronoss software and private branch exchange systems to facilitate exception handling operations required to support STIN customers.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

For the year ended December 31, 2018 and 2017, the Company recognized $25.7 million and $26.0 million, respectively in revenue related to Cloud Telephony and Support services, and $2.1 million and $1.7 million, respectively, in revenue related to all other services.

Impairments of Investments

The Company regularly reviews its equity investments for impairments based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Company's ability to hold its investment until recovery and the investment's financial strength and specific prospects.

Impairments of investments are reflected in "Equity method income/loss" in the Consolidated Statements of Operations and were recorded as a result of either the deteriorating financial position of the investee or due to a permanent impairment resulting from sustained losses and limited prospects for recovery.

During the fourth quarter of 2018, the Company determined that its investment in STIN was other-than-temporarily impaired due to the deteriorating financial position of the investee. As a result, the Company estimated the fair value of its investment in STIN using a combination of the income and market approach and recorded a non-cash, other-than-temporary impairment of $22.9 million. The discounted cash flow fair value estimate is based on known or knowable information at the interim measurement date. The significant assumptions that were used to develop the estimate of the fair value under the discounted cash flow method include management's best estimates of the expected future results and a discount rate of 20.0% percent. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As such, the fair value of the equity method investment and its underlying assets represents a Level 3 measurement. As a result, actual results may differ from the estimates and assumptions made for purposes of this impairment analysis.

PIK Note

The following is a summary of the PIK Note related balances:

	Seller Note	Impairment	Unamortized Discount	Loan Accrued Interest	Distribution Note	Distribution interest	Total
December 31, 2017	$83,000	$ (14,562)	$ (12,162)	$ 11,096	$ 6,187	$ 425	$ 73,984
Activity	—	(84,314)	438	6,103	3,293	496	(73,984)
December 31, 2018	$83,000	$ (98,876)	$ (11,724)	$ 17,199	$ 9,480	$ 921	$—

During the year ended December 31, 2018, STIN distributed approximately $3.3 million to the Company, which was recognized as reduction in the Company's equity investment in STIN and a corresponding adjustment to increase the PIK Note. Amounts were used by STIH to facilitate accelerated payment on the Third-Party Note held by STIH.

Amendment and Impairment of PIK Note

Effective July 2018, the Company entered into an amendment with STIH to modify the terms, of the PIK Note ("PIK Amendment"). The PIK Amendment modified the terms of the arrangement, lowering the interest rate from LIBOR plus 1100 basis points to a rate equal to the sum of LIBOR plus 300 basis points per annum. Additionally, the PIK Amendment provided relief on required payments, to allow STIH to continue its operations.

Concurrent with the modification described above, STIH and the Company agreed to modify the liquidation preferences set forth in the PIK Note, which would allow for cash distributions, senior to the PIK Note, as amended by the PIK Amendment, in the amount of $24.0 million, which would be distributed evenly in the event of sale.

The Company determined that the above modifications qualified as a troubled debt restructuring, due primarily to the following factors (i) STIN continues to experience declines in its business, deteriorating the overall EBITDA available to provide adequate payment for debt, (ii) the terms of the debt modification, and in combination with the preference payments agreed to in the operating agreement provided a return-of-capital claim senior to the debt, and waived the Company’s right to include such future distribution as a qualified distribution subject to PIK under the distribution note and (iii) the terms of the arrangement were significantly below market for which no consideration was granted to the Company.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The troubled debt restructuring resulted in an impairment on the PIK Note, as amended by the PIK Amendment, in the amount of $18.2 million. Subsequent to the modification, STIN experienced further business declines. No payments on the PIK note were received from STIN subsequent to the modification and there were no indications from STIN as a result of the further business declines that any future payments would be received. Accordingly, the Company determined that collectability of the PIK note is no longer probable and recorded an impairment charge for the remaining balance of $66.1 million.

The STIN affiliate balances and their classification in the Consolidated Balance Sheet as of December 31, 2018, were as follows:

	December 31, 2018	December 31, 2017
Restricted cash [(A)]	$ —	$ 118
Accounts receivable [(B)]	27,532	18,033
Total assets	$ 27,532	$ 18,151
Accrued expenses [(A)]	—	118
Total liabilities	$ —	$ 118

(A) The Company collected zero and $0.1 million from STIN customers, on behalf of STIN, which remained outstanding as of December 31, 2018 and December 31, 2017, respectively. This amount has been classified in short-term restricted cash and in accrued expenses on the Consolidated Balance Sheets.
(B) These amounts principally included revenues generated from the Cloud and Telephony Support Services agreement and pass-through of vendor expenses incurred during the transition and assignment of vendor contracts.

6. Property and Equipment

Property and equipment consist of the following:

	December 31, 2018	2017
Computer hardware	$246,373	$250,453
Computer software	64,530	62,335
Construction in-progress	651	471
Furniture and fixtures	9,408	7,736
Building	8,808	8,808
Leasehold improvements	23,602	19,591
	353,372	349,394
Less: Accumulated depreciation	(285,435)	(237,569)
	$67,937	$111,825

Depreciation expense was approximately $55.8 million, $57.0 million, and $51.8 million for 2018, 2017, and 2016, respectively. Amortization of property and equipment recorded under capital leases are included in depreciation expense.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

7. Goodwill and Intangibles

Goodwill

The Company records goodwill which represents the excess of the purchase price over the fair value of assets acquired, including other definite-lived intangible assets. Goodwill is reviewed annually for impairment or upon the occurrence of events or changes in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The following table shows the adjustments to goodwill during 2018 and 2017:

Balance at December 31, 2016	$224,651
Divestitures	(1,854)
Reclassifications adjustments and other	181
Translation adjustments	14,325
Balance at December 31, 2017	$237,303
Acquisitions	2,156
Impairment	(9,100)
Reclassifications adjustments and other	—
Translation adjustments	(5,460)
Balance at December 31, 2018	$224,899

The reclassification adjustments and other of nil and $0.2 million for the years 2018 and 2017 are primarily related to purchase accounting adjustments and a change in the Company’s deferred tax asset in connection with a pre-acquisition tax loss, respectively.

When performing its annual impairment test, the Company compares the fair value of each reporting unit to its carrying amount with the fair values derived from the market approach the income approach. Under the market approach, the Company estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit. The Company weights the fair value derived from the market approach depending on the level of comparability of these publicly-traded companies to the reporting unit. When market comparables are not meaningful or not available, the Company estimates the fair value of a reporting unit using only the income approach. Under the income approach, the Company estimates the fair value of a reporting unit based on the present value of estimated future cash flows. The Company bases cash flow projections on management’s estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The Company bases the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit’s ability to execute on the projected cash flows.

In order to assess the reasonableness of the estimated fair value of the Company’s reporting units, the Company compares the aggregate reporting unit fair value to the Company’s market capitalization on an overall basis and calculates an implied control premium (the excess of the sum of the reporting units’ fair value over the Company’s market capitalization on an overall basis). The Company evaluates the control premium by comparing it to observable control premiums from recent comparable transactions. If the implied control premium is determined to not be reasonable in light of these recent transactions, the Company re-evaluates its reporting unit fair values, which may result in an adjustment to the discount rate and/or other assumptions. This re-evaluation could result in a change to the estimated fair value for certain or all reporting units. If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired.

If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized as an impairment loss.

The Company recorded a $9.1 million impairment charge on the Zentry joint venture in 2018 as a result of various business changes to Zentry, which ultimately led the Company to sunset certain Zentry product offerings. The Company evaluated the

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impact of these business changes and determined that the future cash flows generated by the assets were not sufficient to support its recoverability and accordingly, the Company recognized an impairment charge for Zentry's outstanding goodwill. The Company did not recognize goodwill impairment charges for the years ended December 31, 2017 and 2016.

Other Intangible Assets

The Company's intangible assets with definite lives consist primarily of technology, capitalized software, trade names, and customer lists and relationships. These intangible assets are being amortized on the straight-line method over the estimated useful lives of the assets. Amortization expense related to intangible assets for the years ended December 31, 2018, 2017 and 2016 was $41.3 million, $36.9 million and $43.1 million, respectively.

The Company recognized impairment charges to its intangible assets of $11.0 million, $1.0 million, and $11.1 million for the years ended December 31, 2018, 2017 and 2016 respectively. The Company includes these impairments within depreciation and amortization in its Consolidated Statements of Operations. The 2018 impairment charge was incurred to the outstanding Zentry intangible assets for the same reasons discussed above.

The Company's intangible assets consist of the following:

	December 31, 2018		
	Cost	Accumulated Amortization	Net
Technology	$100,896	$ (73,271)	$27,625
Customer lists and relationships	127,755	(75,123)	52,632
Capitalized software and patents	33,710	(15,261)	18,449
Trade name	2,546	(2,546)	—
	$264,907	$ (166,201)	$98,706

	December 31, 2017		
	Cost	Accumulated Amortization	Net
Technology	$124,799	$ (70,608)	$54,191
Customer lists and relationships	128,170	(62,905)	65,265
Capitalized software and patents	19,792	(7,115)	12,677
Trade name	2,559	(2,525)	34
	$275,320	$ (143,153)	$132,167

Estimated future amortization expense of its intangible assets for the next five years is as follows:

Year ending December 31,	
2019	$31,954
2020	20,107
2021	12,902
2022	10,168
2023	5,846
Thereafter	17,729
Total	$98,706

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

8. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2018	2017
Accrued compensation and benefits	$26,840	$22,679
Accrued professional service fees	8,177	31,535
Accrued telecommunications	1,758	3,028
Accrued income taxes payable	1,394	2,810
Accrued preferred dividend	7,075	—
Accrued other	14,301	12,687
Total	$59,545	$72,739

9. Commitments, Contingencies and Other

Lease and Purchase Obligations

The Company leases office space, automobiles, office equipment and co-location services under non-cancelable capital leases, operating leases or long-term agreements that expire at various dates, with the latest expiration in 2029. The Company recognizes rent expense on a straight-line basis over the non-cancelable lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. Where leases contain escalation clauses, rent abatements, and/or concessions, such as rent holidays and landlord or tenant incentives or allowances, the Company applies them as straight-line rent expense over the lease term.

Aggregate annual future minimum payments under these non-cancelable agreements are as follows:

Year ending December 31,	Colocation	Operating Leases	Capital Leases
2019	$ 18,868	$ 10,563	$2,627
2020	18,426	11,413	1,594
2021	43	10,533	1,594
2022	—	10,014	1,594
2023 and thereafter	—	37,954	7,438
	$ 37,337	$ 80,477	$14,847

Rent expense for the years ended December 31, 2018, 2017 and 2016 was $11.7 million, $10.6 million and $8.5 million respectively.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

10. Debt

Total debt consists of the following:

	December 31, 2018	December 31, 2017
Convertible Senior Notes	$113,980	$230,000
Unamortized debt issuance cost [1]	(438)	(2,296)
Total debt, carrying value	$113,542	$227,704
Total short-term debt, carrying value	$113,542	$—
Total long-term debt, carrying value	$—	$227,704

[1] Unamortized debt issuance cost is related to Convertible Senior Notes.

