

SS&C Technologies Holdings Inc  
Form 10-K  
March 12, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2011**

or

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

**Commission file number: 001-34675**

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

(Exact name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

80 Lamberton Road

71-0987913  
(I.R.S. Employer  
Identification No.)

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Windsor, CT 06095

(Address of Principal Executive Offices, Including Zip Code)

860-298-4500

(Registrant's Telephone Number, Including Area Code)

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

| Title of Each Class                      | Name of Each Exchange on Which Registered |
|--|---|
| Common Stock, \$0.01 par value per share | The NASDAQ Global Select Market           |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (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

As of June 30, 2011, the aggregate market value of the registrant's common stock held by non-affiliates was \$521,814,000 based on the closing sale price per share of the registrant's common stock on The NASDAQ Global Select Market on such date.

There were 77,885,886 shares of the registrant's common stock outstanding as of March 8, 2012.

**DOCUMENTS INCORPORATED BY REFERENCE:**

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Part III of this annual report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for the 2012 annual meeting of stockholders, which the registrant intends to file pursuant to Regulation 14A with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 31, 2011. With the exception of the sections of the definitive proxy statement specifically incorporated herein by reference, the definitive proxy statement is not deemed to be filed as part of this annual report on Form 10-K.

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

**ANNUAL REPORT ON FORM 10-K**

**For the Fiscal Year Ended December 31, 2011**

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**FORWARD-LOOKING INFORMATION**

This annual report contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words believes, anticipates, plans, expects, should, similar expressions are intended to identify forward-looking statements. The factors discussed under Item 1A. Risk Factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. We expressly disclaim any obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The following (identified in the chart of products and services on pages 12-13) are registered trademarks and/or service marks of the Company in the United States and/or in other countries: ADVISORWARE, DBC, FUNDRUNNER, MARGINMAN, PACER, PAGES, PORTPRO, RECON, SKYLINE, SYLVAN, TRADEDESK, TRADETHRU and ZOOLOGIC. SS&C Technologies, Inc. and/or its subsidiaries in the United States and/or in other countries have trademark or service mark rights to certain other names and marks referred to in this annual report.

SS&C Technologies Holdings, Inc., or SS&C Holdings, is our top-level holding company. SS&C Technologies, Inc., or SS&C, is our primary operating company and a wholly-owned subsidiary of SS&C Technologies Holdings, Inc. We, us, our and the Company mean SS&C Technologies Holdings, Inc. and its consolidated subsidiaries, including SS&C.

Unless context otherwise requires, references to our common stock includes both shares of our common stock and shares of our Class A non-voting common stock.

**Table of Contents****PART I****Item 1. Business Overview**

We are a leading provider of mission-critical, sophisticated software products and software-enabled services that allow financial services providers to automate complex business processes and effectively manage their information processing requirements. Our portfolio of software products and rapidly deployable software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. We provide our solutions globally to more than 5,000 clients, principally within the institutional asset management, alternative investment management and financial institutions vertical markets. In addition, our clients include commercial lenders, corporate treasury groups, insurance and pension funds, municipal finance groups and real estate property managers.

We provide the global financial services industry with a broad range of software-enabled services, which consist of software-enabled outsourcing services and subscription-based on-demand software that are managed and hosted at our facilities, and specialized software products, which are deployed at our clients' facilities. Our software-enabled services, which combine the strengths of our proprietary software with our domain expertise, enable our clients to contract with us to provide many of their mission-critical and complex business processes. For example, we utilize our software to offer comprehensive fund administration services for alternative investment managers, including fund manager services, transfer agency services, fund of funds services, tax processing and accounting. We offer clients the flexibility to choose from multiple software delivery options, including on-premise applications and hosted, multi-tenant or dedicated applications. Additionally, we provide certain clients with targeted, blended solutions based on a combination of our various software and software-enabled services. We believe that our software-enabled services provide superior client support and an attractive alternative to clients that do not wish to install, manage and maintain complicated financial software. The following table describes selected functionality of our software products and software-enabled services and the eight vertical markets that we serve.

