

SYNIVERSE HOLDINGS INC  
Form 10-Q  
May 07, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

**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 001-32432

333-88168

**SYNIVERSE HOLDINGS, INC.**

# SYNIVERSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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

**30-0041666**  
**06-1262301**  
(I.R.S. Employer  
Identification No.)

**8125 Highwoods Palm Way**

**Tampa, Florida 33647**

(Address of principal executive office) (Zip code)

**(813) 637-5000**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

## Shares Outstanding as of May 5, 2010

Syniverse Holdings, Inc.: 69,719,359 shares of common stock, \$0.001 par value

Syniverse Technologies, Inc.: 2,000 shares of common stock, no par value,

all of which are owned by Syniverse Holdings, Inc.



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**Table of Contents****PART 1****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)**

	<b>March 31, 2010 (Unaudited)</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 95,815	\$ 91,934
Accounts receivable, net of allowances of \$8,368 and \$7,290, respectively	137,371	126,127
Prepaid and other current assets	27,649	20,813
Total current assets	260,835	238,874
Property and equipment, net	69,164	64,315
Capitalized software, net	70,998	75,249
Deferred costs, net	6,962	7,388
Goodwill	673,157	685,710
Identifiable intangibles, net	225,367	234,938
Other assets	2,371	3,250
Total assets	\$ 1,308,854	\$ 1,309,724
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,346	\$ 8,020
Transition services payable	1,475	16,609
Accrued payroll and related benefits	11,728	9,832
Accrued interest	1,759	5,150
Accrued income taxes	8,252	1,468
Deferred revenues	7,009	6,197
Other accrued liabilities	34,576	32,042
Current portion of Term Note B	3,373	3,452
Total current liabilities	73,518	82,770
Long-term liabilities:		
Deferred tax liabilities	92,953	87,254
7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013	175,000	175,000
Term Note B, less current maturities	325,502	334,012
Other long-term liabilities	7,403	9,534
Total liabilities	674,376	688,570

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Stockholders' equity:		
Preferred stock, \$0.001 par value; 300,000 shares authorized; no shares issued		
Common stock, \$0.001 par value; 100,300,000 shares authorized; 69,896,374 shares issued and 69,704,376 shares outstanding and 69,574,505 shares issued and 69,382,507 shares outstanding at March 31, 2010 and December 31, 2009, respectively		
	70	69
Additional paid-in capital	486,726	483,227
Retained earnings	169,589	149,582
Accumulated other comprehensive loss	(23,252)	(12,205)
Common stock held in treasury, at cost; 191,998 at March 31, 2010 and December 31, 2009	(15)	(15)
Total Syniverse Holdings, Inc. stockholders' equity	633,118	620,658
Noncontrolling interest	1,360	496
Total equity	634,478	621,154
Total liabilities and stockholders' equity	\$ 1,308,854	\$ 1,309,724

See Notes to Condensed Unaudited Consolidated Financial Statements

**Table of Contents****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)****(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)**

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Revenues	\$ 149,016	\$ 108,924
Costs and expenses:		
Cost of operations (excluding depreciation and amortization shown separately below)	56,269	39,958
Sales and marketing	12,631	8,688
General and administrative	22,703	16,998
Depreciation and amortization	18,919	13,584
	110,522	79,228
Operating income	38,494	29,696
Other income (expense), net:		
Interest income	26	192
Interest expense	(6,833)	(7,356)
Other, net	624	283
	(6,183)	(6,881)
Income before provision for income taxes	32,311	22,815
Provision for income taxes	12,582	6,783
Net income	19,729	16,032
Less: Net loss attributable to noncontrolling interest	(278)	
Net income attributable to Syniverse Holdings, Inc.	\$ 20,007	\$ 16,032
Net income per common share:		
Basic	\$ 0.29	\$ 0.23
Diluted	\$ 0.29	\$ 0.23
Weighted average common shares outstanding:		
Basic	68,293	67,877
Diluted	68,579	67,942

See Notes to Condensed Unaudited Consolidated Financial Statements





**Table of Contents****SYNIVERSE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(AMOUNTS IN THOUSANDS)

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 19,729	\$ 16,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including amortization of deferred debt issuance costs	19,345	14,014
Provision for uncollectible accounts	525	199
Deferred income tax expense	4,678	1,801
Stock-based compensation	2,827	1,107
Other, net	(57)	22
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(12,695)	6,511
Prepays and other current assets	(6,949)	(3,556)
Accounts payable	(590)	(12,098)
Transition services payable	(15,134)	
Other current liabilities	5,614	(8,323)
Other long-term assets and liabilities	874	1,292
Net cash provided by operating activities	18,167	17,001
<b>Cash flows from investing activities</b>		
Capital expenditures	(13,442)	(6,815)
Acquisition, net of acquired cash	(497)	
Net cash used in investing activities	(13,939)	(6,815)
<b>Cash flows from financing activities</b>		
Principal payments on senior credit facility	(840)	(847)
Issuance of stock for stock options exercised	818	83
Minimum tax withholding on restricted stock awards	(145)	(102)
Capital contribution from noncontrolling interest in a joint venture	1,092	981
Net cash provided by financing activities	925	115
Effect of exchange rate changes on cash	(1,272)	(1,956)
Net increase in cash	3,881	8,345
Cash at beginning of period	91,934	165,605
Cash at end of period	\$ 95,815	\$ 173,950
<b>Supplemental cash flow information</b>		
Interest paid	\$ 9,794	\$ 10,071

Income taxes paid	1,660	8,898
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See Notes to Condensed Unaudited Consolidated Financial Statements

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**SYNIVERSE HOLDINGS, INC.**

**NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)**

**1. Business**

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. We were incorporated in Delaware on November 9, 2001 and we completed our initial public offering on February 10, 2005. For over 20 years, including our time as part of our former parent company, we have served as one of the wireless industry's operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our roaming, messaging and network services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including wireless voice and data roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), number portability and wireless value-added roaming services. We currently provide our services to approximately 700 telecommunications operators and to over 100 enterprise customers in approximately 160 countries.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. (Syniverse, Inc.) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

The unaudited condensed consolidated financial statements include the accounts of Syniverse, Inc., all of its wholly owned subsidiaries and a variable interest entity (VIE) for which Syniverse, Inc. is deemed to be the primary beneficiary. References to the Company, us, or we include all of the consolidated companies. For the consolidated joint venture in which we own less than a 100% interest, we record net income (loss) attributable to noncontrolling interest in our consolidated statements of income equal to the percentage of the economic or ownership interest retained in the joint venture by the respective noncontrolling parties. All significant intercompany balances and transactions have been eliminated.

***Revenue Recognition***

The majority of our revenues are transaction-based charges under long-term contracts, typically averaging three years in duration. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract on a month-to-month billing schedule as we negotiate new agreements or renewals. Our revenues are primarily the result of the sale of our roaming, messaging, network and other services to wireless operators throughout the world. Generally, there is a seasonal increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. In addition, for our messaging services, revenues generally grow sequentially through the calendar year with volumes peaking during the fourth quarter holiday seasons.

**Roaming Services** primarily generate revenues by charging per-transaction processing fees. For our wireless roaming clearing house, DataNet services, interstandard roaming solutions and Mobile Data Roaming (MDR) services for Code Division Multiple Access (CDMA) operators, revenues vary based on the number or size of data/messaging records provided to us by our customers for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed. For our financial clearing house and settlement services, revenues vary based on the number of invoices or roaming agreements managed on the customer's behalf. We recognize revenues at the time the services are performed. For our signaling solutions and fraud-related

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services, the per-transaction fee is based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize revenues at the time the transactions are processed.

**Messaging Services** primarily generate revenues by charging per-transaction processing fees. For our SMS and MMS services, revenues vary based on the number of messaging records provided to us by our customers for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed.

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**Network Services** primarily generate revenues by charging per-transaction processing fees. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. Our number portability services primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We recognize processing revenues at the time the transactions are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the life of the initial customer agreements. In addition, we provide our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries). We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers. We recognize revenues at the time the transactions are processed.

**Other Services** include turn-key solutions with multiple product and service elements which may include software and hardware products, as well as installation services, post-contract customer support and training. In those cases, we recognize revenue attributable to an element in a customer arrangement when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

**Net Income Per Common Share**

Basic net income per common share includes no dilution and is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share includes the potential dilution from the exercise of stock options and restricted stock.

We calculate net income per common share using the two-class method. Under the two-class method, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are treated as participating securities and are included in the computation of earnings per share pursuant to the two-class method. Certain of our unvested share-based payment awards contain nonforfeitable rights to dividends and dividend equivalents.

The following table displays the computation of net income per common share using the two-class method:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Basic and diluted net income per common share:</b>		
Net income attributable to Syniverse Holdings, Inc.	\$ 20,007	\$ 16,032
Less: net income allocated to restricted stock	(332)	(133)
Net income available to common shareholders	\$ 19,675	\$ 15,899
<b>Determination of basic and diluted shares:</b>		
Basic weighted-average common shares outstanding	68,292,712	67,876,715
Dilutive stock options and restricted stock	286,058	65,181
Diluted weighted-average common shares outstanding	68,578,770	67,941,896
Basic net income per common share	\$ 0.29	\$ 0.23
Diluted net income per common share	\$ 0.29	\$ 0.23

For the three months ended March 31, 2010, and 2009, options to purchase 2,839,956 and 2,090,328 shares of common stock were outstanding during the periods but were not included in the computation of diluted earnings per share because their effect would be anti-dilutive. Equity awards not considered to be participating securities are excluded from the diluted weighted-average common shares outstanding.



**Table of Contents****Comprehensive Income**

Comprehensive income is comprised of changes in our currency translation adjustment account and net changes in the fair value of our interest rate swap. Comprehensive income, net of taxes, for the three months ended March 31, 2010 and 2009 is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net income	\$ 19,729	\$ 16,032
Foreign currency translation adjustments (1)	(11,278)	(9,459)
Net change in fair value of interest rate swap (2)	281	89
 Comprehensive income	 \$ 8,732	 \$ 6,662

- (1) Foreign currency translation adjustments are shown net of tax benefit of \$1,735 and \$4,009 for the three months ended March 31, 2010 and 2009, respectively.
- (2) The change in fair value of the interest rate swap is shown net of tax of \$(179) and \$17 for the three months ended March 31, 2010 and 2009, respectively.

The following table summarizes the allocation of total comprehensive income between stockholders of Syniverse, Inc. and the noncontrolling interest:

	<b>Three Months Ended March 31, 2010</b>		
	<b>Stockholders of Syniverse Holdings, Inc.</b>	<b>Noncontrolling Interest</b>	<b>Total</b>
Net income	\$ 20,007	\$ (278)	\$ 19,729
Foreign currency translation adjustments	(11,328)	50	(11,278)
Net change in fair value of interest rate swap	281		281
 Comprehensive income	 \$ 8,960	 \$ (228)	 \$ 8,732

The balance in accumulated other comprehensive loss as of March 31, 2010 and December 31, 2009 was \$23,252 and \$12,205, respectively.