Convertible Senior Notes

On August 12, 2014, the Company issued $230.0 million aggregate principal amount of its 0.75% Convertible Senior Notes due in 2019 (the “2019 Notes”). The 2019 Notes mature on August 15, 2019, and bear interest at a rate of 0.75% per annum payable semi-annually in arrears on February 15 and August 15 of each year. The Company accounted for the $230.0 million face value of the debt as a liability and capitalized approximately $7.1 million of financing fees, related to the issuance which are presented net of the face value of the 2019 Notes on the Consolidated Balance Sheets.

The 2019 Notes are senior, unsecured obligations of the Company, and are convertible into shares of its common stock based on a conversion rate of 18.8072 shares per $1,000 principal amount of 2019 Notes which is equivalent to an initial conversion price of approximately $53.17 per share. The Company will satisfy any conversion of the 2019 Notes with shares of the Company’s common stock. The 2019 Notes are convertible at the note holders’ option prior to their maturity and if specified corporate transactions occur. The issue price of the 2019 Notes was equal to their face amount.

Holders of the 2019 Notes who convert their notes in connection with a qualifying fundamental change, as defined in the related indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, following the occurrence of a fundamental change, holders may require that the Company repurchase some or all of the 2019 Notes for cash at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. As of December 31, 2018, none of these conditions existed with respect to the 2019 Notes.

Included in the definition of a fundamental change is whether the Company’s common stock ceases to be listed or quoted on Nasdaq. In May 2018, trading of the Company’s common stock was suspended on Nasdaq, however, it was not delisted. On September 26, 2018, the Company received notice, that the Nasdaq Listing Qualifications Staff (the “Staff”) approved the listing of its common stock on Nasdaq. The result of this approval caused the suspension of trading in Company’s common stock on The Nasdaq Stock Market to be lifted. On November 2, 2018, we retired approximately $116.0 million of the 2019 Notes as part of a settlement agreement entered into on November 1, 2018, among us, Indaba Capital Fund, L.P and Westwood Management Corp. related to the BNY Action and, as a result the parties filed a stipulation of dismissal of the BNY Action. For additional information regarding this litigation, see Item

3. “Legal Proceedings” contained in this Form 10-K.

The 2019 Notes are the Company’s direct senior unsecured obligations and rank equal in right of payment to all of the Company’s existing and future unsecured and unsubordinated indebtedness.

During the years ended December 31, 2018, 2017 and 2016 interest expense for the Company’s 2019 Notes related to the contractual interest coupon was $1.6 million, $1.7 million and $1.7 million respectively.

The Company is required to meet all SEC filing requirements and deadlines to be compliant with the 2019 Notes. In the event that the Company does not meet the filing requirements, the Company will be in default under the 2019 Notes unless it elects to pay the noteholders additional interest of 0.25% up to 180 days from the date of the notice of default and 0.50% thereafter up to 360 days. The Company may agree to pay additional interest to the holders by notifying holders and the trustee within 90 days from the notice of default. If the Company decides to pay the additional interest but has not remedied its failure to meet all SEC filing requirements within 360 days from the notice of default, it will be in default. If the Company fails to elect to pay the additional interest, it will be in default if it does not remedy its failure to meet all SEC filing requirements within the 90 days from the notice of default.

The Company received a notice of default from holders of more than 25% of the outstanding principal amount of the 2019 Notes on October 13, 2017. In accordance with the terms of the 2019 Notes, the Company elected to begin paying additional interest starting January 11, 2018 (the 90th day following the Company's receipt of the notice of default). As a result of the Company regaining compliance with its SEC filing requirements, the Company was no longer required to pay the additional interest as of July 9, 2018. The Company was required to record a derivative related to this contingent interest as a liability and expense in its financial statements due to the late filings of the Company's quarterly reports on Form 10-Q in 2017. At December 31, 2018, the recorded contingent interest derivative liability within accrued expenses was zero as a result of Company regaining compliance with its SEC filing requirements.

2019 Notes Notice

On June 13, 2018, The Bank of New York Mellon, in its capacity as trustee (the "Trustee") under the indenture dated as of August 12, 2014 (the "Indenture") governing for the 2019 Notes, filed a verified complaint with the Court of Chancery of the State of Delaware, captioned The Bank of New York Mellon, as Indenture Trustee v. Synchronoss Technologies, Inc. (the "BNY Action"). The BNY Action complaint alleges that a "Fundamental Change" has occurred under the Indenture as a result of the Company's Common Stock ceasing to be listed or quoted on Nasdaq and that an event of default under the Indenture has occurred as a result of the Company's failure to provide a notice of such Fundamental Change which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes, which otherwise mature on August 15, 2019. On November 2018, the parties filed a stipulation of dismissal of the BNY Action. For further details, see Note 18. Legal Matters.

On November 2, 2018, the Company retired $116.0 million of 2019 Notes as a part of settlement agreement entered into on November 1, 2018, among the Company, Indaba Capital Fund, L.P. ("Indaba") and Westwood Management Corp. ("Westwood") related to the BNY Action. For further details see Note 18. Legal Matters.

At December 31, 2018, the carrying amount of the liability was $113.5 million and the outstanding principal of the 2019 Notes was $114.0 million, with an effective interest rate of approximately 1.37%. The fair value of the 2019 Notes was $109.7 million at December 31, 2018. The fair value of the liability of the 2019 Notes was determined using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair-value hierarchy.

2017 Credit Agreement

On January 19, 2017, the Company entered into a new credit agreement with the lending institutions from time to time parties thereto and Goldman Sachs as administrative agent, collateral agent, swingline lender and a letter of credit issuer (as amended from time to time, the "2017 Credit Agreement") which was comprised of a $900.0 million term credit facility with a maturity date of January 19, 2024 (the "2017 Term Facility") and a revolving credit facility of up to $200.0 million (the "Revolving Facility") with a maturity date of January 19, 2022. Obligations under the 2017 Credit

Agreement were guaranteed by certain of the Company's subsidiaries and secured by substantially all of the Company's and its subsidiaries' assets.

The 2017 Term Facility amortized at 1% per annum in equal quarterly installments with the balance payable on the maturity date. The Revolving Facility included borrowing capacity available for letters of credit and for borrowings on same-day notice under swingline loans and borrowing thereunder could be used for working capital needs and other general corporate purposes.

The 2017 Term Facility initially bore interest at a rate equal to, at the Company's option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate, in each case, plus an applicable margin of 2.75% or 1.75%, respectively. The Revolving Facility initially bore an interest at a rate equal to, at the Company's option, the adjusted LIBOR rate or an alternate base rate, in each case, plus an applicable margin of 2.50% or 1.50%, respectively, subject to step-downs based on the Company's ratio of first lien secured debt to adjusted EBITDA, as defined in the 2017 Credit Agreement. The Company paid a commitment fee in the range of 0.25% to 0.375% on the unused balance of the Revolving Facility. Interest was payable quarterly under the 2017 Credit Agreement.

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Subject to certain customary exceptions, the 2017 Term Facility was subject to mandatory prepayments in amounts equal to: (1) 100% of the net cash proceeds from any non-ordinary course sale or other disposition of assets (including as a result of casualty or condemnation) by Synchronoss or its subsidiaries subject to customary reinvestment provisions and certain other exceptions; (2) 100% of the net cash proceeds from incurrences of debt (other than permitted debt); and (3) a customary annual excess cash flow sweep at levels based on the Company's applicable ratio of first lien secured debt to adjusted EBITDA, as defined in the 2017 Credit Agreement.

The 2017 Credit Agreement contained a number of customary affirmative and negative covenants and events of default, which, among other things, restricted the Synchronoss' and its subsidiaries' ability to incur debt, allow liens on assets, make investments, pay dividends or prepay certain other debt. The 2017 Credit Agreement also required Synchronoss to comply with certain financial maintenance covenants, including a total gross leverage ratio and an interest charge coverage ratio.

Certain of the lenders under the 2017 Credit Agreement, or their affiliates, provided, and may in the future from time to time provide, certain commercial and investment banking, financial advisory and other services in the ordinary course of business for the registrant and its affiliates, for which they have in the past and may in the future receive customary fees and commissions.

As a result of the Company's restatement, it was unable to comply with covenants requiring the timely delivery of audited financial statements and interim financial information. The Company obtained waivers to extend the dates by which the Company was required to deliver such financial information to June 30, 2017.

Waiver Agreement to 2017 Credit Agreement

On June 30, 2017, the Company, the Lenders and the Administrative Agent entered into a Limited Waiver to Credit Agreement (the "Waiver Agreement") pursuant to which the Lenders agreed, subject to the limitations contained in the Waiver Agreement, to temporarily waive (the "Limited Waiver") the anticipated event of default (the "Anticipated Event of Default") resulting from the Company's failure to deliver its first quarter 2017 financial statements, together with related items required under the 2017 Credit Agreement on or prior to June 30, 2017. In the absence of the Limited Waiver, after the occurrence of the Anticipated Event of Default the Lenders would be permitted to exercise their rights and remedies available to them under the 2017 Credit Facility with respect to an event of default. The Limited Waiver was designed to give the Company and the Lenders additional time to negotiate in good faith and document certain amendments to the 2017 Credit Facility.

As consideration for the Limited Waiver, the Company agreed to pay a consent fee to each Lender who consented to the Waiver Agreement in an amount equal to 0.15% of the aggregate principal amount of such consenting Lender's revolving credit commitments and term loans outstanding under the 2017 Credit Agreement, which amount was credited against any consent fee that was required to be paid in connection with any subsequent waiver of the Anticipated Event of Default or related amendment of the 2017 Credit Agreement. In addition, the Company paid the reasonable fees and expenses of counsel and other costs and expenses requested by the Administrative Agent on behalf of the Lenders and certain other fees as set forth in the Waiver Agreement.

First Amendment to 2017 Credit Agreement

On July 19, 2017, the Company entered into a first amendment and limited waiver to the 2017 Credit Agreement (the "First Amendment"). Pursuant to the First Amendment, the lenders and administrative agent agreed to extend the time period for delivery by the Company of its quarterly financial statements for the quarters ended March 31, 2017 and June 30, 2017 (the "2017 Quarterly Financial Statements") and to waive the default and event of default arising from the Company's failure to deliver the 2017 Quarterly Financial Statements within the timeframe originally required by the 2017 Credit Agreement (or, at the Company's election, November 16, 2017, if prior to October 17, 2017 the Company pays a fee to the Lenders equal to 25 basis points on the aggregate principal amount of revolving commitments and terms loans outstanding).

The First Amendment effected various other changes to the terms of the Credit Agreement, including reducing revolving credit commitments from $200.0 million to $100.0 million (with a sub-limit on usage of $50.0 million until the earliest date by which the Company has delivered the 2017 Quarterly Financial Statements, the restated financial statements for the fiscal years ended December 31, 2016 and 2015 (and the respective quarterly periods) and certain information with respect to disclosing and remedying any material weaknesses in the Company's internal control structure related to financial reporting.)