| <b>Verticals Served</b>         | <b>Services</b>               | <b>Software</b>   |
|---------------------------------|-------------------------------|---|
| Alternative Investments         | Middle & Back Office Services | Trade Order & Execution Management<br>Pre- & Post-Trade Settlement  |
| Insurance & Pension Funds       | Fund Administration           | Accounting (Investment, Portfolio, Fund, & Partnership)<br>Reconciliation                                   |
| Asset & Wealth Management       |                               | Reporting (Regulatory, Operational, and Investor)   |
| Financial Institutions          |                               | Performance Measurement, Attribution and Risk Loan<br>Origination & Servicing Financial Services Courseware |
| Commercial Lenders              |                               | Benefits Administration   |
| Real Estate Property Management |                               | Screening/Lending Tools   |
| Municipal Finance               |                               | Market Data   |
| Financial Markets               |                               |   |

Our business model is characterized by substantial contractually recurring revenues, high operating margins and significant cash flow. We generate revenues primarily through our high-value software-enabled services, which are typically sold on a long-term subscription basis and integrated into our clients' business processes. Our software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments and are subject to automatic annual renewal at the end of the initial term unless terminated by either party. We also generate revenues by licensing our software to clients



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through either perpetual or term licenses and by selling maintenance services. Maintenance services are generally provided under annually renewable contracts. As a consequence, a significant portion of our revenues consists of subscription payments and maintenance fees and is contractually recurring in nature. Our pricing typically scales as a function of our clients' assets under management, the complexity of asset classes managed and the volume of transactions.

Our contractually recurring revenue model helps us minimize the fluctuations in revenues and cash flows typically associated with up-front, perpetual software license revenues and enhances our ability to manage costs. Our contractually recurring revenues, which we define as our software-enabled services and maintenance revenues, represented 87% of total revenues in the year ended December 31, 2011. We have experienced average revenue retention rates in each of the last five years of greater than 90% on our software-enabled services and maintenance contracts for our core enterprise products. We believe that the high value-added nature of our products and services has enabled us to maintain our high revenue retention rates and significant operating margins.

Through a combination of organic growth and acquisitions, we generated revenues of \$370.8 million for the year ended December 31, 2011 as compared to revenues of \$270.9 million for the year ended December 31, 2009. We generated 85% of our revenues in 2011 from clients in North America and 15% from clients outside North America. Our revenues are highly diversified, with our largest client in 2011 accounting for not more than 5% of our revenues. Additional financial information, including geographic information, is available in our consolidated financial statements and Note 14 to our consolidated financial statements.

## **Our industry**

We serve a number of vertical markets within the financial services industry, including alternative investment funds, investment management firms, insurance companies, banks and brokerage firms. Spending on financial services technology remained modestly positive in 2011 despite the global economic recovery. In 2012, the economic recovery seems to be on track and brings with it a more stable business investment environment. However, the Eurozone crisis is causing uncertainty, and we expect a small decline in spending in Western Europe in 2012.

## **Opportunities**

We believe that we are well positioned to address the ongoing business and regulatory needs of the clients we seek to serve in the financial services industry, taking into account a competitive environment that reflects the following competitive dynamics.

*Asset Classes and Securities Products Growing in Volume and Complexity.* Investment professionals must increasingly track and invest in numerous types of asset classes far more complex than traditional equity and debt instruments. These assets require more sophisticated systems to automate functions such as trading and modeling, portfolio management, accounting, performance measurement, reconciliation, reporting, processing and clearing. Manual tracking of orders and other transactions is not effective for these assets. In addition, as the business knowledge requirements increase, financial services firms see increasing value in outsourcing the management of these assets to firms such as SS&C that offer software-enabled services.