**Joint Venture Interests**

Effective January 1, 2010, we adopted a newly issued accounting standard which provides guidance for the consolidation of variable interest entities and requires an enterprise to determine whether its variable interests give it a controlling financial interest in a variable interest entity. This new guidance replaces the existing quantitative approach for determining the primary beneficiary, with a qualitative approach based on which entity has both the power to direct the economically significant activities of the entity and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Determination about whether an enterprise should consolidate a variable interest entity is required to be evaluated continuously. The adoption of this standard did not have an impact on our financial position or results of operations.

In determining whether we are the primary beneficiary, we consider a number of factors, including our ability to direct the activities that most significantly affect the entity's economic success, our contractual rights and responsibilities under the arrangement and the significance of the arrangement to each party. These considerations impact the way we account for our existing joint venture relationship.

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In February 2009, we entered into a joint venture agreement to implement number portability services in India. Our economic interest in the joint venture is 37.5%. We expect to provide India's telecommunications operators with number portability clearing house and centralized database solutions for the next 10 years. We consolidate the operations of this joint venture, as we retain the contractual power to direct the activities of this entity which most significantly and directly impact its economic performance. The activity of this joint venture is not significant to our overall operations. The assets of this joint venture are restricted, from the standpoint of Syniverse, in that they are not available for our general business use outside the context of the joint venture. The holders of the liabilities of the joint venture have no recourse to Syniverse.



**Table of Contents****Changes in Equity**

The following table provides a reconciliation of the beginning and the ending carrying amounts of total equity, equity attributable to stockholders of Syniverse Holdings, Inc. and equity attributable to the noncontrolling interest:

	<b>Stockholders of Syniverse Holdings, Inc.</b>						
				<b>Accumulated</b>			
	<b>Total</b>	<b>Common</b>	<b>Additional</b>	<b>Retained</b>	<b>Other</b>	<b>Treasury</b>	<b>Noncontrolling</b>
		<b>Stock</b>	<b>Paid-In</b>	<b>Earnings</b>	<b>Income</b>	<b>Stock</b>	<b>Interest</b>
			<b>Capital</b>		<b>(Loss)</b>		
Balance, December 31, 2009	\$ 621,154	\$ 69	\$ 483,227	\$ 149,582	\$ (12,205)	\$ (15)	\$ 496
Comprehensive income (1)	8,732			20,007	(11,047)		(228)
Issuance of stock for stock options exercised	818	1	817				
Stock-based compensation	2,827		2,827				
Minimum tax withholding on restricted stock awards	(145)		(145)				
Capital contribution from noncontrolling interest in a joint venture	1,092						1,092
Balance, March 31, 2010	\$ 634,478	\$ 70	\$ 486,726	\$ 169,589	\$ (23,252)	\$ (15)	\$ 1,360

- (1) The allocation of the individual components of comprehensive income attributable to stockholders of Syniverse Holdings, Inc. and the noncontrolling interest is disclosed in the Comprehensive Income section of Note 2.

**Customer Accounts**

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our contract with the customer, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately \$113,505 and \$152,747 as of March 31, 2010 and December 31, 2009, respectively.

**Derivative Instruments and Hedging Activities**

Derivative instruments are recorded on the consolidated balance sheets as assets or liabilities and measured at fair value. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in accumulated other comprehensive income (loss) and subsequently recognized in earnings when the hedged items impact income. Changes in the fair value of derivatives not designated as hedges and the ineffective portion of cash flow hedges are recorded in current earnings. We have designated our interest rate swap as a cash flow hedge that effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. We do not hold or enter into financial instruments for speculative trading purposes. See Note 6 for more information on our interest rate swap.

**Foreign Currencies**

We have operations in subsidiaries in Europe, primarily the United Kingdom and Germany, and the Asia-Pacific region whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period and are included in other income (expense), net in the consolidated income statements. For the three months ended March 31, 2010 and 2009, we recorded foreign currency transaction gains of \$624 and \$287, respectively.

The assets and liabilities of subsidiaries whose functional currency is other than the U.S. Dollar are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of accumulated other comprehensive income (loss) and is included in stockholders' equity. Translation gains and losses on intercompany balances which are deemed to be of a long-term investment nature are also recorded as a component of other comprehensive income. Income statement items are translated at the average rates prevailing during the period.

***Segment Information***

Effective January 1, 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business

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leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments for the quarter ended March 31, 2010.

We analyze each of our reporting segments based on segment revenues, operating expenses (including depreciation) and operating income excluding certain sales, general and administrative costs which are not allocated to the business lines. Interest income (expense), other, net and the provision for income taxes are managed on a consolidated basis and are, accordingly, reflected only in consolidated results. Therefore, these items are excluded from our segment operating results. We have three reportable segments: (1) Roaming Services; (2) Messaging Services; and (3) Network Services. In addition, we also present a Corporate and Other category which includes our technology turn-key solutions including prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers in the Asia Pacific region.

The segment information presented herein for 2010 and 2009 reflects the realignment of our operations into the new segments in the quarter ended March 31, 2010.

Our Chief Operating Decision Maker (CODM) evaluates performance and determines resource allocations based on segment operating income (loss). Our management uses segment operating income (loss) in the evaluation of segment operating performance as a profit measure that is generally within the control of the operating segments. Additional information about our segments, including financial information, is included in Note 8.

**Income Taxes**

We provide for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date. During the three months ended March 31, 2010 and 2009, the effective tax rate was 38.9% and 29.7 %, respectively. During the three months ended March 31, 2009, the income tax provision was adjusted for a tax benefit of approximately \$1,471 due to an adjustment for an item believed to be non-deductible in prior periods. The increase in our effective tax rate is attributed to the mix of income from domestic and foreign tax jurisdictions with higher tax rates offset by our tax planning initiatives.

We, and our eligible subsidiaries, file a consolidated U.S. federal income tax return. All subsidiaries incorporated outside of the U.S. are consolidated for financial reporting purposes, however, they are not eligible to be included in our consolidated U.S. federal income tax return. Separate provisions for income taxes have been recorded for these entities. We intend to reinvest substantially all of the unremitted earnings of our non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for these non-U.S. subsidiaries was recorded in the accompanying consolidated statements of income.

**3. Recent Accounting Pronouncements**

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, which is included in the ASC in Topic 605 (Revenue Recognition). ASU 2009-13 amends previous revenue recognition guidance to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. We are currently assessing the impact of ASU 2009-13 on our consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-14, *Certain Revenue Arrangements That Include Software Elements*, which is included in the ASC in Topic 985 (Software). ASU 2009-14 amends previous software revenue recognition to exclude all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. We are currently assessing the impact of ASU

2009-14 on our consolidated financial position and results of operations.

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The changes to the carrying value of goodwill during the three months ended March 31, 2010 were as follows:

	<b>2010</b>
Goodwill balance as of December 31, 2009	\$ 685,710
Effect of foreign currency translation	(12,553)
<b>Goodwill balance as of March 31, 2010</b>	<b>\$ 673,157</b>

**5. Stock-Based Compensation**

Syniverse has three stock-based compensation plans, the Founders Stock Option Plan for non-employee directors, executives and other key employees of Syniverse, the Directors Stock Option Plan, which provides for grants to independent directors, and the 2006 Amended and Restated Long-Term Equity Incentive Plan, which provides compensation to non-employee directors, executives and other key employees of Syniverse through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights ( SARs ), performance awards or any combination of the foregoing.

The impact to our income from operations of recording stock-based compensation for the three months ended March 31, 2010 and 2009 was as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
Cost of operations	\$ 124	\$ 39
Sales and marketing	932	224
General and administrative	1,771	844
<b>Total stock-based compensation</b>	<b>\$ 2,827</b>	<b>\$ 1,107</b>

The following table summarizes information about our stock option activity:

<b>Stock Options</b>	<b>Shares</b>
Outstanding at December 31, 2009	2,480,977
Granted	428,520
Exercised	(52,924)
Cancelled or expired	(16,617)
<b>Outstanding at March 31, 2010</b>	<b>2,839,956</b>
Exerciseable at March 31, 2010	992,356

Changes in our restricted stock were as follows:

<b>Restricted Stock</b>	<b>Shares</b>
-------------------------	---------------

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Unvested at December 31, 2009	802,550
Granted	137,260
Vested	(12,240)
Forfeited	(45,420)
Unvested at March 31, 2010	882,150

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Activity related to our performance-based restricted stock is as follows:

<b>Performance-Based Restricted Stock</b>	<b>Shares</b>
Unvested at December 31, 2009	133,590
Granted	155,470
Vested	
Forfeited	
<b>Unvested at March 31, 2010</b>	<b>289,060</b>

We issued 52,924 and 7,214 shares related to stock option exercises during the three months ended March 31, 2010 and 2009, respectively.

**Accounting for Stock-Based Compensation***Stock Options*

The fair values of stock option grants are amortized as compensation expense, reduced for estimated forfeitures, on a straight-line basis over the vesting period of the grants. Compensation expense recognized is shown in the operating activities section of the consolidated statements of cash flows. The fair value for these options was estimated at the date of grant using a Black-Scholes option valuation model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Prior to February 10, 2005, Syniverse, Inc.'s common stock was not traded on public markets. Therefore, a volatility of 0% was used in the Black-Scholes option valuation model for options issued prior to our initial public offering. We use average historical volatility for options issued subsequent to our initial public offering.

The accounting guidance requires companies to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. Forfeitures are estimated based on an average of our historical experience over the preceding 7 year period excluding certain option grants from the management team in place prior to our initial public offering as these represent options issued in a period of high turnover.

*Option Plans*

On May 16, 2002, our Board of Directors adopted a Founders' Stock Option Plan for non-employee directors, executives and other key employees of Syniverse. In addition, the Board of Directors adopted a Directors' Stock Option Plan on August 2, 2002, which provided for option grants to independent directors to purchase up to 20,000 shares upon election to the board. The plans had a term of five years and provided for the granting of options to purchase shares of Syniverse's common stock.

Under the plans, the options have an initial exercise price based on the fair value of each share, as determined by the Board. The per share exercise price of each stock option will not be less than the fair market value of the stock on the date of the grant or, in the case of an equity holder owning more than 10% of the outstanding stock of Syniverse, the price for incentive stock options is not less than 110% of such fair market value. The Board of Syniverse reserved 402,400 shares of common stock, par value \$.001 per share for issuance under the Founders' plan and 160,360 shares under the Directors' plan.

Both the Founders' Stock Option Plan and the Directors' Stock Option Plan have expired and the Board of Syniverse no longer grants options under these plans. As of March 31, 2010, there were options to purchase 120,458 shares outstanding under the Founders' Stock Option Plan and options to purchase 80,120 shares outstanding under the Directors' Stock Option Plan.