Under the First Amendment, the Company was required to maintain a first lien secured net leverage ratio of no more than (x) 5.50 to 1 for any period ending from September 30, 2017 through March 31, 2019; (y) 5.00 to 1 for any period ending June 30, 2019 through December 31, 2019; and (z) 4.25 to 1 for any period ending March 31, 2020 and thereafter. The Company was also required to maintain a minimum interest coverage ratio of no less than 2.00 to 1.

Until the earlier of (A) the later of (i) December 15, 2017 and (ii) in the event that, prior to December 15, 2017, the Company has publicly announced a strategic transaction, or merger, business combination, acquisition or divestiture that would result in a change of control or a requirement to prepay the loans and terminate commitments under the Amended Credit Agreement, the date on which such transaction is consummated or abandoned (the “Initial Period End Date”) and (B) June 15, 2018, term loans under the Amended Credit Agreement bear interest at a rate equal to, at the Company’s option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins increase to 5.75% and 4.75%, respectively, if the Company’s first lien secured net leverage ratio is less than or equal to 5.00 to 1, and to 6.75% and 5.75%, respectively, if the Company’s first lien secured net leverage ratio is greater than 5.00 to 1. The foregoing applicable margins are subject to a retroactive increase of 0.25% each if the Restated Financial Statements show an amount of net revenue for any fiscal year ended December 31, 2015, December 31, 2016 and, if applicable, December 31, 2014 that varies by greater than 15% of the net revenue set forth on Consolidated Balance Sheets and related Consolidated Statements of Operations of the Company for such fiscal year that had originally been filed with the Securities and Exchange Commission.

Until the Initial Period End Date, revolving loans under the Amended Credit Agreement bear interest at a rate equal to, at Company’s option, the adjusted LIBOR rate or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins will be subject to step-downs based on the Company’s first lien secured net leverage ratio.

Until the Initial Period End Date, term loans under the Amended Credit Agreement are subject to a prepayment premium of 1.00% solely if prepaid with proceeds of a repricing transaction. Thereafter, the term loans will be subject to (x) a 2.00% prepayment premium for any voluntary prepayments (including upon a change of control) made through the one-year anniversary of the Initial Period End Date and (y) a 1.00% prepayment premium for any voluntary prepayments (including upon a change of control) made after the one-year anniversary of the Initial Period End Date and prior to the second anniversary thereof.

The Amendment also effected various other changes to the baskets and exceptions under the negative covenants of the Credit Agreement.

The Company’s effective interest rate on the term loans was approximately 4.08% prior to the First Amendment and ranged from 5.74% to 5.76% from July 19, 2017 through November 2017. During 2017, the Company paid approximately $16.8 million in fees related to obtaining waivers, amendments, and consents in relation to the 2017 Credit Agreement as a result of the delay in the delivery of the 2017 Quarterly Financial Statements. These costs were recognized within the Interest expense line of the Consolidated Statements of Operations until the debt was repaid in the fourth quarter of 2017. The remaining balance was recognized within the Extinguishment of debt line item of the Consolidated Statements of Operations.

Repayment of 2017 Credit Agreement

In connection with the consummation of the Intralinks divestiture (See Note 3. Acquisitions and Divestitures), the Company utilized a portion of the proceeds from the Intralinks divestiture to repay all outstanding obligations under the 2017 Credit Agreement. In connection therewith, the Company delivered all notices and took all other actions to facilitate and cause the termination of the 2017 Credit Agreement, the repayment in full of all obligations then outstanding thereunder and the release of any security interests in connection therewith, effective as of November 14, 2017. The aggregate payoff amount was approximately $897.5 million and included all accrued interest, fees and prepayment penalties associated therewith. The Company incurred approximately $29.4 million of a loss on the extinguishment of the 2017 Credit Agreement for the year ended December 31, 2017.

Amended Credit Facility

On July 7, 2016, the Company entered into an Amended Credit Facility with Wells Fargo Bank, National Association, as administrative agent and several lenders party thereto (the “Amended Credit Facility”). The Amended Credit Facility, was permitted to be used for general corporate purposes, was a $250.0 million unsecured revolving line of credit that was set to mature on July 7, 2021, subject to terms and conditions set forth therein. The Company paid a commitment fee in the range of 15 to 30 basis points on the unused balance of the revolving credit facility under the Amended Credit Facility. Synchronoss had the right to request an increase in the aggregate principal amount of the Amended Credit Facility up to $350.0 million. Interest on the borrowings ranged from 1.94% to 2.03%.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

On January 19, 2017, the Company repaid all outstanding obligations under the Amended Credit Facility with Wells Fargo Bank and the several lenders party thereto. The aggregate payoff amount was $29.0 million and included all accrued interest and associated prepayment penalties.

Interest expense

The following table summarizes the Company's interest expense:

	Twelve Months Ended December 31,		
	2018	2017	2016
Amended Credit Facility			
Amortization of debt issuance costs	$—	$748	$233
Commitment fee	—	25	415
Interest on borrowings	—	24	877
2017 Term Facility			
Amortization of debt issuance costs	—	2,915	—
Interest on borrowings	—	35,327	—
Contingent Interest Derivative	—	2,489	—
Amendment fees paid to third parties	—	5,716	—
Revolving Facility			
Amortization of debt issuance costs	—	646	—
Commitment fee	—	494	—
Amendment fees paid to third parties	—	1,662	—
Convertible Senior Notes			
Amortization of debt issuance costs	1,294	1,413	1,413
Interest on borrowings	1,578	1,725	1,725
Additional interest on default	191	193	—
Capital leases	964	971	—
Other	884	1,423	2,751
Total	$4,911	$55,771	$7,414

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11. Accumulated Other Comprehensive (Loss) / Income

The changes in accumulated other comprehensive (loss) income during the year ended December 31, 2018, 2017 and 2016 were as follows:

	Balance at December 31, 2017	Other comprehensive loss	Tax effect	Balance at December 31, 2018
Foreign currency	$(20,284)	$ (6,152)	$—	$(26,436)
Unrealized loss on intra-entity foreign currency transactions	(3,085)	(1,263)	442	(3,906)
Unrealized holding losses on marketable debt securities	(4)	(37)	—	(41)
Total	$(23,373)	$ (7,452)	$ 442	$(30,383)

	Balance at December 31, 2016	Other comprehensive income	Tax effect	Balance at December 31, 2017
Foreign currency	$(37,311)	$ 17,027	$—	$(20,284)
Unrealized income (loss) on intra-entity foreign currency transactions	(5,017)	3,322	(1,390)	(3,085)
Unrealized holding gains (losses) on marketable debt securities	(22)	28	(10)	(4)
Total	$(42,350)	$ 20,377	$(1,400)	$(23,373)

	Balance at December 31, 2015	Other comprehensive (loss) income	Tax effect	Balance at December 31, 2016
Foreign currency	$(33,197)	$ (4,114)	$ —	$(37,311)
Unrealized (loss) income on intra-entity foreign currency transactions	(4,292)	(789)	64	(5,017)
Unrealized holding gains (losses) on marketable debt securities	(25)	5	(2)	(22)
Total	$(37,514)	$ (4,898)	$ 62	$(42,350)

12. Capital Structure

As of December 31, 2018, the Company's authorized capital stock was 110 million shares of stock with a par value of $0.0001, of which 100 million shares were designated as common stock and 10 million shares were designated as preferred stock. There were no significant changes to Company's authorized capital stock and preferred stock during the year ended December 31, 2018.

Common Stock

Each holder of common stock is entitled to vote on all matters and is entitled to one vote for each share held. Dividends on common stock will be paid when, and if, declared by the Company's Board of Directors. No dividends have ever been declared or paid by the Company.

Treasury Stock

On February 4, 2016, the Company announced that the Board of Directors approved a share repurchase program under which the Company may repurchase up to $100.0 million of its outstanding common stock for 12 to 18 months following the announcement. In 2016, the Company repurchased approximately 1.3 million shares of the Company’s common stock under this program for an aggregate repurchase price of $40.0 million. There were no share repurchases in 2017. In 2018, in connection with execution of the Share Purchase Agreement, the Company received 6.0 shares of Synchronoss common stock, which have been recorded as Treasury shares as of December 31, 2018. Additionally, the Company retired 3.9 million shares of Common Stock that were previously repurchased in prior years. Any related additional paid in capital and par values were removed from the Common Stock numbers.

Preferred Stock

There were no shares of preferred stock outstanding as of December 31, 2017. The Board of Directors is authorized to issue preferred shares and has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of preferred stock.

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the “PIPE Purchase Agreement”), with Silver Private Holdings I, LLC, an affiliate of Siris (“Silver”), on February 15, 2018, the Company issued to Silver 185,000 shares of its newly issued Series A Convertible Participating Perpetual Preferred Stock (the “Series A Preferred Stock”), par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to the Company of the 5,994,667 shares of the Company’s common stock held by Silver (the “Preferred Transaction”).

As of December 31, 2018, there were 195,181 shares of Series A Preferred Stock outstanding, including the initial issuance of 185,000 shares of Series A Preferred Stock and the issuance of 10,181 shares as preferred dividends.

In accordance with the terms of the PIPE Purchase Agreement with Silver on February 15, 2018, Silver exercised its option to complete the Preferred Transaction. In connection with the issuance of the Series A Preferred Stock, the Company (i) filed the certificate of designations to its certificate of incorporation to establish the rights, preferences, privileges, qualifications, restrictions and limitations of the Series A Preferred Stock (the “Series A Certificate”) and (ii) entered into the Investor Rights Agreement setting forth certain registration, governance and preemptive rights of Silver with respect to Synchronoss. Pursuant to the PIPE Purchase Agreement, at the closing, the Company paid to Siris $5.0 million as a reimbursement of Silver’s reasonable costs and expenses incurred in connection with the Preferred Transaction. In connection with execution of the Preferred Transaction, Silver delivered 5,994,667 shares of Synchronoss common stock, which have been recorded as Treasury shares as of December 31, 2018.

Certificate of Designation of the Series A Preferred Stock

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series A Preferred Stock are set forth in the Series A Certificate. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive, on each share of Series A Preferred Stock on a quarterly basis, an amount equal to the dividend rate of 14.5% divided by four and multiplied by the then-applicable Liquidation Preference (as defined in the Series A Certificate) per share of Series A Preferred Stock (collectively, the “Preferred Dividends”). The Preferred Dividends are due on January 1, April 1, July 1 and October 1 of each year (each, a “Series A Dividend Payment Date”). The Company may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event the Company does not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of the Company’s common stock.