*Increasing Regulatory Requirements and Investor Demand for Transparency.* Recent market and economic conditions have led to new legislation and numerous proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the United States. Several high-profile scandals have also led to increased investor demand for transparency. The financial services industry must meet these complicated and burdensome requirements, and many have struggled to do so. In addition, as the financial services industry continues to grow in complexity, we anticipate regulatory oversight will continue to impose new demands on financial services providers. The expectation is that hedge funds may start to experience



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similar regulatory pressures. In addition, financial services providers continue to face increasing regulatory oversight from domestic organizations such as the Financial Industry Regulatory Authority, U.S. Treasury Department, Securities and Exchange Commission, New York Stock Exchange, National Association of Insurance Commissioners and U.S. Department of Labor as well as foreign regulatory bodies such as the Office of Supervision of Financial Institutions in Ottawa, Canada, Financial Services Association in London, England and Ministry of Finance in Tokyo, Japan.

*Increasing Willingness to Implement Solutions from Independent Software Vendors and Outsource IT Operations.* Historically, financial services providers have relied in large part on their internal IT departments to supply the systems required to manage, analyze and control vast amounts of data. Rather than internally developing applications that automate business processes, many financial services providers are implementing advanced software solutions from independent software vendors to replace their current systems, which are often cumbersome, time-consuming to operate and expensive to implement, customize, update and support. Additionally, financial services providers globally are outsourcing a growing percentage of their business processes to benefit from best-in-class process execution, focus on core operations, quickly expand into new markets, reduce costs, streamline organizations, handle increased transaction volumes and ensure system redundancy. We believe that one of the key challenges faced by investment management industry participants is how to expand their use of third-party service providers to address the increasing complexity of new products and the growing investor and regulatory information demands. For example, many alternative investment firms lack the substantial in-house IT resources necessary to establish and manage the complex IT infrastructures their investment professionals require. These firms increasingly seek end-to-end solutions that enable them to outsource their operations from the front-office through the back-office.

*Intense Global Competition Among Financial Services Providers.* Competition within the financial services industry has become intense as financial services providers expand into new markets and offer new services to their clients in an effort to maximize their profitability. Additionally, a significant number of small- and medium-sized organizations, such as hedge funds, have begun to compete with large financial institutions as they seek to attract new clients whose assets they can manage. As traditional equity and debt instruments become more commoditized, financial services providers are expanding into more complex product and service offerings to drive profitability. In response to these increasingly competitive conditions worldwide, financial services organizations seek to rapidly expand into new markets, manage operational enterprise risk, increase front-office productivity and drive cost savings by utilizing software to automate and integrate their mission-critical and labor intensive business processes.

### **Our competitive strengths**

We believe that our position in the marketplace results from several key competitive strengths, including:

*Enhanced Capability Through Software Ownership.* We use our proprietary software products and infrastructure to provide our software-enabled services, strengthening our overall operating margins and providing a competitive advantage. Because we primarily use our own proprietary software in the execution of our software-enabled services and generally own and control our products' source code, we can quickly identify and deploy product improvements and respond to client feedback, enhancing the competitiveness of our software and software-enabled service offerings. This continuous feedback process provides us with a significant advantage over many of our competitors, specifically those software competitors that do not provide a comparable model and therefore do not have the same level of hands-on experience with their products.

*Broad Portfolio of Products and Services Focused on Financial Services Organizations.* Our broad portfolio of over 70 software products and software-enabled services allows professionals in the financial services industry to efficiently and rapidly analyze and manage information, increase productivity, devote more time to critical business decisions and reduce costs. Our products and services automate our clients' most mission-critical, complex business processes, and improve their operational efficiency. We believe our product and service

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offerings position us as a leader within the specific verticals of the financial services software and services market in which we compete. We provide highly flexible, scalable and cost-effective solutions that enable our clients to track complex securities, better employ sophisticated investment strategies, scale efficiently and meet evolving regulatory requirements. Our solutions allow our clients to automate and integrate their front-office, middle-office and back-office functions, thus enabling straight-through processing.