All options issued under the plans are presumed to be nonqualified stock options unless otherwise indicated in the option agreement. Each option has an exercisable life of no more than 10 years from the date of grant for both nonqualified and incentive stock options in the case of grants under the Founders' Stock Option Plan and under the Directors' Stock Option Plan. Generally, the options under these plans vest 20% after the first year and 5% per quarter thereafter.

**2006 Long-Term Equity Incentive Plan**

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On May 9, 2006, our Board of Directors adopted the 2006 Long-Term Equity Incentive Plan (the Incentive Plan ). The Incentive Plan provides incentive compensation through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights ( SARs ), performance awards, or any combination of the foregoing. The Incentive Plan is designed to allow for the grant of long term incentive awards that conform to the requirements for tax deductible performance based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Under the Incentive Plan, 6,000,000 shares of common stock were authorized for issuance, of which 1,000,000 shares may be issued as restricted stock, restricted stock units, options, or performance shares. The number of shares and price per share is determined by the Compensation Committee (the Committee ) for those awards granted. However, the exercise price of any option may not be less than 100% of the fair market value of a share of common stock on the date of grant and the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of Syniverse s voting power may not be less than



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110% of the fair market value on the date of grant. Those eligible to participate in the Incentive Plan are limited to directors (including non-employee directors), officers (including non-employee officers), employees of Syniverse and its subsidiaries selected by the Committee, including participants located outside the United States. Determinations made by the Committee under the Incentive Plan need not be uniform and may be made selectively among eligible individuals under the Incentive Plan.

At the 2009 Annual Meeting of Shareholders held on May 8, 2009, the stockholders of Syniverse, Inc. approved the Syniverse Holdings, Inc. Amended and Restated 2006 Long-Term Equity Incentive Plan (the Amended and Restated 2006 Plan). The Amended and Restated 2006 Plan includes 3,000,000 additional shares of the Company's common stock all of which may be issued in any form allowed under the Amended and Restated 2006 Plan, resulting in a total of 9,000,000 shares reserved and available for issuance pursuant to awards granted (or to be granted) under the Amended and Restated 2006 Plan. As of March 31, 2010, there were 2,639,378 options outstanding under the Amended and Restated 2006 Plan.

As of March 31, 2010, there were 2,839,956 total options outstanding for all Plans. The options outstanding under the Founder's Stock Option Plan and the Director's Stock Option Plan vest 5% each quarter while all other options vest at 3<sup>1</sup>/<sub>3</sub>% per year. As of March 31, 2010, there were 882,150 unvested restricted shares outstanding, which had been granted to certain directors, executive officers and other employees. Restricted stock awards issued prior to the Amended and Restated 2006 Plan vest 20% per year. Restricted stock awards issued subsequent to the Amended and Restated 2006 Plan vest 33<sup>1</sup>/<sub>3</sub>% per year for those issued to directors and three-year cliff vest for all other issuances. As of March 31, 2010, there were 289,060 unvested performance-based restricted shares outstanding. The performance-based restricted shares cliff vest three years after the grant date with the first issuance vesting on December 31, 2011 and are based on the achievement of certain financial metrics.

## **6. Derivative Instruments and Hedging Activities**

On October 6, 2008, we entered into an interest rate swap agreement with a notional amount of \$100,000. The purpose of this transaction was to provide a hedge against the effects of changes in interest rates on our U.S.-denominated term loan under our senior credit facility which carries a variable interest rate. The hedge effectively swaps variable rate interest expense based on 1-month LIBOR to a fixed rate interest expense thereby reducing our exposure to interest rate fluctuations. Under the terms of the interest rate swap, we pay a fixed rate of 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin and receive payments from our counterparty based on the 1-month LIBOR over the life of the agreement without an exchange of the underlying principal amount. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense. The effective date of the swap is October 31, 2008 and the maturity date is October 31, 2010.

We have designated the interest rate swap as a cash flow hedge. The counterparty to this interest rate swap agreement is a major financial institution, and we do not anticipate nonperformance by this counterparty. As of March 31, 2010 and December 31, 2009, the fair value of our interest rate swap (based on Level 2 inputs) is \$1,411 and \$1,871, respectively, which is recorded in other accrued liabilities in the consolidated balance sheets and is offset by a corresponding amount in accumulated other comprehensive income (loss) within the accompanying consolidated statement of stockholders' equity. There was no ineffective portion of the swap during the three months ended March 31, 2010 and 2009. For the three months ended March 31, 2010, we recognized other comprehensive gain of \$281, net of tax.

### *Net Investment Hedge of a Foreign Operation*

We have designated our Euro-denominated debt as a net investment hedge of certain foreign operations. For the three months ended March 31, 2010 and 2009, \$7,747 and \$7,897, respectively, related to the revaluation of the debt from Euros to US dollars was included as a component of accumulated other comprehensive income.

## **7. Fair Value of Financial Instruments**

The accounting standards for fair value require disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies is as follows:

**Level 1** Quoted prices for identical assets and liabilities in active markets.

**Level 2** Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3** Unobservable inputs for the asset or liability.



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Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the three month period ending March 31, 2010.

As of March 31, 2010 and December 31, 2009, we held an interest rate swap that is required to be measured at fair value on a recurring basis. The following tables show the fair value measurement on a recurring basis as of March 31, 2010 and December 31, 2009:

	Fair Value Measurements at Reporting Date Using			
	March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Liabilities</b>				
Interest rate swap	\$ (1,411)	\$	\$ (1,411)	\$

	Fair Value Measurements at Reporting Date Using			
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Liabilities</b>				
Interest rate swap	\$ (1,871)	\$	\$ (1,871)	\$

We have elected to use the income approach to value our interest rate swap, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present value amount assuming that participants are motivated, but not compelled to transact.

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reflected in the financial statements at their carrying value, which approximate their fair value due to their short maturity.

The fair value of the 7 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 is based upon quoted market prices in inactive markets for similar instruments (Level 2). The fair value of the Term Note B is based upon quoted market prices in active markets for similar instruments (Level 2).

The carrying amounts and fair values of our long-term debt as of March 31, 2010 and December 31, 2009 are as follows:

	March 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Note B	\$ 328,875	\$ 319,568	\$ 337,464	\$ 325,653
7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes, due 2013	\$ 175,000	\$ 176,313	175,000	\$ 173,915

**8. Segment Information**

In January 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities

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that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments for the quarter ended March 31, 2010. Prior period information has been realigned to correspond to the new reporting structure.

Our reportable segments as well as the services included in each are as follows:

**Roaming Services.** Includes wireless data clearing house, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events, financial settlement services, roaming fraud prevention services, interstandard roaming solutions and MDR services for CDMA operators. In addition, roaming

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services includes signaling and fraud management solutions that enable wireless subscribers from one operator to make and accept telephone calls while roaming on another operator's network. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution between operators.

**Messaging Services.** Includes translating, routing and delivering SMS, MMS and other message formats across disparate networks. We accomplish the translating, routing and delivering of messages by mapping a message to a phone number, determining the appropriate operator, routing the message accurately and resolving incompatibility issues among CDMA, Global System for Mobile Communication (GSM) and Voice-over-Internet Protocol (VoIP) providers. Our services can deliver messages domestically and globally to multiple devices and platforms.

**Network Services.** Includes connecting disparate wireless and fixed line operator networks and enable access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls through our SS7/C7 hub. SS7/C7 are the telecommunications industry's standard network signaling protocols used by substantially all operators to enable critical telecommunications functions such as number portability, toll-free calling services and caller ID. Network services also includes number portability services used by many wireless operators, including most domestic U.S. operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all wireless operators in Canada and Singapore. In addition, these services include providing our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries). We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers.

We also present a Corporate and Other category which includes our technology turn-key solutions including prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers in the Asia Pacific region.

Summarized financial information for our reportable segments for the three months ended March 31, 2010 and 2009, is shown in the following tables:

	For the three months ended March 31, 2010				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	\$ 65,905	\$ 47,412	\$ 32,259	\$ 2,297	\$ 147,873
Off-Network Database Queries			1,143		1,143
<b>Total segment revenues</b>	<b>65,905</b>	<b>47,412</b>	<b>33,402</b>	<b>2,297</b>	<b>149,016</b>
Operations and support expenses	19,489	23,676	18,450	29,988	91,603
Depreciation and amortization expense	7,651	5,342	3,339	2,587	18,919
<b>Total segment operating expenses</b>	<b>27,140</b>	<b>29,018</b>	<b>21,789</b>	<b>32,575</b>	<b>110,522</b>
<b>Segment operating income (loss)</b>	<b>\$ 38,765</b>	<b>\$ 18,394</b>	<b>\$ 11,613</b>	<b>\$ (30,278)</b>	<b>\$ 38,494</b>

	For the three months ended March 31, 2009				
	Roaming Services	Messaging Services	Network Services	Corporate and Other	Consolidated
Revenues from external customers	\$ 59,360	\$ 9,422	\$ 34,007	\$ 4,893	\$ 107,682
Off-Network Database Queries			1,242		1,242
<b>Total segment revenues</b>	<b>59,360</b>	<b>9,422</b>	<b>35,249</b>	<b>4,893</b>	<b>108,924</b>

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Operations and support expenses	18,371	4,663	18,642	23,968	65,644
Depreciation and amortization expense	7,312	590	3,463	2,219	13,584
Total segment operating expenses	25,683	5,253	22,105	26,187	79,228
Segment operating income (loss)	\$ 33,677	\$ 4,169	\$ 13,144	\$ (21,294)	\$ 29,696

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Revenues by geographic region, based on the bill to location on the invoice, were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
North America	\$ 116,820	\$ 78,209
Asia Pacific	8,788	9,465
Caribbean and Latin America	9,697	7,951
Europe, Middle East and Africa	12,568	12,057
Off-Network Database Queries (i)	1,143	1,242
 Total Revenues	 \$ 149,016	 \$ 108,924

(i) Off-Network Database Queries are not allocated to geographic regions.

For the three months ended March 31, 2010 and 2009, we derived 71.9% and 67.8%, respectively, of our revenues from customers in the United States.

**9. Commitments and Contingencies**

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

**10. Restructurings**

In December 2009, we completed a restructuring plan to reduce our workforce in Asia Pacific to better align our operating costs to the economic environment and eliminated certain redundant positions in Europe and North America. As a result of this plan, we incurred severance related costs of \$2,583. We do not allocate restructuring charges to our reportable segments. Through March 31, 2010, we have paid \$1,533 related to this plan, which includes the \$538 paid through December 31, 2009. We expect to pay the remainder of these benefits in 2010.