Each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the “Conversion Price” (as that term is defined in the Series A Certificate) multiplied by the then applicable “Conversion Rate” (as that term is defined in the Series A Certificate). Each share of Series A Preferred Stock is initially convertible into 55.5556 shares of common stock, representing an initial “conversion price” of approximately $18.00 per share of common stock. The Conversion Rate is subject to equitable proportionate adjustment in the event of stock splits, recapitalizations and other events set forth in the Series A Certificate.

On and after the fifth anniversary of February 15, 2018, holders of shares of Series A Preferred Stock have the right to cause the Company to redeem each share of Series A Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series A Preferred Stock is also redeemable at the option of the holder upon the occurrence of a “Fundamental Change” (as that term is defined in the Series A Certificate) at a specified premium (“Liquidation Value”). In addition, the Company is also permitted to redeem all outstanding shares of the Series A Preferred Stock at any time (i) within the first 30 months of the date of issuance for the sum of the then-applicable Liquidation Preference, accrued but unpaid dividends and a make whole amount (known as “Redemption Value”) and (ii) following the 30-month anniversary of the date of issuance for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends. As of December 31, 2018, the Liquidation Value and Redemption Value of the Preferred Shares was $251.9 million.

The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of the Company’s annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of the Company's Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of the Company's Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of Series A Preferred Stock have the right to nominate at least one director, the Company is required to obtain the prior approval of Silver prior to taking certain actions, including: (i) certain dividends, repayments and redemptions; (ii) any amendment to the Company's certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock; (iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Company; (iv) changes in the size of the Company's Board of Directors; (v) any amendment, alteration, modification or repeal of the charter of the Company's Nominating and Corporate Governance Committee of the Board of Directors and related documents; and (vi) any change in the Company's principal business or the entry into any line of business outside of the Company's existing lines of businesses. In addition, in the event that the Company is in EBITDA Non-Compliance (as defined in the Series A Certificate) or the undertaking of certain actions would result in the Company exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of $10.0 million, enter or consummate any transaction where the fair market value exceeds $5.0 million individually or $10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of $25.0 million in a fiscal year.

Each holder of Series A Preferred Stock has one vote per share on any matter on which holders of Series A Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent. The holders of Series A Preferred Stock are permitted to take any action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or electronic transmission of the holders of the Series A Preferred Stock entitled to cast not less than the minimum number of votes that would be necessary to authorize, take or consent to such action at a meeting of stockholders. In addition to any vote (or action taken by written consent) of the holders of the shares of Series A Preferred Stock as a separate class provided for in the Series A Certificate or by the General Corporation Law of the State of Delaware, the holders of shares of the Series A Preferred Stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote on an as-converted basis with the holders of common stock) on all matters submitted to a vote or to the consent of the stockholders of the Company (including the election of directors) as one class.

Under the Series A Certificate, if Silver and certain of its affiliates have elected to effect a conversion of some or all of their shares of Series A Preferred Stock and if the sum, without duplication, of (i) the aggregate number of shares of the Company's common stock issued to such holders upon such conversion and any shares of the Company's common stock previously issued to such holders upon conversion of Series A Preferred Stock and then held by such holders, plus (ii) the number of shares of the Company's common stock underlying shares of Series A Preferred Stock that would be held at such time by such holders (after giving effect to such conversion), would exceed the 19.9% of the issued and outstanding shares of the Company's voting stock on an as converted basis (the "Conversion Cap"), then such holders would only be entitled to convert such number of shares as would result in the sum of clauses (i) and (ii) (after giving effect to such conversion) being equal to the Conversion Cap (after giving effect to any such limitation on conversion). Any shares of Series A Preferred Stock which a holder has elected to convert but which, by reason of the previous sentence, are not so converted, will be treated as if the holder had not made such election to convert and such shares of Series A Preferred Stock will remain outstanding. Also, under the Series A Certificate, if the sum, without duplication, of (i) the aggregate voting power of the shares previously issued to Silver and certain of its affiliates held by such holders at the record date, plus (ii) the aggregate voting power of the shares of Series A Preferred Stock held by such holders as of such record date, would exceed 19.99% of the total voting power of the Company's outstanding voting stock at such record date, then, with respect to such shares, Silver and certain of its affiliates are only entitled to cast a number of votes equal to 19.99% of such total voting power. The limitation on conversion and voting ceases to apply upon receipt of the requisite approval of holders of the Company's common stock under the applicable listing standards.

Form of Investor Rights Agreement

Concurrently with the closing of the Preferred Transaction, Synchronoss and Silver entered into an Investor Rights Agreement. Under the terms of the Investor Rights Agreement, Silver and Synchronoss have agreed that, effective as of the closing of the Preferred Transaction, the Board of Directors of Synchronoss will consist of ten members. From and after the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate a member to the Board of Directors pursuant to the Series A Certificate, the Board of Directors of Synchronoss will consist of (i) two directors nominated and elected by the holders of shares of Series A Preferred Stock; (ii) four directors who meet the independence criteria set forth

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in the applicable listing standards (each of whom will be initially agreed upon by Synchronoss and Silver); and (iii) four other directors, two of whom shall satisfy the independence criteria of the applicable listing standards and, as of the closing of the Preferred Transaction, one of whom shall be the individual then serving as chief executive officer of Synchronoss and one of whom shall be the current chairman of the Board of Directors of Synchronoss as of the date of execution of the Investors Rights Agreement. Following the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate at least one director to the Board of Directors of Synchronoss pursuant to the Series A Certificate, Silver will have the right to designate two members of the Nominating and Corporate Governance Committee of the Board of Directors.

Pursuant to the terms of the Investor Rights Agreement, neither Silver nor its affiliates may transfer any shares of Series A Preferred Stock subject to certain exceptions (including transfers to affiliates that agree to be bound by the terms of the Investor Rights Agreement).

For so long as Silver has the right to appoint a director to the Board of Directors of Synchronoss, without the prior approval by a majority of directors voting who are not appointed by the holders of shares of Series A Preferred Stock, neither Silver nor its affiliates will directly or indirectly purchase or acquire any debt or equity securities of Synchronoss (including equity-linked derivative securities) if such purchase or acquisition would result in Silver's Standstill Percentage (as defined in the Investor Rights Agreement) being in excess of 30%. However, the foregoing standstill restrictions would not prohibit the purchase of shares pursuant to the PIPE Purchase Agreement or the receipt of shares of Series A Preferred Stock issued as Preferred Dividends pursuant to the Series A Certificate, shares of Common Stock received upon conversion of shares of Series A Preferred Stock or receipt of any shares of Series A Preferred Stock, Common Stock or other securities of the Company otherwise paid as dividends or as an increase of the Liquidation Preference (as defined in the Series A Certificate) or distributions thereon. Silver will also have preemptive rights with respect to issuances of securities of Synchronoss to maintain its ownership percentage.

Under the terms of the Investor Rights Agreement, Silver will be entitled to (i) three demand registrations, with no more than two demand registrations in any single calendar year and provided that each demand registration must include at least 10% of the shares of Common Stock held by Silver, including shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock and (ii) unlimited piggyback registration rights with respect to primary issuances and all other issuances.

A summary of the Company's Series A Convertible Participating Perpetual Preferred Stock balance at December 31, 2018 and changes during the year ended December 31, 2018, are presented below:

	Preferred Stock	
	Shares	Amount
Balance at December 31, 2017	—	$—
Issuance of preferred stock	185	185,000
Initial discount and issuance costs related to preferred stock	—	(19,840)
Amortization of preferred stock issuance costs	—	1,262
Issuance of preferred PIK dividend	10	10,181
Balance at December 31, 2018	195	$176,603

Registration Rights

There were no significant changes to Company's registration rights during the year ended December 31, 2018.

13. Stock Plans

In March 2015, the Company adopted the 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan replaces the Company's prior 2000 Equity Incentive Plan (the "2000 Plan") and the 2006 Equity Incentive Plan (the "2006 Plan") (collectively, the "Plans"). Beginning March 2015, all awards were granted under the 2015 Plan. In addition, any awards that were previously granted under any prior Plans that terminate without issuance of shares, shall be eligible for issuance under the 2015 Plan.

Under the 2015 Plan, the Company may grant to its employees, outside directors and consultants awards in the form of non-qualified stock options, shares of restricted stock, stock units, or stock appreciation rights and performance shares. The Company's

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

Board of Directors administers the Plan and is responsible for determining the individuals to be granted options or shares, the number of options or shares each individual will receive, the price per share and the exercise period of each option.

During 2017, the Company's Board of Directors approved the issuance of market-based restricted stock to certain executives which are eligible to vest if the volume-weighted average closing price over 20 consecutive trading days equals or exceeds certain stock prices during the specific performance period from July 2017 to July 2019. The Company utilized the Monte Carlo simulation to estimate the fair value of the restricted stock on its grant date.

In connection with the appointment a new Chief Executive Officer in November 2017, the Company entered into an employment agreement which provided for the grant of restricted stock awards, stock options and performance stock awards. These awards were approved by the Compensation Committee of Synchronoss' Board of Directors and granted as an inducement equity award outside the 2015 Plan in accordance with the Nasdaq Listing Rule 5635(c)(4) (the "Inducement Rule").

On December 15, 2017, the Compensation Committee adopted the 2017 New Hire Equity Incentive Plan ("2017 New Hire Plan"), which is intended to be exempt from the stockholder approval requirements under the "inducement grant exception" provided by the Inducement Rule. The Committee authorized the issuance of up to 1.5 million Common Shares to new hires, with the purpose of promoting the long-term success of the Company and the creation of stockholder value by (a) providing for the attraction and retention of new employees with exceptional qualifications, (b) encouraging new employees to focus on critical long-range objectives, and (c) linking new employees directly to stockholder interests through increased stock ownership. As required by the Inducement Rule, the Company issues a press release promptly upon issuing shares to new employees pursuant to the 2017 New Hire Plan.

There were no significant changes to Company's Stock Plans during the year ended December 31, 2018. As of December 31, 2018, there were zero shares available for the grant or award under the Company's 2015 Plan and 0.4 million shares available for the grant or award under the Company's new hire equity incentive plan.

During the year ended December 31, 2018, the Company granted awards to purchase an aggregate of 0.1 million shares under the Company's 2015 Plan, none of which awards are vested as of December 31, 2018. If there is an insufficient number of shares available under the 2015 Plan for issuance upon vesting and subsequent exercise of such awards, the Company intends to settle such awards for cash. These awards as well the Company's performance awards granted to executives under the 2018 grant have been accounted for as liability awards, due to the Company's intent and the ability to settle such awards in cash upon vesting and has reflected such awards in accrued expenses. As of December 31, 2018, the liability for such awards is approximately $0.4 million.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to all of the Company's stock awards included by operating expense categories, as follows:

	Twelve Months Ended December 31,		
	2018	2017	2016
Cost of revenues	$4,370	$4,602	$7,310
Research and development	6,055	6,030	8,891

Selling, general and administrative	17,179	11,863	17,977
Total stock-based compensation expense	$27,604	$22,495	$34,178

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(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The following table summarizes stock-based compensation expense related to all of the Company's stock awards included by award types, as follows:

	Twelve Months Ended December 31,		
	2018	2017	2016
Stock options	$7,368	$6,311	$7,778
Restricted stock awards	20,236	15,802	25,583
Employee Stock Purchase Plan	—	382	817
Total stock-based compensation before taxes	27,604	22,495	34,178
Tax benefit	$5,387	$3,921	$11,108

The total stock-based compensation cost related to unvested equity awards as of December 31, 2018 was approximately $38.7 million. The expense is expected to be recognized over a weighted-average period of approximately 2.36 years.