*Independent Fund Administration Services.* The third-party service providers that participate in the alternative investment market include auditors, fund administrators, attorneys, custodians and prime brokers. Each provider performs a valuable function with the intention of providing transparency of the fund's assets and the valuation of those assets. Conflicts of interest may arise when the above parties attempt to provide more than one of these services. The industry is increasingly becoming aware of these conflicts and seeking independent fund administrators such as SS&C.

*Highly Attractive Operating Model.* We believe we have a highly attractive operating model due to the contractually recurring nature of our revenues, the scalability of our software and software-enabled services, the significant operating cash flow we generate and our highly effective sales and marketing model.

*Growing Contractually Recurring Revenues.* We continue to focus on growing our contractually recurring revenues from our software-enabled services and our maintenance contracts because they provide greater predictability in the operation of our business and enable us to strengthen long-term relationships with our clients. Contractually recurring revenues represented 87% of total revenues for the year ended December 31, 2011, up from 52% of total revenues in 2000.

*Scalable Software and Software-enabled Services.* We have designed our software and software-enabled services to accommodate significant additional business volumes with limited incremental costs. The ability to generate additional revenues from increased volumes without incurring substantial incremental costs provides us with opportunities to improve our operating margins.

*Significant Operating Cash Flow.* We are able to generate significant operating cash flows due to our strong operating margins and the relatively modest capital requirements needed to grow our business.

*Highly Effective Sales and Marketing Model.* We utilize a direct sales force model that benefits from significant direct participation by senior management. We achieve significant efficiency in our sales model by leveraging the Internet as a direct marketing medium. We currently deliver over 400,000 electronic newsletters to industry participants worldwide approximately every two weeks. These *eBriefings* are integrated with our corporate website, [www.ssctech.com](http://www.ssctech.com), and are the source for a substantial number of our sales leads. Our deep domain knowledge and extensive participation in day-to-day investment, finance and fund administration activities enable us to create informative and timely articles that are the basis of our *eBriefings*.

*Deep Domain Knowledge and Extensive Industry Experience.* As of December 31, 2011, we had 1,289 development, service and support professionals with significant expertise across the eight vertical markets that we serve and a deep working knowledge of our clients' businesses. By leveraging our domain expertise and knowledge, we have developed, and continue to improve, our mission-critical software products and services to enable our clients to overcome the complexities inherent in their businesses. For example, our Complete Asset Management, Reporting and Accounting, or CAMRA, software, which supports the entire portfolio management function across all typical securities transactions, was originally released in 1989 and has been continually updated to meet our clients' new business requirements. We were founded in 1986 by William C. Stone, who has served as our Chairman and Chief Executive Officer since our inception. Our senior management team has a track record of operational excellence and an average of more than 15 years of experience in the software and financial services industries.

*Trusted Provider to Our Highly Diversified and Growing Client Base.* By providing mission-critical, reliable software products and services for more than 25 years, we have become a trusted provider to the

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financial services industry. We have developed a large and growing installed base within multiple segments of the financial services industry. Our clients include some of the largest and most well-recognized firms in the financial services industry. We believe that our high-quality products and superior services have led to long-term client relationships, some of which date from our earliest days of operations. Our strong client relationships, coupled with the fact that many of our current clients use our products for a relatively small portion of their total funds and investment vehicles under management, provide us with a significant opportunity to sell additional solutions to our existing clients and drive future revenue growth at lower cost.

*Superior Client Support and Focus.* Our ability to rapidly deliver improvements and our reputation for superior service have proven to be a strong competitive advantage when developing client relationships. We provide our larger clients with a dedicated client support team whose primary responsibility is to resolve questions and provide solutions to address ongoing needs. We also offer the SS&C Solution Center, an interactive website that serves as an exclusive online client community where clients can find answers to product questions, exchange information, share best practices and comment on business issues. We believe a close and active service and support relationship significantly enhances client satisfaction, strengthens client relationships and furnishes us with information regarding evolving client issues.