For the three months ended March 31, 2010, we had the following activity in our restructuring accruals:

	<b>December 31, 2009</b>				<b>March 31, 2010</b>
	<b>Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Reductions</b>	<b>Balance</b>
December 2009 Restructuring Termination costs	\$ 2,045	\$	\$ (995)	\$	\$ 1,050
Total	\$ 2,045	\$	\$ (995)	\$	\$ 1,050

**11. Supplemental Consolidating Financial Information**

Syniverse Technologies, Inc.'s (Syniverse) payment obligations under the senior subordinated notes are guaranteed by Syniverse Holdings, Inc. (Syniverse Inc.) and all domestic subsidiaries of Syniverse Holdings, Inc. including Highwoods Corporation, Syniverse ICX and Syniverse Brience (collectively, the Guarantors). The results of Syniverse Technologies BV, Syniverse Holdings Limited and Perfect Profits International Limited are included as non-guarantors. Such guarantees are full, unconditional and joint and several. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of income, and statements of cash flows information for Syniverse Holdings, Inc., the Guarantors and the non-guarantor subsidiaries. The supplemental financial information reflects the investment of Syniverse Holdings, Inc. and Syniverse Technologies, Inc. using the equity method of accounting.

As of December 31, 2009, we revised the presentation of the previously reported supplemental consolidating guarantor and non-guarantor subsidiaries' balance sheets, statements of income and statements of cash flows for all prior periods. We identified certain domestic guarantors

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that were not previously reported as subsidiary guarantors. This change in classification had no effect on the audited consolidated balance sheets, statements of income or statements of cash flows. All prior periods have been corrected for comparative presentation.



**Table of Contents****CONSOLIDATING BALANCE SHEET (UNAUDITED)**

AS OF MARCH 31, 2010

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash	\$ 44	\$ 53,305	\$ 23,948	\$ 18,518	\$	\$ 95,815
Accounts receivable, net of allowances		66,559	59,280	11,532		137,371
Accounts receivable - affiliates	2,195	19,433	89,013	9,044	(119,685)	
Prepaid and other current assets	31	15,276	8,188	4,185	(31)	27,649
<b>Total current assets</b>	<b>2,270</b>	<b>154,573</b>	<b>180,429</b>	<b>43,279</b>	<b>(119,716)</b>	<b>260,835</b>
Property and equipment, net		49,624	16,896	2,644		69,164
Capitalized software, net		37,912	29,471	3,615		70,998
Deferred costs, net		6,962				6,962
Goodwill		363,822	274,520	34,815		673,157
Identifiable intangibles, net		138,889	84,513	1,965		225,367
Other assets		1,534	58	2,331	(1,552)	2,371
Investment in subsidiaries	631,633	559,525			(1,191,158)	
<b>Total assets</b>	<b>\$ 633,903</b>	<b>\$ 1,312,841</b>	<b>\$ 585,887</b>	<b>\$ 88,649</b>	<b>\$ (1,312,426)</b>	<b>\$ 1,308,854</b>

**LIABILITIES AND STOCKHOLDERS****EQUITY**

## Current liabilities:

Accounts payable	\$	\$ 4,100	\$	\$ 1,277	\$ (31)	\$ 5,346
Accounts payable - affiliates	299	63,740	43,895	13,111	(121,045)	
Transition services payable			1,037	438		1,475
Accrued payroll and related benefits	486	5,617	3,605	2,020		11,728
Accrued interest		1,759				1,759
Accrued income taxes		5,525	2,412	346	(31)	8,252
Deferred revenues		367	3,765	2,877		7,009
Other accrued liabilities		18,708	14,948	1,792	(872)	34,576
Current portion of Term Note B		3,373				3,373
<b>Total current liabilities</b>	<b>785</b>	<b>103,189</b>	<b>69,662</b>	<b>21,861</b>	<b>(121,979)</b>	<b>73,518</b>

## Long-term liabilities:

Deferred tax liabilities		76,930	12,887	3,785	(649)	92,953
7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013		175,000				175,000
Term Note B, less current maturities		325,502				325,502
Other long-term liabilities		587	5,177	1,639		7,403
<b>Total liabilities</b>	<b>785</b>	<b>681,208</b>	<b>87,726</b>	<b>27,285</b>	<b>(122,628)</b>	<b>674,376</b>

## Stockholders' equity:

Common stock	70		116,630	4,320	(120,950)	70
Additional paid-in capital	486,726	483,951	468,348	53,926	(1,006,225)	486,726
Retained earnings (deficit)	169,589	169,589	(56,775)	1,560	(114,374)	169,589
Accumulated other comprehensive (loss) income	(23,252)	(23,252)	(30,042)	1,558	51,736	(23,252)
Common stock held in treasury, at cost	(15)	(15)			15	(15)

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Total Syniverse Holdings Inc. stockholders equity	633,118	630,273	498,161	61,364	(1,189,798)	633,118
Noncontrolling interest		1,360				1,360
Total equity	633,118	631,633	498,161	61,364	(1,189,798)	634,478
Total liabilities and stockholders equity	\$ 633,903	\$ 1,312,841	\$ 585,887	\$ 88,649	\$ (1,312,426)	\$ 1,308,854

**Table of Contents****CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2010**

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	\$	\$ 90,556	\$ 52,142	\$ 6,318	\$	\$ 149,016
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	133	31,703	21,384	3,049		56,269
Sales and marketing	781	5,796	2,635	3,419		12,631
General and administrative	1,913	14,356	5,439	995		22,703
Depreciation and amortization		11,274	6,962	683		18,919
	2,827	63,129	36,420	8,146		110,522
Operating income (loss)	(2,827)	27,427	15,722	(1,828)		38,494
Other income (expense), net:						
Income from equity investment	21,431	8,661			(30,092)	
Interest income		13	9	4		26
Interest expense		(6,832)		(1)		(6,833)
Other, net		(258)	573	309		624
	21,431	1,584	582	312	(30,092)	(6,183)
Income (loss) before provision for income taxes	18,604	29,011	16,304	(1,516)	(30,092)	32,311
Provision (benefit) for income taxes	(1,125)	7,580	5,638	489		12,582
Net income (loss)	19,729	21,431	10,666	(2,005)	(30,092)	19,729
Less: Net loss attributable to noncontrolling interest		(278)				(278)
Net income (loss) attributable to Syniverse Holdings, Inc.	\$ 19,729	\$ 21,709	\$ 10,666	\$ (2,005)	\$ (30,092)	\$ 20,007

**Table of Contents****CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2010**

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
<b>Cash flows from operating activities</b>						
Net income	\$ 19,729	\$ 21,431	\$ 10,666	\$ (2,005)	\$ (30,092)	\$ 19,729
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization including amortization of deferred debt issuance costs						
		11,701	6,963	681		19,345
Provision for uncollectible accounts		110	355	60		525
Deferred income tax expense		4,678				4,678
Income from equity investment	(21,431)	(8,661)			30,092	
Stock-based compensation	2,827					2,827
Other, net		(64)	7			(57)
Changes in operating assets and liabilities, net of acquisition:						
Accounts receivable		(5,767)	(7,592)	664		(12,695)
Prepays and other current assets		(3,772)	(2,125)	(1,052)		(6,949)
Accounts payable	17	1,216	(420)	(1,403)		(590)
Transition services payable			(15,572)	438		(15,134)
Other current liabilities	(1,815)	(20,156)	22,176	5,409		5,614
Other long-term assets and liabilities		1,740	2,566	(3,432)		874
Net cash (used in) provided by operating activities	(673)	2,456	17,024	(640)		18,167
<b>Cash flows from investing activities</b>						
Capital expenditures		(8,586)	(4,721)	(135)		(13,442)
Acquisition, net of acquired cash		(497)				(497)
Net cash used in investing activities		(9,083)	(4,721)	(135)		(13,939)
<b>Cash flows from financing activities</b>						
Principal Payments on senior credit facility		(840)				(840)
Issuance of stock for stock options exercised	818					818
Minimum tax withholding on restricted stock awards	(145)					(145)
Capital contribution from noncontrolling interest in a joint venture		1,092				1,092
Net cash provided by financing activities	673	252				925
Effect of exchange rate changes on cash		50	(1,923)	601		(1,272)
Net (decrease) increase in cash		(6,325)	10,380	(174)		3,881
Cash at beginning of period	44	59,630	13,568	18,692		91,934
Cash at end of period	\$ 44	\$ 53,305	\$ 23,948	\$ 18,518	\$	\$ 95,815



**Table of Contents****CONSOLIDATING BALANCE SHEET****AS OF DECEMBER 31, 2009**

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash	\$ 44	\$ 59,630	\$ 13,568	\$ 18,692	\$	\$ 91,934
Accounts receivable, net of allowances		60,902	52,568	12,657		126,127
Accounts receivable - affiliates	7,626		62,163	4,348	(74,137)	
Prepaid and other current assets	31	12,674	6,202	3,108	(1,202)	20,813
<b>Total current assets</b>	<b>7,701</b>	<b>133,206</b>	<b>134,501</b>	<b>38,805</b>	<b>(75,339)</b>	<b>238,874</b>
Property and equipment, net		48,022	13,745	2,548		64,315
Capitalized software, net		38,977	32,171	4,101		75,249
Deferred costs, net		7,388				7,388
Goodwill		363,822	288,110	33,778		685,710
Identifiable intangibles, net		142,051	90,762	2,125		234,938
Other assets		2,984	69	2,434	(2,237)	3,250
Investment in subsidiaries	613,727	554,725			(1,168,452)	
<b>Total assets</b>	<b>\$ 621,428</b>	<b>\$ 1,291,175</b>	<b>\$ 559,358</b>	<b>\$ 83,791</b>	<b>\$ (1,246,028)</b>	<b>\$ 1,309,724</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>						
Current liabilities:						
Accounts payable	\$	\$ 5,445	\$ 703	\$ 1,872	\$	\$ 8,020
Accounts payable - affiliates	301	62,488	2,048	11,342	(76,179)	
Transition services payable			16,609			16,609
Accrued payroll and related benefits	469	3,056	3,270	3,037		9,832
Accrued interest		5,150				5,150
Accrued income taxes			2,473	197	(1,202)	1,468
Deferred revenues		1,196	2,423	2,578		6,197
Other accrued liabilities		15,143	13,021	3,878		32,042
Current portion of Term Note B		3,452				3,452
<b>Total current liabilities</b>	<b>770</b>	<b>95,930</b>	<b>40,547</b>	<b>22,904</b>	<b>(77,381)</b>	<b>82,770</b>
Long-term liabilities:						
Deferred tax liabilities		70,338	13,708	3,899	(691)	87,254
7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013		175,000				175,000
Term Note B, less current maturities		334,012				334,012
Other long-term liabilities		2,168	5,319	2,047		9,534
<b>Total liabilities</b>	<b>770</b>	<b>677,448</b>	<b>59,574</b>	<b>28,850</b>	<b>(78,072)</b>	<b>688,570</b>
Stockholders equity:						
Common stock	69		116,630	2,131	(118,761)	69
Additional paid-in capital	483,227	475,869	469,402	48,920	(994,191)	483,227
Retained earnings (deficit)	149,582	149,582	(72,575)	3,132	(80,139)	149,582
Accumulated other comprehensive (loss) income	(12,205)	(12,205)	(13,673)	758	25,120	(12,205)
Common stock held in treasury, at cost	(15)	(15)			15	(15)