As part of the work force reduction driven by corporate restructuring initiated in 2016, the Company terminated certain employees in 2017 and accelerated the vesting of certain unvested restricted stock awards and stock options for these employees. The Company accounted for the acceleration of these awards as a result of the restructuring termination as a Type III modification under ASC Topic 718 and recorded a one-time expense of $1.1 million.

In July 2017, the Company modified the terms of performance-based restricted stock awards granted to certain employees in 2015 and 2016 to modify the performance period as the performance targets for 2017 established previously were not considered probable due to the changes in the business driven by significant acquisitions and divestitures by the Company. The modification of the performance-based shares was considered a Type III modification under ASC Topic 718, and as a result, the Company reversed all previously recorded expense for these awards and recorded the new compensation expense over the new requisite service period as a result of the modification. The total incremental compensation expense resulting from these modifications was $2.0 million.

Replacement Awards

On January 19, 2017, certain equity awards granted under the Intralinks Holdings, Inc. 2010 Equity Incentive Plan and the Intralinks Holdings, Inc. 2007 Stock Option and Grant Plan (together, the "Intralinks Plans") were assumed by the Company's 2015 Equity Incentive Plan (the "2015 Plan"). The assumed awards are subject to the vesting and service conditions of the 2015 Plan. Subsequently, these were accelerated as part of the Intralinks Transaction.

Among the equity awards assumed were restricted stock units subject to market-based performance targets in order for them to vest. Vesting is subject to continued service requirements through the vesting date. The grant date fair value for such unvested restricted stock units was estimated using a Monte Carlo simulation that incorporates option-pricing inputs covering the period from the grant date through the end of the performance period. Stock-based compensation expense for such unvested restricted stock units is recognized on a straight-line basis over the vesting period, regardless of whether the market condition is satisfied. All of these awards were canceled during 2017 pursuant to termination of related employees.

Stock Options

Options that were granted under the Company’s 2000, 2006 and 2015 Plans generally vest 25% on the first-year anniversary of the date of grant plus an additional 1/48th for each month of continuous service thereafter.

Options that were granted under the Company’s 2010 Plan generally vest 50% on the second-year anniversary and an additional 1/48th for each month of continuous service thereafter.

Incentive options that were granted under the 2000 and 2006 Plans generally vest 25% on the first-year anniversary on the date of grant and an additional 1/48th for each month of continuous service thereafter.

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

There were no significant changes to Company's Stock Option Plans during the year ended December 31, 2018.

The Company uses the Black-Scholes option pricing model for determining the estimated fair value for stock options. The weighted-average assumptions used in the Black-Scholes option pricing model are as follows:

	Twelve Months Ended December 31,		
	2018	2017	2016
Expected stock price volatility	65.5 %	57.0 %	45.0 %
Risk-free interest rate	2.6 %	1.8 %	1.2 %
Expected life of options (in years)	4.13	4.08	4.00
Expected dividend yield	0.0 %	0.0 %	0.0 %
Weighted-average fair value (grant date) of the options	$4.91	$6.30	$11.13

The following table summarizes information about stock options outstanding as of December 31, 2018:

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	3,950	$ 21.54		
Options Granted	1,160	9.45		
Options Exercised	—	—		
Options Cancelled	(856)	23.10		
Outstanding at December 31, 2018	4,254	$ 17.93	4.88	$ 17
Vested at December 31, 2018	1,816	$ 25.51	3.59	$ —
Exercisable at December 31, 2018	1,816	$ 25.51	3.59	$ —

The total intrinsic value for stock options exercisable at December 31, 2018 and 2017 was nil for both periods. The total intrinsic value of stock options exercised for the year ended December 31, 2018 and 2017 was nil for both periods.

Awards of Restricted Stock and Performance Stock

Restricted stock awards ("Restricted Stock") granted under the Company's Plans generally vest 25% of the applicable shares on the first anniversary of the date of grant and thereafter an additional 1/16th for each three months of continuous service.

Performance stock awards granted under the Company's 2006 Plan generally vest with respect to one-third of the applicable shares on the date that the performance objectives under the performance stock awards are achieved and thereafter an additional one-third for each year of continuous service.

Generally, performance stock awards granted under the Company's 2015 Plan vest at the end of a three-year period based on service and achievement of certain performance objectives determined by the Company's Board of Directors.

There were no significant changes to Company's restricted stock award ("Restricted Stock") and performance stock plan during the year ended December 31, 2018 from December 31, 2017.

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A summary of the Company's unvested restricted stock at December 31, 2018, and changes during the year ended December 31, 2018, is presented below:

Unvested Restricted Stock	Number of Awards	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2017	2,064	$ 22.75
Granted	2,015	8.91
Vested	(955)	24.68
Forfeited	(424)	16.35
Unvested at December 31, 2018	2,700	$ 12.71

Restricted stock awards are granted subject to other service conditions or service and performance conditions ("Performance-Based Awards"). Restricted stock and performance-based awards are measured at the closing stock price at the date of grant and are recognized straight line over the requisite service period.

Employee Stock Purchase Plan

On February 1, 2012, the Company established a 10 years Employee Stock Purchase Plan ("ESPP" or "the ESPP Plan") for certain eligible employees. The ESPP Plan is to be administered by the Company's Board of Directors. The total number of shares available for purchase under the ESPP Plan is 0.5 million shares of the Company's common stock. Employees participate over a six-month period through payroll withholdings and may purchase, at the end of the six-month period, the Company's common stock at the lower of 85% of the fair market value on the first day of the offering period or the fair market value on the purchase date. No participant will be granted a right to purchase common stock under the ESPP Plan if such participant would own more than 5% of the total combined voting power of the Company. In addition, no participant may purchase more than a thousand shares of common stock within any purchase period or with a value greater than $25 thousand in any calendar year. The plan was indefinitely suspended on July 27, 2017.

14. 401(k) Plan

The Company has a 401(k) plan (the "401(k) Plan") covering all eligible employees. The 401(k) Plan allows for a discretionary employer match. The Company incurred and expensed $2.2 million, $2.9 million, and $2.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, in 401(k) Plan match contributions.

15. Restructuring

Throughout 2017, the Company initiated a work-force reduction as part of a corporate restructuring, with reductions occurring across all levels and departments within the Company, primarily to reduce costs subsequent to an acquisition or divestiture. As part of these efforts, the Company continues to identify facilities consolidation and workforce optimization opportunities to better align the Company's resources with its key strategic priorities. These measures were intended to reduce costs and to align the Company's resources with its key strategic priorities. The Company authorized additional work force reduction initiatives during the third and fourth quarter of the period ending December 31, 2018. As of December 31, 2018, there were $4.1 million of accrued restructuring charges on the Consolidated Balance Sheets.

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A summary of the Company's restructuring accrual at December 31, 2018 and changes during the year ended December 31, 2018, are presented below:

	Balance at December 31, 2017	Charges	Payments	Other Adjustments[1]	Balance at December 31, 2018
Employment termination costs	$ 474	$10,947	$(10,129)	$ (16)	$ 1,276
Facilities consolidation	24	1,428	(554)	1,948	2,846
Total	$ 498	$12,375	$(10,683)	$ 1,932	$ 4,122

(1) Includes non-cash adjustments and reclassifications.

16. Income Taxes

The components of income or (loss) from continuing operations before income taxes are as follows:

	Year Ended December 31,		
	2018	2017	2016
Domestic	$(216,589)	$(210,214)	$(116,730)
Foreign	(46,585)	(18,873)	(10,359)
Total	$(263,174)	$(229,087)	$(127,089)

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

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	$3,163	$600	$4,695
State	116	—	2,098
Foreign	(2,612)	(4,817)	(2,743)
Deferred:			
Federal	6,729	40,634	26,074
State	2,214	1,340	1,301
Foreign	8,284	(2,894)	1,795
Income tax benefit	$17,894	$34,863	$33,220

Reconciliations of the statutory tax rates and the effective tax rates from continuing operations for the years ended December 31, 2018, 2017 and 2016 are as follows:

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	Year Ended December 31,		
	2018	2017	2016
Statutory rate	21 %	35 %	35 %
State taxes, net of federal benefit	3 %	1 %	3 %
Effect of rates different than statutory	(2)%	(2)%	(2)%
Minority interest	(1)%	(1)%	(4)%
Non-deductible stock based compensation	(2)%	(2)%	— %
Other permanent adjustments	— %	(2)%	(1)%
Research and development credit	— %	— %	2 %
Change in valuation allowance	(17)%	(7)%	(3)%
Statute release of uncertain tax position	1 %	— %	— %
Other	1 %	(2)%	(1)%
Tax Reform Rate Reduction	— %	(3)%	— %
Acquisitions and foreign tax residency changes	3 %	(2)%	(3)%
Net	7 %	15 %	26 %

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Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	As of December 31,	
	2018	2017
Deferred tax assets:		
Accrued liabilities	$88	$259
Deferred revenue	13,120	18,721
Bad debts reserve	1,108	1,103
Deferred compensation	4,680	5,635
Federal net operating loss carry forwards	28,193	15,324
State net operating loss carry forwards	7,085	4,940
Foreign net operating loss carry forwards	10,880	10,212
Deferred rent	776	474
Capital loss carry forward	1,689	1,541
Intangible assets	1,318	—
Basis difference	7,632	—
Installment sale	8,819	—
Other	3,508	2,947
Total deferred tax assets	$88,896	$61,156
Deferred tax liabilities:		
Intangible assets	$—	$(12,491)
Basis difference	—	(6,612)
Installment sale	—	(8,909)
Depreciation and amortization	(9,179)	(14,356)
Total deferred tax liabilities	(9,179)	(42,368)
Less: valuation allowance	(81,064)	(32,523)
Net deferred income tax (liabilities) assets	$(1,347)	$(13,735)

As of December 31, 2018, the Company has federal and state income tax net operating loss ("NOL") carryforwards of $134.3 million and $112.0 million, respectively, which will expire at various dates from 2019 through 2038. The Company also has foreign NOL carryforwards in various jurisdictions of $84.2 million that have various carryforward periods. Such NOL carryforwards expire as follows:

2019-2023	$9,975
2024-2028	14,604
2029-2038	187,820
Indefinite	128,778
	$341,177

In evaluating the Company's ability to recover its deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These

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assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The foreign NOL carryforwards in the income tax returns filed included unrecognized tax benefits taken in prior years. The NOLs for which a deferred tax asset is recognized for financial statement purposes in accordance with ASC 740 are presented net of these unrecognized tax benefits.