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Total Syniverse Holdings Inc. stockholders equity	620,658	613,231	499,784	54,941	(1,167,956)	620,658
Noncontrolling interest		496				496
Total equity	620,658	613,727	499,784	54,941	(1,167,956)	621,154
Total liabilities and stockholders equity	\$ 621,428	\$ 1,291,175	\$ 559,358	\$ 83,791	\$ (1,246,028)	\$ 1,309,724

**Table of Contents****CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2009**

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	\$	\$ 90,470	\$ 10,101	\$ 8,353	\$	\$ 108,924
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	39	33,341	2,715	3,863		39,958
Sales and marketing	224	5,470	469	2,525		8,688
General and administrative	843	12,971	2,235	949		16,998
Depreciation and amortization		10,514	2,503	567		13,584
	1,106	62,296	7,922	7,904		79,228
Operating income (loss)	(1,106)	28,174	2,179	449		29,696
Other income (expense), net:						
Income from equity investment	16,739	3,632			(20,371)	
Interest income		1,000	71	64	(943)	192
Interest expense		(7,356)	(943)		943	(7,356)
Other, net		(263)	(58)	604		283
	16,739	(2,987)	(930)	668	(20,371)	(6,881)
Income (loss) before provision for income taxes	15,633	25,187	1,249	1,117	(20,371)	22,815
Provision (benefit) for income taxes	(399)	8,448	(1,421)	155		6,783
Net income	16,032	16,739	2,670	962	(20,371)	16,032
Less: Net loss attributable to noncontrolling interest						
Net income attributable to Syniverse Holdings, Inc.	\$ 16,032	\$ 16,739	\$ 2,670	\$ 962	\$ (20,371)	\$ 16,032



**Table of Contents****CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2009**

	Syniverse Inc.	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Consolidated
<b>Cash flows from operating activities</b>						
Net income	\$ 16,032	\$ 16,739	\$ 2,670	\$ 962	\$ (20,371)	\$ 16,032
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization including amortization of deferred debt issuance costs						
		10,943	2,503	568		14,014
Provision for uncollectible accounts		203		(4)		199
Deferred income tax expense		2,070		(269)		1,801
Income from equity investment	(16,739)	(3,632)			20,371	
Stock-based compensation	1,107					1,107
Other, net		4	18			22
Changes in operating assets and liabilities:						
Accounts receivable		1,337	(215)	5,389		6,511
Prepaid and other current assets		23,979	(27,138)	(397)		(3,556)
Accounts payable		(8,499)	(216)	(3,383)		(12,098)
Other current liabilities	(400)	(6,469)	(520)	(934)		(8,323)
Other long-term assets and liabilities	19	(3,132)	2,527	1,878		1,292
Net cash provided by (used in) operating activities	19	33,543	(20,371)	3,810		17,001
<b>Cash flows from investing activities</b>						
Capital expenditures		(6,217)	(567)	(31)		(6,815)
Net cash used in investing activities		(6,217)	(567)	(31)		(6,815)
<b>Cash flows from financing activities</b>						
Principal Payments on senior credit facility		(847)				(847)
Issuance of stock for stock options exercised	83					83
Minimum tax withholding on restricted stock awards	(102)					(102)
Capital contribution from noncontrolling interest in a joint venture		(792)		1,773		981
Net cash (used in) provided by financing activities	(19)	(1,639)		1,773		115
Effect of exchange rate changes on cash		(2,188)	860	(628)		(1,956)
Net increase (decrease) in cash		23,499	(20,078)	4,924		8,345
Cash at beginning of period	44	118,914	28,103	18,544		165,605
Cash at end of period	\$ 44	\$ 142,413	\$ 8,025	\$ 23,468	\$	\$ 173,950

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**ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Forward-Looking Statements***

We have made 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 (the Exchange Act), in this report. The words believes, anticipates, plans, expects, intends, estimates, seeks, may and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance and achievements, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

expectations of growth of the global wireless telecommunications industry, including increases in wireless subscribers, wireless usage, roaming, mobile data, number portability and messaging;

increases in demand for our services due to growth of the global wireless telecommunications industry, greater technology complexity and the introduction of new and incompatible wireless technologies;

the effect of unfavorable economic conditions on our business including our 2010 revenue and net income;

the sufficiency of our cash on hand, cash available from operations and cash available from our revolving line of credit to fund our operations, debt service and capital expenditures;

the failure to adapt to rapid technological changes in the telecommunications industry;

the impact of intense competition in our market for services, including the possible reduction in the price of our services;

the inability to develop and maintain relationships with material vendors;

the difficulties of successfully integrating our operations with the VM3 Business operations;

the impact of new products;

uncertain results from our continued expansion into international markets;

our stock price volatility and volatility in the market generally;

changes in accounting policies and procedures;

customer migrations from our services to in-house solutions;

fluctuations in currency exchange rates; and

other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (the "SEC").

Although we presently believe that the plans, expectations and results expressed in or suggested by the forward-looking statements are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this report. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.

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### ***Business***

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served as one of the wireless industry's operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our roaming, messaging and network services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including wireless voice and data roaming, SMS and MMS, number portability and value-added roaming services.

Demand for our services is driven primarily by wireless voice and data traffic, subscriber roaming activity, SMS and MMS messaging, number porting and next generation IP applications. The global wireless telecommunications industry is expected to grow due to continued subscriber growth, increased usage and deployment of new services. In addition, subscriber adoption of new wireless technologies and services can also drive demand for our services due to the resulting increase in interoperability complexities. The global wireless industry relies on an extensive and complex set of communication standards, technical protocols, network interfaces and systems that must successfully communicate with one another in order to provide voice and data services to subscribers in their local markets and when roaming. The proliferation of these standards has resulted in technological incompatibilities, which are increasingly difficult to manage as new wireless technologies and services are introduced and deployed. We believe that as wireless usage expands and complexity continues to increase, the demand for our services will grow.

We have developed a broad set of innovative interoperability solutions in response to the evolving needs of our customers. Through our integrated suite of services, we enable customers to provide their subscribers with enhanced services including:

national and international wireless voice and data roaming;

messaging services, including SMS and MMS, across incompatible standards and protocols;

intelligent network services such as wireless number portability and advanced IP service offerings; and

value-added roaming services.

Our service platforms also enable operators to rapidly and cost-effectively deploy next-generation wireless services including enhanced wireless data, wireless, VoIP and value-added roaming services.

We provide our services to approximately 700 telecommunications operators and to over 100 enterprise customers in approximately 160 countries. Our customers include wireless operators, telecommunications providers, internet service providers and social networking portals, cable companies and other non-traditional enterprise clients. We serve most of the largest global wireless telecommunications providers including AT&T Mobility, Sprint Nextel, T-Mobile, Verizon Wireless, China Mobile, American Moviles, Telenor, Telefonica, Orange, China Unicom, TeliaSonera, Vodafone, Reliance Communications, Turkcell, Telecom Italia and VimpelCom. We believe that maintaining strong relationships with our customers is one of our core competencies and that maintaining these relationships is critical to our success.

### ***Services***

We provide an integrated suite of services to our customers to meet their evolving technology requirements. In January 2010, we implemented changes to our internal operating structure as a result of the acquisition of the messaging business of VeriSign, Inc. in October 2009. In line with our strategies and realignment of our services to better coordinate our operations with similar type service offerings, we reorganized our operations into three primary lines of business with business leaders heading each line of business with profitability responsibility for their respective business line. This ensures that we are aligning our resources closer to where decisions are made that affect our customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business lines. As a result, our new operating structure has resulted in changes to our reportable business segments for the quarter ended March 31, 2010.

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Our reportable segments as well as the services included in each are as follows:

**Roaming Services.** We operate one of the largest wireless data clearing houses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. We also provide financial settlement services, roaming fraud prevention services, interstandard roaming solutions and MDR services for CDMA operators. In addition, we provide wireless operators with signaling and fraud management solutions that enable wireless subscribers from one operator to make and accept telephone calls while roaming on another operator's network. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution between operators.

**Messaging Services.** Our messaging services reliably translate, route and deliver SMS, MMS and other message formats across disparate networks. We accomplish the translating, routing and delivering of messages by mapping a message to a phone number, determining the appropriate operator, routing the message accurately and resolving incompatibility issues among CDMA, GSM and VoIP providers. Our services can deliver messages domestically and globally to multiple devices and platforms.

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**Network Services.** We connect disparate wireless and fixed line operator networks and enable access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls through our SS7/C7 hub. SS7/C7 are the telecommunications industry's standard network signaling protocols used by substantially all operators to enable critical telecommunications functions such as number portability, toll-free calling services and caller ID. Our leading number portability services are used by many wireless operators, including most U.S. operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all wireless operators in Canada and Singapore. In addition, we provide our customers with the ability to connect to various third-party intelligent network database providers (Off-Network Database Queries). We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers.

We also present a Corporate and Other category which includes our technology turn-key solutions including prepaid applications, interactive video, value-added roaming services and mobile broadband solutions, also known as our ITHL business as well as sales, marketing, corporate administrative and other functions. Our ITHL business provides value-added services to customers in the Asia Pacific region.

### *Executive Overview*

#### *First Quarter Financial Highlights*

For the three months ended March 31, 2010, total revenue increased \$40.1 million, or 36.8%, to \$149.0 million from \$108.9 million for the same period in 2009. Net income increased \$3.7 million, or 23.1%, to \$19.7 million for the three months ended March 31, 2010 from \$16.0 million for the same period in 2009. Diluted earnings per share was \$0.29 and \$0.23 for the three months ended March 31, 2010 and 2009, respectively.

Roaming services revenues increased \$6.5 million, or 11.0%, to \$65.9 million for the three months ended March 31, 2010 from \$59.4 million for the same period in 2009. The revenue increase was primarily due to volume growth driven by our data clearing house, interstandard roaming facilitation services, primarily with our UniRoam product, and signaling solutions services. The impact of these increases is partially offset by the loss of MDR transactions between Alltel and Sprint Nextel resulting from the Alltel/Sprint Nextel insourcing initiative in January 2009, combined with the roaming services impact of Verizon's acquisition and integration of Alltel during 2009.

Messaging services revenues increased \$38.0 million, or 403.2%, to \$47.4 million for the three months ended March 31, 2010 from \$9.4 million for the same period in 2009. The increase in revenues is primarily a result of \$41.8 million in messaging revenues associated with our acquisition of VM3 in the fourth quarter of 2009, partially offset by the impact of Verizon's acquisition and integration of Alltel during 2009.

Network services revenues decreased \$1.8 million, or 5.2%, to \$33.4 million for the three months ended March 31, 2010 from \$35.2 million for the same period in 2009. The decrease is primarily due to certain customer consolidations and the migration of a certain customer from our SS7 solutions partially offset by increases in our IPX transport services.

Other services revenues decreased \$2.6 million, or 53.0%, to \$2.3 million for the three months ended March 31, 2010 from \$4.9 million for the same period in 2009. Our technology turnkey solutions offering has experienced lower sales due to timing of capital spending by operators in the Asia Pacific region.

### *Acquisitions*

#### *Acquisition of the Messaging Business of VeriSign, Inc.*

On August 24, 2009, we entered into an acquisition agreement to acquire the messaging business of VeriSign, Inc. (VeriSign) for a purchase price of \$175.0 million, subject to certain adjustments to reflect fluctuations in working capital. Under the acquisition agreement, we acquired the stock of VeriSign ICX Corporation and certain other assets associated with VeriSign's Inter-Carrier Gateway, Premium Messaging Gateway, PictureMail Service and Mobile Enterprise Solutions businesses (collectively VM3). On October 23, 2009, the purchase was completed for cash proceeds of \$175.0 million.

Through the acquisition of VM3, we believe we will expand our current messaging operations to achieve the solution's scale, reach and capabilities needed to provide mobile operators with new service offerings to meet customers' growing need for messaging services. These services include:

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**Inter-Carrier Gateway** enables operators to deliver inter-carrier person-to-person SMS and MMS messages across geographies and technologies. While we currently offer these services as described above in our Messaging Services, we have expanded our scale and reach in this offering. In addition, with the acquisition, we have gained a larger Tier 1 customer base for these services.

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**PictureMail** provides state-of-the-art MMS platform with core components that include a hosted MMS service center (MMSC) for MMS routing, handset photo applications, a social networking interface, and photo storage and sharing capabilities.

**Premium Messaging Gateway** manages delivery of off-portal or third-party content to subscribers.

**Mobile Enterprise Solutions (MES)** enables businesses to send time- and event-based messages or alerts via voice, text message or email to customers, employees or partners, and allows operators to offer their high-value enterprise customers a broader array of services, including enterprise paging, mobile financial services and other advanced applications.

### ***Business Developments***

#### ***India Number Portability Services***

In February 2009, we entered into a joint venture agreement to implement number portability services in India. This joint venture was awarded the license for Zone 1, which includes the service areas of Delhi, Mumbai and nine other areas. We expect to provide India's telecommunications operators with number portability clearing house and centralized database solutions for the next 10 years. The service offering is dependent on completing the processing platform and database, operator readiness and regulatory confirmation of the implementation timeline.

The Indian telecommunications regulatory authority announced uncertainty in the implementation timeline. In general, India mobile operators appear to be delayed in their readiness efforts. However, our readiness efforts are continuing despite this announcement. The regulatory authority is continuing to monitor the operator readiness and expects to announce the number portability launch date by June 30, 2010.

### ***Revenues***

Most of our revenues are transaction-based charges under long-term contracts, typically with terms averaging three years in duration. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services on a month to month billing schedule under the terms of the expired contract as we negotiate new agreements or renewals. Most of the services and solutions we offer to our customers are based on applications, network connectivity and technology platforms owned and operated by us. We generate our revenues through the sale of our roaming, messaging, network and other services to telecommunications operators throughout the world. Generally, there is a slight increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. In addition, for our messaging services, revenues generally grow sequentially through the calendar year with volumes peaking in the fourth quarter holiday seasons.

Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, subscriber habits, and volume and pricing trends, with few of these factors known in advance. From time to time, specific events such as customer contract renewals at different terms, a customer contract termination, a customer's decision to change technologies or to provide solutions in-house, or a consolidation of operators will be known to us and then we can estimate their impact on our revenues.

### ***Costs and Expenses***

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

Cost of operations includes data processing costs, network costs, revenue share service provider arrangements, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges.

Sales and marketing includes personnel costs, advertising costs, trade show costs and relationship marketing costs.



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General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to these functions. Our research and development expenses, which are primarily personnel, relate to technology creation, enhancement and maintenance of new and existing services.

Depreciation and amortization relate primarily to our property and equipment including our SS7 network, computer equipment, infrastructure facilities related to information management, capitalized software and other intangible assets recorded in purchase accounting.

**Table of Contents****Consolidated Results of Operations**

Comparison of the three months ended March 31, 2010 and 2009

	Three Months Ended March 31,			
	2010	2009	\$ Change	% Change
	(dollars in thousands, except per share amounts)			
Revenue	\$ 149,016	\$ 108,924	\$ 40,092	36.8%
Operating income	38,494	29,696	8,798	29.6%
Diluted earnings per share	\$ 0.29	\$ 0.23	\$ 0.06	22.6%

Revenues increased \$40.1 million to \$149.0 million for the three months ended March 31, 2010 from \$108.9 million for the same period in 2009. The increase in revenues was primarily due to transaction volume growth driven by our Roaming and Messaging services offset in part by decreases in Network and Other services.

**Expenses**

	Three Months Ended March 31,			
	2010	2009	\$ Change	% Change
	(dollars in thousands)			
Cost of operations	\$ 56,269	\$ 39,958	\$ 16,311	40.8%
As a % of revenue	37.8%	36.7%		1.1%

Cost of operations increased \$16.3 million to \$56.3 million for the three months ended March 31, 2010 from \$40.0 million for the same period in 2009. The increase was primarily due to operating costs associated with our acquisition of VM3, which was completed in the fourth quarter of 2009 offset by lower costs associated with our technology turnkey solutions offering as a result of the timing of capital spending by operators in the Asia Pacific region. As a percentage of revenue, cost of operations increased to 37.8% for the three months ended March 31, 2010 from 36.7% for the three months ended March 31, 2009 due to the impact of the VM3 acquisition which has historically produced lower margins than our historical messaging products.

	Three Months Ended March 31,			
	2010	2009	\$ Change	% Change
	(dollars in thousands)			
Sales and marketing	\$ 12,631	\$ 8,688	\$ 3,943	45.4%
As a % of revenue	8.5%	8.0%		0.5%

Sales and marketing expenses increased \$3.9 million to \$12.6 million for the three months ended March 31, 2010 from \$8.7 million for the same period in 2009. The increase was primarily due to expenses associated with our acquisition of VM3, which was completed in the fourth quarter of 2009, expected higher performance-based compensation, stock-based compensation and trade show expenses incurred during the quarter ended March 31, 2010. As a percentage of revenue, sales and marketing expense increased to 8.5% for the three months ended March 31, 2010 from 8.0% for the three months ended March 31, 2009 due to increases in product management associated with the products acquired in the VM3 acquisition.

	Three Months Ended March 31,			
	2010	2009	\$ Change	% Change
	(dollars in thousands)			
General and administrative	\$ 22,703	\$ 16,998	\$ 5,705	33.6%
As a % of revenue	15.2%	15.6%		(0.4)%

General and administrative expenses increased \$5.7 million to \$22.7 million for the three months ended March 31, 2010 from \$17.0 million for the same period in 2009. The increase was primarily due to higher performance-based compensation, stock-based compensation and expenses associated with our acquisition of VM3, which was completed in the fourth quarter of 2009. As a percentage of revenue, general and

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administrative expense decreased to 15.2% for the three months ended March 31, 2010 from 15.6% for the three months ended March 31, 2009 as a result of leveraging these costs with the acquisition of VM3.

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	Three Months Ended March 31,		\$ Change	% Change
	2010	2009		
	(dollars in thousands)			
Depreciation and amortization	\$ 18,919	\$ 13,584	\$ 5,335	39.3%
As a % of revenue	12.7%	12.5%		0.2%

Depreciation and amortization expenses increased \$5.3 million to \$18.9 million for the three months ended March 31, 2010 from \$13.6 million for the same period in 2009. The increase was primarily due to the amortization of intangible assets from our acquisition of VM3.

**Other Income (Expense)**

	Three Months Ended March 31,		\$ Change	% Change
	2010	2009		
	(dollars in thousands)			
Interest income	\$ 26	\$ 192	\$ (166)	(86.5)%
Interest expense	\$ (6,833)	\$ (7,356)	\$ (523)	(7.1)%
Other, net	\$ 624	\$ 283	\$ 341	120.5%

Interest income decreased \$0.2 million to a de minimis amount for the three months ended March 31, 2010 from \$0.2 million for the same period in 2009. The decrease was due to lower yields earned on outstanding cash balances.

Interest expense decreased \$0.6 million to \$6.8 million for the three months ended March 31, 2010 from \$7.4 million for the same period in 2009. The decrease was primarily due to lower variable interest rates on our Euro denominated senior credit facility.

Other, net increased \$0.3 million to \$0.6 million for the three months ended March 31, 2010 from \$0.3 million for the same period in 2009. The increase was primarily due to foreign currency transaction gains on foreign denominated cash balances and intercompany accounts as a result of our global presence.

Provision for income taxes increased \$5.8 million to \$12.6 million for the three months ended March 31, 2010 from \$6.8 million for the same period in 2009. During the three months ended March 31, 2010 and 2009, the effective tax rate was 38.9% and 29.7%, respectively. During the three months ended March 31, 2009, the income tax provision was adjusted for a tax benefit of approximately \$1.5 million due to an adjustment for an item believed to be non-deductible in prior periods. Excluding the effect of discrete tax adjustments, the effective tax rate for the three months ended March 31, 2009 was 36.1%. The increase in our effective tax rate is attributed to the mix of income from domestic and foreign tax jurisdictions with higher tax rates offset by our tax planning initiatives.

**Segment Results of Operations****Roaming Services**

	Three Months Ended March 31,		\$ Change	% Change
	2010	2009		
	(dollars in thousands)			
Revenue	\$ 65,905	\$ 59,360	\$ 6,545	11.0%
Segment operating income	\$ 38,765	\$ 33,677	\$ 5,088	15.1%
Segment operating margin %	58.8%	56.7%		2.1%

Roaming services revenues increased \$6.5 million, or 11.0%, to \$65.9 million for the three months ended March 31, 2010 from \$59.4 million for the same period in 2009. The revenue increase was primarily due to volume growth driven by our data clearing house, UniRoam and signaling solutions services. The impact of these increases is partially offset by the loss of MDR transactions between Alltel and Sprint Nextel resulting from the Alltel/Sprint Nextel insourcing initiative in January 2009, combined with the roaming services impact of Verizon's acquisition and integration of Alltel during 2009.

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Segment operating income increased \$5.1 million to \$38.8 million for the three months ended March 31, 2010 from \$33.7 million for the same period in 2009. The increase is driven by higher revenue offset by increases in operations and support expenses of \$1.1 million primarily for performance-based and stock-based compensation and depreciation and amortization of \$0.3 million.