The Company continues to evaluate the ability to realize all of its net deferred tax assets at each reporting date and records a benefit for deferred tax assets to the extent it has deferred tax liabilities that provide a source of income to benefit the deferred tax asset. As a result of this analysis, the Company recorded a valuation allowance against the net deferred tax assets of certain foreign jurisdictions as the realization of these assets is not more likely than not, given uncertainty of future earnings in these jurisdictions.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2018, the Company's tax years for 2015, 2016 and 2017 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2018, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before 2014.

The Company is currently under income tax examinations in New Jersey for the tax years 2012 through 2014. The Company does not believe that the results of this audit will have a material effect on its financial position or results of operations.

In 2017, the TCJA included a transition tax based on undistributed, untaxed foreign earnings analyzed in aggregate. The final analysis performed by the Company resulted in an overall untaxed deficit and no transition tax. In addition, no income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. Should the Company decide to repatriate the foreign earnings, it would need to adjust its income tax provision in the period it determined that the earnings will no longer be indefinitely invested outside the United States. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

A reconciliation of the amounts of unrecognized tax benefits excluding interest, are as follows:

Unrecognized tax benefit at December 31, 2015	$4,278
Decreases for tax positions taken during prior year	(35)
Reduction due to lapse of applicable statute of limitations	(57)
Increases for tax positions of current period	399
Unrecognized tax benefit at December 31, 2016	4,585
Increase for tax positions taken during prior year	1,823
Increases related to acquired entities	13,278
Reduction due to lapse of applicable statute of limitations	(1,512)
Decreases related to divested entities	(13,645)
Increases for tax positions of current period	1,946
Unrecognized tax benefit at December 31, 2017	6,475
Decrease for tax positions taken during prior year	(567)
Reduction due to lapse of applicable statute of limitations	(2,657)

Increases for tax positions of current period	721
Unrecognized tax benefit at December 31, 2018	$ 3,972

Included in the balance of unrecognized tax benefits as of the years ended December 31, 2018 and 2017, are $3.5 million and $6.0 million respectively, of tax benefits that, if recognized, would affect the effective tax rate.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The liability for unrecognized tax benefits excludes accrued interest of $0.4 million, $0.6 million and $0.2 million, for the years ended December 31, 2018, 2017 and 2016, respectively. The Company believes that it is reasonably possible that approximately $0.7 million of its currently unrecognized tax benefits related to research and development credits, which are individually insignificant, may be recognized by the end of 2019 as a result of a lapse of the statute of limitations.

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17. Earnings per Common Share (“EPS”)

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net income attributable to common stockholders per common share from continued and discontinued operations.

	Twelve Months Ended December 31,		
	2018	2017	2016
Numerator - Basic:			
Net loss from continuing operations	$(245,280)	$(194,224)	$(93,869)
Net loss attributable to redeemable noncontrolling interests	8,837	9,291	15,203
Preferred stock dividend	(25,593)	—	—
Net (loss) income from continuing operations attributable to Synchronoss	(262,036)	(184,933)	(78,666)
Income from discontinued operations, net of taxes**	18,288	75,495	90,560
Net (loss) income attributable to Synchronoss	$(243,748)	$(109,438)	$11,894
Numerator - Diluted:			
Net (loss) income from continuing operations attributable to Synchronoss	$(262,036)	$(184,933)	$(78,666)
Income effect for interest on convertible debt, net of tax	—	—	—
Net loss from continuing operations adjusted for the convertible debt	(262,036)	(184,933)	(78,666)
Income from discontinued operations, net of taxes**	18,288	75,495	90,560
Net loss attributable to Synchronoss	$(243,748)	$(109,438)	$11,894
Denominator:			
Weighted average common shares outstanding — basic	40,277	44,669	43,551
Dilutive effect of:			
Shares from assumed conversion of convertible debt [1]	—	—	—
Shares from assumed conversion of preferred stock [2]	—	—	—
Options and unvested restricted shares	—	—	—
Weighted average common shares outstanding — diluted	40,277	44,669	43,551
Basic EPS			
Continuing operations	$(6.51)	$(4.14)	$(1.81)
Discontinued operations**	0.46	1.69	2.08
	$(6.05)	$(2.45)	$0.27
Diluted EPS			
Continuing operations	$(6.51)	$(4.14)	$(1.81)
Discontinued operations**	0.46	1.69	2.08
	$(6.05)	$(2.45)	$0.27
Anti-dilutive stock options excluded	—	—	—
Unvested shares of restricted stock awards	2,700	2,648	1,310

** See Note 3. Acquisitions and Divestitures for transactions classified as discontinued operations.

(1) The calculation does not include the effect of assumed conversion of convertible debt of 3,972,939 shares for 2018 and 4,325,646, for 2017 and 2016, which is based on 18.8072 shares per $1,000 principal amount of the 2019 Notes.

(2) The calculation for 2018 period does not include the effect of assumed conversion of preferred stock of 9,312,528 shares, which is based on 55.5556 shares per $1,000 principal amount of the preferred stock, because the effect would have been anti–dilutive.

18. Legal Matters

In the ordinary course of business, the Company is regularly subject to various claims, suits, regulatory inquiries and investigations. The Company records a liability for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable, and the loss can be reasonably estimated. Management has also identified certain other legal matters where they believe an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the Company's business, financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company.

On May 1, 2017, May 2, 2017, June 8, 2017 and June 14, 2017, four putative class actions were filed against the Company and certain of its officers and directors in the United States District Court for the District of New Jersey (the "Securities Law Action"). After these cases were consolidated, the court appointed as lead plaintiff Employees' Retirement System of the State of Hawaii, which filed, on November 20, 2017, a consolidated amended complaint purportedly on behalf of purchasers of the Company's common stock between February 3, 2016 and June 13, 2017. On February 2, 2018, the defendants moved to dismiss the consolidated amended complaint in its entirety, with prejudice. Before that motion was decided, on August 24, 2018, lead plaintiff filed a second consolidated amended complaint purportedly on behalf of purchasers of our common stock between October 28, 2014 and June 13, 2017. The second consolidated amended complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and it alleges, among other things, that the defendants made false and misleading statements of material information concerning the Company's financial results, business operations, and prospects. Defendants' motion to dismiss the second consolidated amended complaint is pending before the Court. The plaintiff seeks unspecified damages, fees, interest, and costs. The Company believes that the asserted claims lack merit, and the Company intends to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the actions at this time and can give no assurance that the asserted claims will not have a material adverse effect on the financial position or results of operations of the Company.

On September 15, 2017, October 24, 2017, October 27, 2017 and October 30, 2017, Synchronoss shareholders filed derivative lawsuits against certain of the Company's officers and directors and the Company (as nominal defendant) in the United States District Court for the District of New Jersey (the "Derivative Suits"). On May 24, 2018, the Court consolidated the Derivative Suits and appointed Lisa LeBoeuf as lead plaintiff. The lead plaintiff designated as the Operative Complaint the complaint she previously had filed on October 27, 2017, which alleges claims related to breaches of fiduciary duties and unjust enrichment. The Operative Complaint's allegations relate to substantially the same facts as those underlying the Securities Law Action described above. Plaintiff seeks unspecified damages and for the Company to take steps to improve its corporate governance and internal procedures. Defendants' motion to dismiss the Operative Complaint is pending before the Court. On March 7, 2019, Synchronoss shareholders, Beth Daniel and Juan Solis, filed a separate derivative lawsuit against certain of the Company's officers and directors and the Company (as nominal defendant) in the Court of Chancery of the State of Delaware, asserting substantially the same allegations as those underlying the Derivative Suits and the Securities Law Action described above. The Company believes that the asserted claims lack merit, and the Company intends to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the Derivative Suits at this time, and the Company can give no assurance that the asserted claims will not have a material adverse effect on the Company's financial position or results of operations.

On July 11, 2017, Shareholder Representative Services LLC, on behalf of the persons entitled to receive merger consideration (the "Sellers") in connection with the Company's acquisition of Razorsight, commenced arbitration against the Company with respect to a dispute over the amount due to the Sellers as additional consideration. Under the Razorsight purchase agreement, the Sellers are entitled to a percentage of any revenue recognized by the Company generated from the sale or licensing of Razorsight products in 2016 after a specific revenue threshold is obtained. The parties disagreed over the determination of the amount of revenue recognized in 2016. The parties entered into an agreement resolving the arbitration in May 2018.

On June 13, 2018, The Bank of New York Mellon, in its capacity as trustee (the "Trustee") under the indenture dated as of August 12, 2014 (the "Indenture") governing for the 2019 Notes, filed a verified complaint with the Court of Chancery of the State of Delaware, captioned The Bank of New York Mellon, as Indenture Trustee v. Synchronoss Technologies, Inc. (the "BNY Action"). The BNY Action complaint alleges that a "Fundamental Change" has occurred under the Indenture as a result of the Company's

Common Stock ceasing to be listed or quoted on Nasdaq and that an event of default under the Indenture has occurred as a result of the Company's failure to provide a notice of such Fundamental Change which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes, which otherwise mature on August 15, 2019. On November 2, 2018, the Company retired approximately $116.0 million of 2019 Notes as a part of settlement agreement entered into on November 1, 2018, among the Company, Indaba Capital Fund, L.P. ("Indaba") and Westwood Management Corp. ("Westwood") related to BNY Action, and as a result the parties filed a stipulation of dismissal.

Except as set forth above, the Company is not currently subject to any legal proceedings that could have a material adverse effect on its operations; however, it may from time to time become a party to various legal proceedings arising in the ordinary course of its business. The Company is currently the plaintiff in several patent infringement cases. The defendants in several of these cases have filed counterclaims. Although the Company cannot predict the outcome of the cases at this time due to the inherent uncertainties of litigation, the Company continues to pursue its claims and believes that the counterclaims are without merit, and the Company intends to defend against all of such counterclaims.

19. Subsequent Events

Repayment of Convertible Note

On January 10, 2019, the Company repurchased approximately $11.5 million of 2019 Notes for $11.2 million at 3.25% discount.