Segment operating margins within the Roaming segment increased 2.1% during the three months ended March 31, 2010 from the same period in 2009. The increase is a result of higher revenues in excess of operations costs due to the highly fixed nature of our cost of operations. The increase was partially offset by higher support related expenses.

**Messaging Services**

	Three Months Ended March 31,		\$ Change	% Change
	2010	2009		
	(dollars in thousands)			
Revenue	\$ 47,412	\$ 9,422	\$ 37,990	403.2%
Segment operating income	\$ 18,394	\$ 4,169	\$ 14,225	341.2%
Segment operating margin %	38.8%	44.2%		(5.4)%

Messaging services revenues increased \$38.0 million, or 403.2%, to \$47.4 million for the three months ended March 31, 2010 from \$9.4 million for the same period in 2009. The increase in revenues is primarily a result of \$41.8 million in messaging revenues associated with our acquisition of VM3 in the fourth quarter of 2009, partially offset by the impact of Verizon's acquisition and integration of Alltel during 2009.

Segment operating income increased \$14.2 million to \$18.4 million for the three months ended March 31, 2010 from \$4.2 million for the same period in 2009. The increase is primarily driven by our acquisition of VM3 in the fourth quarter of 2009.

Segment operating margins within the Messaging segment decreased 5.4% during the three months ended March 31, 2010 from the same period in 2009. The decrease is a result of the impact of the VM3 acquisition which has produced lower margins than our historical messaging products.

**Network Services**

	Three Months Ended March 31,		\$ Change	% Change
	2010	2009		
	(dollars in thousands)			
Revenue	\$ 33,402	\$ 35,249	\$ (1,847)	(5.2)%
Segment operating income	\$ 11,613	\$ 13,144	\$ (1,531)	(11.6)%
Segment operating margin %	34.8%	37.3%		(2.5)%

Network services revenues decreased \$1.8 million, or 5.2%, to \$33.4 million for the three months ended March 31, 2010 from \$35.2 million for the same period in 2009. The decrease is primarily due to certain customer migrations from our SS7 solutions partially offset by increases in our IPX transport services.

As a result of the revenue decline for this area, segment operating income decreased \$1.5 million to \$11.6 million for the three months ended March 31, 2010 from \$13.1 million for the same period in 2009.

Segment operating margins within the Network services segment decreased 2.5% during the three months ended March 31, 2010 from the same period in 2009. The decrease is a result of the lower revenues in excess of operations costs due to the fixed nature of our cost of operations.

**Liquidity and Capital Resources****Cash Flow Information**

Cash and cash equivalents were \$95.8 million at March 31, 2010 as compared to \$91.9 million at December 31, 2009. The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).



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	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net cash provided by operating activities	\$ 18,167	\$ 17,001
Net cash used in investing activities	(13,939)	(6,815)
Net cash provided by financing activities	925	115
Effect of exchange rate changes on cash	(1,272)	(1,956)
<b>Net increase in cash</b>	<b>\$ 3,881</b>	<b>\$ 8,345</b>

Net cash provided by operating activities was \$18.2 million for the three months ended March 31, 2010 as compared to \$17.0 million for the same period in 2009. The increase was primarily related to higher net income adjusted for non-cash items and timing of working capital items including estimated tax payments. Changes in non-cash items were driven primarily by higher depreciation and amortization related to VM3 acquired property and equipment and intangible assets combined with an increase in deferred income tax expense related to higher tax deductible goodwill and identifiable intangible assets for VM3 and an increase in other current liabilities. These increases were offset by decreases in transition services payable related to payments made against December 2009 obligations owed to VeriSign, Inc. associated with a transition services agreement entered into as a part of the VM3 acquisition.

Net cash used in investing activities was \$13.9 million for the three months ended March 31, 2010, which includes \$13.4 million for capital expenditures and \$0.5 million for the final working capital adjustment for the acquisition of VM3. Capital expenditures related to investment in messaging integration and capitalized software for new products and services. Net cash used in investing activities was \$6.8 million for the three months ended March 31, 2009, all of which was associated with capital expenditures. Capital expenditures primarily related to investment in our internal infrastructure, including network infrastructure to support customer growth, and capitalized software.

Net cash provided by financing activities was \$0.9 million for the three months ended March 31, 2010, which includes \$0.8 million of principal payments on our senior credit facility offset by \$0.7 million of stock issued for stock option exercises and \$1.1 million in capital contributions received from partners holding a noncontrolling interest in a joint venture. Net cash used in financing activities was \$0.1 million for the three months ended March 31, 2009, which includes \$0.8 million of principal payments on our senior credit facility offset by \$1.0 million in capital contributions from the noncontrolling interest in a joint venture.

On October 6, 2008, we entered into an interest rate swap agreement to hedge \$100.0 million of our U.S.-denominated term loan under our senior credit facility. The hedge effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. The effective date of the swap is October 31, 2008 and the maturity date is October 31, 2010. The fixed rate is 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin.

Our principal sources of liquidity are cash flows generated from operations and borrowings under our senior credit facility. Our principal uses of cash are to meet debt service requirements, finance our capital expenditures, make acquisitions and provide working capital. We expect that cash on hand, cash available from operations, and the availability of cash under our revolving line of credit will be sufficient to fund our operations, debt service and capital expenditures for the foreseeable future.

***Debt and Credit Facilities******Amended and Restated Senior Credit Facility***

On August 9, 2007, we entered into a \$464.0 million amended and restated credit agreement, the senior credit facility, with Lehman Brothers Inc. and Deutsche Bank Securities Inc. as joint lead arrangers and joint book-running managers, Lehman Commercial Paper Inc., as administrative agent, Deutsche Bank AG New York Branch, as syndication agent, Bear Stearns Corporate Lending Inc. and LaSalle Bank National Association, as co-documentation agents and the lenders from time to time parties thereto. The obligations under the senior credit facility are unconditionally guaranteed by Syniverse, Inc. and all material U.S. domestic subsidiaries of Syniverse Technologies, Inc. (the Guarantors) and are secured by a security interest in substantially all of the tangible and intangible assets of Syniverse Technologies, Inc. and the Guarantors. The obligations under the senior credit facility are also secured by a pledge of the capital stock of Syniverse Technologies, Inc. and its direct and indirect U.S. subsidiaries.

The senior credit facility provides for aggregate borrowings of \$464.0 million as follows:

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a term loan of \$112.0 million in aggregate principal amount;

a delayed draw term loan of \$160.0 million in aggregate principal;

a Euro-denominated delayed draw term loan facility of the equivalent of \$130.0 million;

a revolving credit line of \$42.0 million; and

a Euro-denominated revolving credit line of the equivalent of \$20.0 million.



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On December 19, 2007, the delayed draw term loans of \$290.0 million (delayed draw term loan of \$160.0 million and Euro-denominated delayed draw term loan of the equivalent of \$130.0 million) were used to fund the acquisition of BSG Wireless including the repayment of existing debt and to pay related transaction fees and expenses. The delayed draw term loans were subject to a commitment fee of 1.25% per annum on undrawn amounts.

The applicable margin for the base rate term loan and the base rate revolving loans is 1.50%. U.S. dollar denominated borrowings bear interest at the applicable margin plus either a base rate or, at our option, a LIBOR rate. The applicable margin for the Eurodollar term loan, Euro-denominated term loan and Eurodollar revolving loans is 2.50%. Euro-denominated borrowings under the senior credit facility bear interest at the applicable margin plus a EURIBOR rate. The term loan facilities require regularly scheduled quarterly payments of principal and interest, and the entire amount of the term loan facilities will mature on August 9, 2014. The full amount borrowed under the revolving credit line will mature on August 9, 2013. In the event we fail to refinance our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes by February 15, 2013, then the maturity date of our term loan facilities and revolving credit line will be accelerated to February 15, 2013.

On May 4, 2009, we entered into an Amendment, Waiver, Resignation and Appointment Agreement, or the amendment, with Lehman Commercial Paper Inc., Bank of America, N.A., and certain of the other parties to the senior credit facility. Pursuant to the amendment, Lehman Commercial Paper has resigned as administrative agent and Bank of America has been appointed as successor administrative agent under the senior credit facility. The amendment also provides for other modifications of the senior credit facility including the termination of Lehman Commercial Paper's commitments under our undrawn revolving credit lines of \$28.2 million and provides for Bank of America to extend commitments under our undrawn revolving credit lines of \$10.0 million. This modification reduces our revolving credit lines from \$62.0 million to \$43.8 million.

As of March 31, 2010, we had an aggregate face amount of \$328.9 million of outstanding indebtedness under our senior credit facility representing \$210.5 million in U.S. dollar denominated term loans, \$118.4 million in Euro-denominated term loans, \$29.6 million available under the revolving credit line and \$14.2 million available under the Euro-denominated revolving credit line. As of March 31, 2010, the applicable interest rate was 2.75% on the term loan based on the LIBOR option and 2.90% on the Euro-denominated delayed term loan based on the EURIBOR option.

The senior credit facility contains covenants that will limit our ability and that of our Guarantors to, among other things, incur or guarantee additional indebtedness, create liens, pay dividends on or repurchase stock, make certain types of investments, restrict dividends or other payments from our subsidiaries, enter into transactions with affiliates and sell assets or merge with other companies. The senior credit facility also requires compliance with financial covenants, including a maximum ratio of total indebtedness to Consolidated EBITDA. As of March 31, 2010, we believe we are in compliance with all of our covenants contained in the senior credit facility.

### ***7<sup>3</sup>/<sub>4</sub> % Senior Subordinated Notes Due 2013***

On August 24, 2005, we completed a private offering of \$175.0 million in aggregate principal amount of our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. Interest on the notes accrues at the rate of 7<sup>3</sup>/<sub>4</sub>% per annum and is payable semi-annually in arrears on February 15 and August 15, commencing on February 15, 2006.

The indenture governing our 7<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 contains certain covenants that among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of March 31, 2010, we believe we are in compliance with all of the covenants contained in the indenture governing our senior subordinated notes.

### **Non-GAAP Financial Measures**

We believe that the disclosure of adjusted EBITDA, operating free cash flow and cash net income is useful to investors as these non-GAAP measures form the basis of how our executive team and Board of Directors evaluates our performance. By disclosing these non-GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, the means by which our management team operates our company. We also believe these measures can assist investors in comparing our performance to that of other companies on a consistent basis without regard to certain items that do not directly affect our ongoing operating performance or cash flows.

Adjusted EBITDA, operating free cash flow and cash net income have limitations as analytical tools, and should not be relied on or considered in isolation or as a substitute for GAAP measures, such as net income, cash flows from operating activities and other consolidated income or other cash flows statement data prepared in accordance with GAAP. In addition, these non-GAAP measures may not be comparable to other

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similarly titled measures of other companies. Because of these limitations, adjusted EBITDA and operating free cash flow should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Cash net income also should not be considered as a replacement for, or a measure that should be used or analyzed in lieu of, net income. We attempt to compensate for these limitations by relying primarily upon our GAAP results and using adjusted EBITDA, operating free cash flow and cash net income as supplemental information only.