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20. Additional Financial Information

Other (expense) income, net

The following table sets forth the components of Other (expense) income, net included in the Consolidated Statements of Operations:

	Twelve Months Ended December 31,		
	2018	2017	2016
FX gains (1)	$(478)	$(4,952)	$(270)
PIK Note impairment (2)	(84,314)	(14,562)	—
Litigation settlement (3)	4,495	—	—
Remeasurement gain (loss) on financial instrument (4)	3,849	(4,367)	—
Divestiture: SpeechCycle (5)	—	4,947	—
Income from Investment (6)	519	—	—
Others (7)	1,012	1,256	1,292
Total	$(74,917)	$(17,678)	$1,022

(1) Fair value of foreign exchange gains and losses
(2) PIK Note impairment on the troubled debt restructuring
(3) Represents Legal settlement of $4.2M and $0.3M IP settlement from third parties
(4) Remeasurement of gain/loss on Mandatorily Redeemable Put option for common shares held by Siris.
(5) Gain on Divestitures: SpeechCycle
(6) Represents gain on sale on the Company's cost investment in Clarity, Money Inc.
(7) Represents individual transactions that management determined to be immaterial

21. Summary of Quarterly Results of Operations (Unaudited)

Quarterly results of operations for 2018 and 2017 are as follows:

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
2018	(In thousands, except per share data)			
Net revenues	$83,709	$76,742	$83,286	$82,102
Loss from continuing operations	(44,234)	(43,100)	(34,629)	(42,313)
Net (loss) income	(37,977)	(41,264)	(46,644)	(101,107)
Net (loss) income attributable to Synchronoss	(40,045)	(47,265)	(54,529)	(101,909)
Basic:				
Continuing operations (1)	$(0.95)	$(1.20)	$(1.38)	$(3.01)
Discontinued operations (1)	—	—	—	0.45
	$(0.95)	$(1.20)	$(1.38)	$(2.56)
Diluted:				
Continuing operations (1)	$(0.95)	$(1.20)	$(1.38)	$(3.01)

Discontinued operations [1]	—	—	—	0.45
	$(0.95)	$(1.20)	$(1.38)	$(2.56)

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	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
2017	(In thousands, except per share data)			
Net revenues	$86,097	$118,990	$91,015	$106,259
Loss from continuing operations	(51,347)	(8,894)	(36,139)	(33,222)
Net (loss) income	(61,586)	(29,383)	(36,364)	8,604
Net (loss) income attributable to Synchronoss	(58,697)	(26,568)	(35,088)	10,915
Basic:				
Continuing operations [1]	$(0.96)	$(0.44)	$(0.98)	$(1.75)
Discontinued operations [1]	(0.37)	(0.16)	0.20	1.99
	$(1.33)	$(0.60)	$(0.78)	$0.24
Diluted:				
Continuing operations [1]	$(0.96)	$(0.44)	$(0.98)	$(1.75)
Discontinued operations [1]	(0.37)	(0.16)	0.20	1.99
	$(1.33)	$(0.60)	$(0.78)	$0.24

(1) Per common share amounts for the quarters and full year have been calculated separately. Accordingly, quarterly amounts do not add to the annual amount because of differences in the number of weighted-average common shares outstanding during each period which results principally from the effect of issuing shares of the Company's common stock and options throughout the year.

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

Not applicable.

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ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on the evaluation of our disclosure controls and procedures, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2018.

Notwithstanding the material weaknesses described below, management believes, and our Principal Executive Officer and Principal Financial Officer have certified that, the consolidated financial statements and unaudited interim financial information included in this Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows as of the dates, and for each of the periods presented, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") based on: (i) internal reviews; and (ii) additional analysis and post-closing procedures performed by the Company to ensure the consolidated financial statements are prepared in accordance with U.S. GAAP.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) (the "COSO criteria") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this assessment, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2018, because the previously identified material weaknesses in our internal control over financial reporting had not been remediated.

A material weakness in internal controls is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The pervasive material weaknesses in our internal control over financial reporting as described in the 2017 Form 10-K/A, and that remained outstanding as of December 31, 2018, are discussed below under “Material Weaknesses in Internal Control Over Financial Reporting.”

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Material Weaknesses in Internal Control Over Financial Reporting

Material Weaknesses Identified in the Prior Restatement

In connection with the preparation of the Company's Fiscal 2017 Form 10-K/A, management identified pervasive material weaknesses in our internal control processes that involve the control environment, risk assessment, control activity, information and communication and monitoring components of the COSO criteria.

The material weaknesses that remain outstanding as of December 31, 2018, are as follows:

- We did not always ensure that the four basic elements of revenue recognition were achieved prior to revenue recognition and all elements within multiple element arrangements were identified and accounted for appropriately.
- We did not maintain adequate oversight that guided individuals in applying internal control over financial reporting in preventing or detecting material accounting errors, or omissions, due to inadequate information and, in certain instances, compliance with the Company's revenue recognition policies.
- We did not always ensure that relevant information was timely communicated within our organization, to our independent directors, the Audit Committee, and our independent auditors.
- We did not generate and provide quality information and communication based on the criteria established in the COSO criteria, and have identified control deficiencies in the principles associated with the information and communication component of the COSO criteria that constitute material weaknesses, either individually or in the aggregate, relating to: (i) obtaining, generating, and using relevant quality information to support the function of internal control, and (ii) communicating accurate information internally and externally, including providing information pursuant to objectives, responsibilities and functions of internal control.

The specific control deficiencies that we identified related to:

- We did not design and maintain adequate review and approval controls, including the use of appropriate technical accounting expertise, when recording complex or non-routine transactions such as those involving revenue recognition, acquisitions and divestitures, and asset impairment.
- We did not maintain sufficient personnel with an appropriate level of accounting knowledge, experience, and training in the application of US GAAP commensurate with the size of the entity and nature and complexity of financial reporting requirements.
- We did not design and maintain effective review and approval controls over the period-end reporting process, including maintaining sufficient formal, written policies and procedures governing the financial statement close process.
- We did not maintain adequate polices procedures and documentation to support an effective IT general control environment. Our management identified control deficiencies in the operating effectiveness of information technology general controls ("ITGCs") related to information technology ("IT") application systems, databases and operating systems throughout the organization that are used for financial reporting purposes. Specifically, we did not establish effective program change and user access controls which restricted user access to IT applications consistent with their assigned authorities and responsibilities. Consequently, automated processes and controls over financial reporting which are dependent upon effective ITGCs, and manual controls which are dependent upon the completeness and accuracy of the information generated from the IT systems, were ineffective.
- We did not maintain an internal audit group to provide oversight which limited our ability to effectively monitor internal controls.

The material weaknesses described above resulted in the restatement of the Company's annual consolidated financial statements for the fiscal years ended December 31, 2016 and December 31, 2015. Furthermore, these control deficiencies could have resulted in other misstatements in financial statement accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that might not have been prevented or detected.

The Company’s independent registered public accounting firm audited the effectiveness of internal control over financial reporting as of December 31, 2018. Their report is set forth herein. The Company’s independent registered public accounting firm has issued an unqualified opinion on the Company’s consolidated financial statements for 2018, which is included in Part II, Item 8 of this Form 10-K.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

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Following the identification of the material weaknesses described above, and with the oversight of the Audit Committee, we commenced a process to remediate the underlying causes of these material weaknesses, enhance the control environment and strengthen our internal control over financial reporting. We are still in the process of implementing our comprehensive remediation plan as further described below. Given the close proximity to the filing of the Fiscal 2017 Form 10-K/A on July 9, 2018, and the end of our fiscal year ended December 31, 2018, the remediation plan disclosed in the Fiscal 2017 Form 10-K/A had not been fully implemented before the filing of the 2018 Form 10-K. Accordingly, the previously identified pervasive material weaknesses cannot be considered remediated until each control has been appropriately designed, has operated for a sufficient period of time, and until management has concluded, through testing, that the control is operating effectively.

The remediation efforts, summarized below, which are either implemented or in process, are intended to both address the identified material weaknesses and strengthen our overall financial control environment:

Control Environment

- Continued and consistent CEO Communication to reinforce compliance
- The Company has developed a more comprehensive revenue recognition policy and controls.
- The Company has increased standardization of contract documentation and revenue analysis for individual transactions, including increased oversight of revenue opportunities and contract review by personnel with the requisite accounting knowledge to identify revenue-impacting terms and consider potential downstream effects.
- The Company has developed a more comprehensive review process and monitoring controls over contracts with customers to ensure accurate accounting for multiple-element arrangements.
- The Company has developed a recurring non-recurring transaction review meeting cadence with key stakeholders within the Company to identify and discuss potentially significant transactions. Meetings are attended by process owners across various functions or departments, both domestic and international, to promote regular and effective communication between finance and non-finance personnel, and to ensure that information related to significant transactions is communicated timely.
- The Company performed a review of key business process controls related to high-risk financial statement accounts, such as revenue, significant transactions, capitalized software, accounts receivable, treasury and financial close, which resulted in the redesign of existing controls and the addition of newly developed / documented control activities, in order to mitigate known risks and strengthen the overall control environment.
- The Company has hired a Director of Revenue Recognition, and other resources to augment our staff to support further enhancement on the controls and procedures surrounding revenue recognition.
- The Company developed a comprehensive revenue recognition and contract review training program that has been focused on the impacts of adopting Topic 606. This training is focused on senior-level management and customer-facing employees, as well as finance, sales and marketing personnel.

Control Activities

- The Company has performed a review of key IT process controls and is in the process of enhancing our controls to remediate material weakness in the IT general control environment.
- Key process owners each quarter (as part of the Form 10-Q and to be annual as part of the Form 10-K preparation) complete a sub-certification questionnaire and checklist to support how the process owner reached the conclusion that controls are operating effectively in their respective areas and provide an opportunity to highlight any concerns they have related to internal control over financial reporting.

Information and Communication

-

The Company has established a Disclosure Committee that includes key members of management that include key members of management that have responsibility for disclosure information necessary for periodic filings with the SEC. The committee met formally for the first time for purposes of the Fiscal 2018 Form 10-K filing to discuss all significant events and relevant disclosure matters for the filing.

Monitoring Activities and Risk Assessment

- We formally established an Internal Audit function and our Audit Committee approved their charter in January 2019.
- We have enhanced our risk assessment processes to identify relevant accounts and assertions and design control procedures that relate to relevant risks

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To support the execution of this remediation plan, the Company has also engaged additional external resources to aid and supplement the Company’s existing internal resources as of December 31, 2018. The Company will continue to further enhance its design and implementation of the processes described above.

When fully implemented and operational, we believe the measures described above will remediate the material weaknesses we have identified in our internal control over financial reporting, as well as our disclosure controls and procedures. However, as described above, management does not believe that these corrective measures have been operative for a sufficient period of time to warrant independent testing of their effectiveness and therefore, does not believe that all of the material weaknesses described above have been remediated. The Company intends to fully test the remedial measures that it has implemented to determine whether the Company’s internal control over financial reporting and system of disclosure controls and procedures are effective. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, our management may determine to take additional measures.