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### *Adjusted EBITDA and Operating Free Cash Flow*

Adjusted EBITDA is determined by adding the following items to net income: interest expense, net, provision for income taxes, depreciation and amortization, non-cash stock compensation and acquisition related expenses including transition and integration costs.

Operating free cash flow is determined by subtracting capital expenditures from net cash provided by operating activities.

We utilize adjusted EBITDA and operating free cash flow because we believe that adjusted EBITDA and operating free cash flow provide useful information regarding our continuing operating results. We rely on adjusted EBITDA and operating free cash flow as primary measures to review and assess the operating performance of our management team in connection with our executive compensation and bonus plans. We also review adjusted EBITDA and operating free cash flow to compare our current operating results with prior periods and with the operating results of other companies in our industry. In addition, we utilize adjusted EBITDA and operating free cash flow as an assessment of our overall liquidity and our ability to meet our debt service obligations.

### *Cash Net Income*

Cash net income is calculated by (i) adding the following items to net income: provision for income taxes, non-cash stock compensation, acquisition related expenses including transition and integration costs and purchase accounting amortization; (ii) adjusting the resulting pre-tax sum for a provision for income taxes at an assumed long-term tax rate of 37.5%, which excludes the effect of our net operating losses; and (iii) adding to that sum the cash benefit of our tax-deductible goodwill. The cash benefit is a result of the differing treatments of approximately \$436 million of goodwill on our balance sheet as of March 31, 2010 and December 31, 2009, which primarily is the result of acquisitions that we made from Verizon in February 2002, IOS North America in September 2004 and VM3 in October 2009. Specifically, while this goodwill is not amortized for GAAP purposes, the amortization of goodwill is, nonetheless, deductible in calculating our taxable income and, hence, reduces actual cash tax liabilities.

We report cash net income as we believe that it provides an after-tax operating performance measure including the cash impact of our tax deductible goodwill to compare current operating results with prior periods.

### *Reconciliation of Non-GAAP Measures to GAAP*

A reconciliation of net income, the closest GAAP financial measure, to adjusted EBITDA and cash net income is presented in the financial tables below.

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	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Reconciliation to adjusted EBITDA</b>		
Net income	\$ 19,729	\$ 16,032
Interest expense, net	6,807	7,164
Provision for income taxes	12,582	6,783
Depreciation and amortization	18,919	13,584
Non-cash stock compensation	2,827	1,107
BSG Wireless transition expenses		2,566
Messaging acquisition and integration expenses	682	
<b>Adjusted EBITDA</b>	<b>\$ 61,546</b>	<b>\$ 47,236</b>

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Reconciliation to cash net income</b>		
Net income	\$ 19,729	\$ 16,032
Add provision for income taxes	12,582	6,783
Income before provision for income taxes	32,311	22,815
Non-cash stock compensation	2,827	1,107
Purchase accounting amortization	9,203	6,791
BSG Wireless transition expenses		2,566
Messaging acquisition and integration expenses	682	
<b>Adjusted income before provision for income taxes</b>	<b>45,023</b>	<b>33,279</b>
Less assumed provision for income taxes at 37.5%	(16,884)	(12,480)
Add cash savings of tax deductible goodwill <sup>(1)</sup>	2,776	2,301
<b>Cash net income</b>	<b>\$ 30,915</b>	<b>\$ 23,100</b>
<b>Cash net income per share</b>	<b>\$ 0.45</b>	<b>\$ 0.34</b>
Diluted shares outstanding	68,579	67,942

(1) Represents the cash benefit realized currently as a result of the tax deductibility of goodwill amortization.

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A reconciliation of operating free cash flow to net cash provided by operating activities, the closest GAAP measure, is presented in the financial table below.

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Reconciliation to operating free cash flow</b>		
Net cash provided by operating activities	\$ 18,167	\$ 17,001
Capital expenditures	(13,442)	(6,815)
 Operating Free Cash Flow	 \$ 4,725	 \$ 10,186

***Effect of Inflation***

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had any material effect on our results of operations during the three months ended March 31, 2010 and 2009.

***Critical Accounting Policies and Estimates***

The preparation of our Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances.

During the three months ended March 31, 2010, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2009. In addition, we do not believe that any of our reporting units is at risk of failing the initial step for calculating goodwill impairment as of March 31, 2010. You should read the Critical Accounting Estimates in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 1A Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 and our summary of significant accounting policies in Note 2 of our Notes to Condensed Unaudited Consolidated Financial Statements in this Form 10-Q.

***Recent Accounting Pronouncements***

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, which is included in the ASC in Topic 605 (Revenue Recognition). ASU 2009-13 amends previous revenue recognition guidance to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. We are currently assessing the impact of ASU 2009-13 on our consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-14, *Certain Revenue Arrangements That Include Software Elements*, which is included in the ASC in Topic 985 (Software). ASU 2009-14 amends previous software revenue recognition to exclude all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. We are currently assessing the impact of ASU 2009-14 on our consolidated financial position and results of operations.

***Off-Balance Sheet Arrangements***

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We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our contract with the customer, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately \$113.5 million and \$152.7 million as of March 31, 2010 and December 31, 2009, respectively.

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We have also used off-balance sheet financing in recent years primarily in the form of operating leases for facility space and some equipment leasing and we expect to continue these practices. We do not use any other type of joint venture or special purpose entities that would create off-balance sheet financing. We believe that our decision to lease our office space is similar to that used by many other companies of our size and does not have a material impact to our financial statements.

### ***Available Information***

We file annual and quarterly reports, proxy statements and other information with the SEC. You may read and print materials that we have filed with the SEC from its website at [www.sec.gov](http://www.sec.gov). In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act can be viewed and printed from the investor information section of our website at [www.syniverse.com](http://www.syniverse.com), free of charge, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Certain materials relating to our corporate governance, including our senior financial officers' code of ethics, are also available in the investor information section of our website. Our website and the information contained or incorporated therein are not intended to be incorporated into this report.

Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing to us using the address on the cover of this Form 10-Q. You may also telephone our investor relations office directly at (813) 637-5007.

Our SEC filings may also be viewed and copied at the following SEC Public Reference Room and at the offices of the New York Stock Exchange where our common stock is quoted under the symbol SVR.

SEC Public Reference Room

100 F Street, N.E.

Washington, DC 20549

(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext

20 Broad Street

New York, NY 10005

## **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Interest Rate Market Risk***

We are exposed to changes in interest rates on our senior credit facility. Our senior credit facility is variable rate debt. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of March 31, 2010 and December 31, 2009, we had \$328.9 million and \$337.5 million, respectively, of variable rate debt outstanding on our senior credit facility. Holding other variables constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have had an estimated impact on pre-tax earnings and cash flows for the next year of approximately \$3.3 million. Under the terms of the senior credit facility at least 25% of our funded debt must bear interest that is effectively fixed. As a result, we may from time to time be required to enter into interest rate protection agreements establishing a fixed maximum interest rate with respect to a portion of our total indebtedness.

On October 6, 2008, we entered into an agreement to hedge \$100.0 million of our U.S. dollar-denominated term loan under our senior credit facility. The hedge effectively swaps variable rate interest based on 1-month LIBOR to a fixed rate interest thereby reducing our exposure to interest rate fluctuations. The effective date of the swap is October 31, 2008 and the maturity date is October 31, 2010. The fixed rate is 5.26% based on our 2.76% swap rate plus our 2.50% applicable margin.

### ***Foreign Currency Market Risk***

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Although the majority of our operations are conducted in U.S. dollars, our significant foreign operations are conducted in Euros and Great Britain Pounds. On a less significant basis, we conduct operations in the various currencies of the Asia-Pacific region, Canada and Latin America, several of which are directly tied to the movement in the U.S. dollar. Consequently, a portion of our revenues and expenses may be affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations. We have not hedged our translation risk on foreign currency exposure through the use of derivative instruments.

A 10% change in average foreign currency rates against the U.S. dollar during the three months ended March 31, 2010 would have increased or decreased our revenues and net income by approximately \$1.5 million and \$0.7 million, respectively.



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### **ITEM 4: CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls*

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2010. Our evaluation tested controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on our evaluation, as of March 31, 2010, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective.

#### *Changes in Internal Control Over Financial Reporting*

During the three months ended March 31, 2010, we integrated the finance functions relating to the messaging business acquisition from VeriSign, Inc. into the internal control structure of the Company. Prior to the integration, these functions were provided by VeriSign, Inc. under a transition services agreement. There were no other changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II**

### **OTHER INFORMATION**

### **ITEM 1: LEGAL PROCEEDINGS**

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

### **ITEM 1A: RISK FACTORS**

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in *Item 1A Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Notes to Consolidated Financial Statements* in our Annual Report on Form 10-K for the year ended December 31, 2009 and disclosed elsewhere in this quarterly report on Form 10-Q. There has been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

### **ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) None.

(b) None.

(c) None.

### **ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 5: OTHER INFORMATION**

(a) Not applicable.

(b) Not applicable.

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**ITEM 6: EXHIBITS**

**Exhibit**

No.	Description
3.1	Restated Certificate of Incorporation of TSI Telecommunication Services Inc. (n/k/a Syniverse Technologies, Inc.) (1)
3.2	Certificate of Amendment of Restated Certificate of Incorporation of Syniverse Technologies, Inc. (2)
3.3	Second Amended and Restated Certificate of Incorporation of Syniverse Holdings, Inc. (3)
3.4	Bylaws of Syniverse Technologies, Inc. (1)
3.5	Amended and Restated Bylaws of Syniverse Holdings, Inc. (3)
*10.1	Employment Agreement dated March 26, 2009 between Syniverse Technologies, BV and Lori Gonnu.
*31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
*31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
**32.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
**32.2	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.

- (1) Incorporated by reference to the Registrants Registration Statement on Form S-4 (Registration No. 333-88168).
- (2) Incorporated by reference to Syniverse Holdings, LLC and Syniverse Technologies, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
- (3) Incorporated by reference to Syniverse Holdings, Inc. s Registration Statement on Form S-1/A (Registration No. 333-120444).
- \* Filed herewith
- \*\* Furnished herewith

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**SIGNATURES**

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

**SYNIVERSE HOLDINGS, INC.**

**SYNIVERSE TECHNOLOGIES, INC.**

(Registrant)

Date: May 7, 2010

*/s/* DAVID W. HITCHCOCK  
**David W. Hitchcock**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

*/s/* MARTIN A. PICCIANO  
**Martin A. Picciano**  
**Senior Vice President and Chief Accounting Officer**  
**(Principal Accounting Officer)**

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**INDEX OF EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
*10.1	Employment Agreement dated March 26, 2009 between Syniverse Technologies, BV and Lori Gonnu.
*31.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
*31.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.
**32.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.
**32.2	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.

\* Filed herewith

\*\* Furnished herewith