Changes in Internal Control over Financial Reporting

Except as otherwise noted above under “Remediation of Material Weaknesses in Internal Control Over Financial Reporting” including the on-going remediation efforts described, there were no changes in our internal control over financial reporting during the period ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Synchronoss Technologies, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Synchronoss Technologies, Inc.'s (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified pervasive material weaknesses throughout the Company's internal control processes that involve the control environment, risk assessment, control activity, information and communication, and monitoring components of the COSO framework.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and schedule listed in the Index at Item 15(a)(2). These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated March 18, 2019, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Iselin, New Jersey
March 18, 2019

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

a. Identification of Directors. Information concerning the directors of Synchronoss is set forth under the heading “Election of Directors” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

b. Audit Committee Financial Expert. Information concerning Synchronoss’ audit committee financial expert is set forth under the heading “Audit Committee” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

c. Identification of the Audit Committee. Information concerning the audit committee of Synchronoss is set forth under the heading “Audit Committee” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

d. Section 16(a) Beneficial Ownership Reporting Compliance. Information concerning compliance with beneficial ownership reporting requirements is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

Code of Ethics. Information concerning the Synchronoss Code of Business Conduct is set forth under the caption “Code of Business Conduct” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference. The Company intends to disclose on its website any amendments to, or waivers from, its Code of Business Conduct that are required to be disclosed pursuant to the rules of the SEC. Information contained on, or connected to, our website is not incorporated by reference into this annual report and should not be considered part of this report or any other filing that we make with the SEC.

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ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings “Compensation of Executive Officers” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

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

Information concerning shares of Synchronoss equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading “Equity Security Ownership of Certain Beneficial Owners and Management” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions is set forth under the heading “Certain Related Party Transactions” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning fees and services of the Company’s principal accountants is set forth under the heading “Report of the Audit Committee” and “Independent Registered Public Accounting Firm’s Fees” in the Synchronoss Proxy Statement for the 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV
ITEM 15. EXHIBITS

(a)(1) Financial Statements:

(a)(2) Schedule for the years ended December 31, 2018, 2017, 2016:

II—Valuation and Qualifying Accounts

All other Schedules have been omitted because they are not applicable, or the required information is shown in the Consolidated Financial Statements or of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K thereto.

(a)(3) Exhibits:

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Registrant, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
3.2	Amended and Restated Bylaws of the Registrant, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
3.3	Amendment No. 1 to Amended and Restated Bylaws of Registration, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on February 20, 2018.
3.4	Certificate of Designations of Series A Convertible Participating Perpetual Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 20, 2018.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4
4.2	Amended and Restated Investors Rights Agreement, dated December 22, 2000, by and among the Registrant, certain stockholders and the investors listed on the signature pages thereto, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
4.3	Amendment No. 1 to Synchronoss Technologies, Inc. Amended and Restated Investors Rights Agreement, dated April 27, 2001, by and among the Registrant, certain stockholders and the investors listed on the signature pages thereto, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
4.4	Registration Rights Agreement, dated November 13, 2000, by and among the Registrant and the investors listed on the signature pages thereto, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
4.5	Amendment No. 1 to Synchronoss Technologies, Inc. Registration Rights Agreement, dated May 21, 2001, by and among the Registrant, certain stockholders listed on the signature pages thereto and Silicon Valley Bank, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
4.6	Form of Common Stock Certificate, incorporated by reference to Registrant's Registration Statement on Form S-1 (Commission File No. 333-132080)

4.7	Form of Indenture for Convertible Senior Notes, incorporated by reference to Registrant's Registration Statement on Form S-3 (Commission File No. 333-197871)
4.8	Investor Rights Agreement by and between Synchronoss Technologies, Inc. and Silver Private Holdings I, LLC dated as of February 15, 2018, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 20, 2018.
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
10.2	Synchronoss Technologies, Inc. 2000 Stock Plan and forms of agreements thereunder, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
10.3	Amendment No. 1 to Synchronoss Technologies, Inc. 2000 Stock Plan, incorporated by reference to Registrant's Registration Statement on Form S 1 (Commission File No. 333 132080).
10.4	2006 Equity Incentive Plan, as amended and restated, incorporated by reference to Registrant's Schedule 14A dated April 8, 2010.
10.4.1	2010 New Hire Equity Incentive Plan, incorporated by reference to Registrant's Registration Statement on Form S 8 (Commission File No. 333 168745).

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Exhibit No.	Description
10.4.2	2015 Equity Incentive Plan, incorporated by reference to Registrant's Registration Statement on Form S 8 (Commission File No. 333 204311).
10.5	Employee Stock Purchase Plan, incorporated by reference to Registrant's Annual Report on Form 10 K for the year ended December 31, 2011.
10.6	Lease Agreement between the Registrant and Wells Reit-Bridgewater NJ, LLC for the premises located at 200 Crossing Boulevard, Bridgewater, New Jersey, dated as of October 27, 2011, incorporated by reference to Registrant's Annual Report on Form 10 K for the year ended December 31, 2011.
10.7‡	Cingular Master Services Agreement, effective September 1, 2005 by and between the Registrant and Cingular Wireless LLC, incorporated by reference to Registrant's Annual Report on Form 10 K for the year ended December 31, 2008.
10.8‡	Subordinate Material and Services Agreement No. SG021306.S.025 by and between the Registrant and AT&T Services, Inc. dated as of August 1, 2013, incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, including order numbers SG021306.S.025.S.001, SG021306.S.025.S.002, SG021306.S.025.S.003 and SG021306.S.025.S.004, incorporated by reference to Registrant's Quarterly Report on Form 10 Q/A for the quarter ended September 30, 2013.
10.9‡	Amendment 1 effective as of January 1, 2016 to Subordinate Material and Services Agreement No. SG021306.S.025 by and between the Registrant and AT&T Services, Inc., incorporated by reference to Exhibit 10.9.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.10‡	Order No.SG021306.S.025.S.007 effective as of January 1, 2016 by and between the Registrant and AT&T Services, Inc., incorporated by reference to Exhibit 10.9.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.11‡	Amendment No. 1 effective as of January 1, 2016 to Order No. SG021306.S.025.S.001 dated as of August 1, 2013 by and between the Registrant and AT&T Services, Inc. together with Amended and Restated Order No. SG021306.S.025.S.001, incorporated by reference to Exhibit 10.9.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.12‡	Amendment No. 2 effective as of January 1, 2016 to Order No. SG021306.S.025.S.002 dated as of August 1, 2013 by and between the Registrant and AT&T Services, Inc., together with Amended and Restated Order No. SG021306.S.025.S.002, incorporated by reference to Exhibit 10.9.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.13‡	Amendment No. 3 effective as of January 1, 2016 to Order No. SG021306.S.025.S.003 dated as of August 1, 2013 by and between the Registrant and AT&T Services, Inc. incorporated by reference to Exhibit 10.9.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.14‡	Amendment No. 4 effective as of January 1, 2016 to Order No. SG021306.S.025.S.003 dated as of August 1, 2013 by and between the Registrant and AT&T Services, Inc., together with Amended and Restated Order No. SG021306.S.025.S.003, incorporated by reference to Exhibit 10.9.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.15‡	Amendment No. 5 effective as of January 1, 2016 to Order No. SG021306.S.025.S.004 dated as of August 1, 2013 by and between the Registrant and AT&T Services, Inc. together with Amended and Restated Order No. SG021306.S.025.S.004, incorporated by reference to Exhibit 10.9.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016.
10.16†	Employment Agreement dated as of January 1, 2017 between the Registrant and Stephen G. Waldis.
10.17†	Tier One Executive Employment Plan effective March 24, 2017.
10.18†	Employment Agreement dated as of April 27, 2017 between the Registrant and Lawrence R. Irving.
10.19†	Employment Agreement dated as of May 1, 2017 between the Registrant and Robert Garcia.
10.20†	Executive Employment Letter dated as of May 5, 2017 between the Registrant and David Clark, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed on November 9, 2018.

10.21†	Employment Agreement dated as of November 13, 2017 between the Registrant and Glenn Lurie, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 17, 2017.
10.22	2017 New Hire Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 21, 2017.
10.23	Application Service Provider Agreement retroactively effective as of April 1, 2013 by and between the Registrant and Verizon Sourcing LLC, incorporated by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 filed on August 9, 2018.
10.24	Change Request No 8 effective January 1, 2018 to SOW No. 1 Application Service Provider Agreement effective as of April 1, 2013 by and between the Registrant and Verizon Sourcing LLC, incorporated by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 filed on August 9, 2018.
21.1	List of subsidiaries, incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 filed on July 2, 2018.
23.1	Consent of Ernst & Young, LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a 14(a) of the Exchange Act, as adopted pursuant to section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rule 13a 14(a) of the Exchange Act, as adopted pursuant to section 302 of the Sarbanes Oxley Act of 2002
32.1**	Certification of Principal Executive Officer pursuant to Rule 13a 14(b) of the Exchange Act and section 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002
32.2**	Certification of Principal Financial Officer pursuant to Rule 13a 14(b) of the Exchange Act and section 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Labels Linkbase Document

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Exhibit No.	Description
101.PRE	XBRL Presentation Linkbase Document

† Compensation Arrangement.

‡ Confidential treatment has been granted with respect to certain provisions of this exhibit.

** This certification is being furnished solely to accompany this Annual Report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

(b) Exhibits.

See (a)(3) above.

(c) Financial Statement Schedule.

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ITEM 16. FORM 10-K SUMMARY

None.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

December 31, 2018, 2017, 2016

	Beginning Balance	Additions	Reductions	Ending Balance
	(In thousands)			
Allowance for doubtful receivables:				
2018	$3,107	$ 13,982	$ (12,490)	$ 4,599
2017	$1,459	$ 7,590	$ (5,942)	$ 3,107
2016	$1,189	$ 10,201	$ (9,931)	$ 1,459

	Beginning Balance	Additions	Reductions	Ending Balance
	(In thousands)			
Allowance for loan loss:				
2018	$14,562	$ 84,314	$ —	$98,876
2017	$—	$ 14,562	$ —	$14,562

	Beginning Balance	Additions	Reductions	Ending Balance
	(In thousands)			
Valuation allowance for deferred tax assets:				
2018	$32,523	$ 49,610	$ (1,069)	$81,064
2017	$14,180	$ 23,370	$ (5,027)	$32,523
2016	$10,804	$ 3,783	$ (407)	$14,180

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNCHRONOSS
TECHNOLOGIES, INC.
(Registrant)

By /s/ Glenn Lurie
Glenn Lurie
Chief Executive Officer
(Principal Executive Officer)

March 18, 2019

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

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	Signature	
/s/ Glenn Lurie Glenn Lurie	Chief Executive Officer (Principal Executive Officer)	March 18, 2019
/s/ David Clark David Clark	Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	March 18, 2019
/s/ Stephen Waldis Stephen Waldis	Director Executive Chairman	March 18, 2019
/s/ Kristin S. Rinne Kristin S. Rinne	Director	March 18, 2019
/s/ Mohan Gyani Mohan Gyani	Director	March 18, 2019
/s/ Robert Aqualina Robert Aqualina	Director	March 18, 2019
/s/ Frank Baker Frank Baker	Director	March 18, 2019
/s/ Peter Berger Peter Berger	Director	March 18, 2019
/s/ William J. Cadogan William J. Cadogan	Director	March 18, 2019
/s/ Thomas J. Hopkins Thomas J. Hopkins	Director	March 18, 2019
/s/ James M. McCormick James M. McCormick	Director	March 18, 2019
/s/ Donnie M. Moore Donnie M. Moore	Director	March 18, 2019