### **Our growth strategy**

We intend to be the leading provider of superior technology solutions to the financial services industry. The key elements of our growth strategy include:

*Continue to Develop Software-Enabled Services and New Proprietary Software.* Since our founding in 1986, we have focused on building substantial financial services domain expertise through close working relationships with our clients. We have developed a deep knowledge base that enables us to respond to our clients' most complex financial, accounting, actuarial, tax and regulatory needs. We intend to maintain and enhance our technological leadership by using our domain expertise to build valuable new software-enabled services and solutions, continuing to invest in internal development and opportunistically acquiring products and services that address the highly specialized needs of the financial services industry. Our internal product development team works closely with marketing and client service personnel to ensure that product evolution reflects developments in the marketplace and trends in client requirements. In addition, we intend to continue to develop our products in a cost-effective manner by leveraging common components across product families. We believe that we enjoy a competitive advantage because we can address the investment and financial management needs of high-end clients by providing industry-tested products and services, including cloud-based services and related mobility platforms that meet global market demands and enable our clients to automate and integrate their front-, middle- and back-office functions for improved productivity, reduced manual intervention and bottom-line savings. Our software-enabled services revenues increased from \$30.9 million for the year ended December 31, 2004 to \$246.0 million for the year ended December 31, 2011, representing a compound annual growth rate of 35%.

*Expand Our Client Base.* Our client base of more than 5,000 clients represents a fraction of the total number of financial services providers globally. As a result, we believe there is substantial opportunity to grow our client base over time as our products become more widely adopted. We have a substantial opportunity to capitalize on the increasing adoption of mission-critical, sophisticated software and software-enabled services by financial services providers as they continue to replace inadequate legacy solutions and custom in-house solutions that are inflexible and costly to maintain.

*Increase Revenues from Existing Clients.* We believe our established client base presents a substantial opportunity for growth. Revenues from our existing clients generally grow along with the amount and complexity of assets that they manage and the volume of transactions that they execute. While we expect to continue to benefit from the financial services industry's growing assets under management, expanding asset classes, and increasing transaction volumes, we also intend to leverage our deep understanding of the financial services industry to identify other opportunities to increase our revenues from our existing clients. Many of our

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current clients use our products only for a portion of their total assets under management and investment funds, providing us with significant opportunities to expand our business relationship and revenues. We have been successful in, and expect to continue to focus our marketing efforts on, providing additional modules or features to the products and services our existing clients already use, as well as cross-selling our other products and services. Additionally, we intend to sell additional software products and services to new divisions and new funds of our existing client base. Our client services team is primarily responsible for expanding our relationships with current clients. Moreover, our high quality of service helps us maintain significant client retention rates and longer lasting client relationships.

*Continue to Capitalize on Acquisitions of Complementary Businesses and Technologies.* We intend to continue to employ a highly disciplined and focused acquisition strategy to broaden and enhance our product and service offerings, expand our intellectual property portfolio, add new clients and supplement our internal development efforts. We believe our acquisitions have been an extension of our research and development effort that has enabled us to purchase proven products and remove the uncertainties associated with software development projects. We will seek to opportunistically acquire, at reasonable valuations, businesses, products and technologies in our existing or complementary vertical markets that will enable us to better satisfy our clients' rigorous and evolving needs. We have a proven ability to integrate complementary businesses as demonstrated by the 34 businesses we have acquired since 1995. Our experienced senior management team leads a rigorous evaluation of our acquisition candidates to ensure that they satisfy our product or service needs and will successfully integrate with our business while meeting our targeted financial goals. As a result, our acquisitions have contributed marketable products or services that have added to our revenues. Through the broad reach of our direct sales force and our large installed client base, we believe we can market these acquired products and services to a large number of prospective clients. Additionally, we have been able to improve the operational performance and profitability of our acquired businesses, creating significant value for our stockholders.

*Strengthen Our International Presence.* We believe that there is a significant market opportunity to provide software and services to financial services providers outside North America. In the year ended December 31, 2011, we generated 15% of our revenues from clients outside North America. We are building our international operations in order to increase our sales outside North America. We plan to continue to expand our international market presence by leveraging our existing software products and software-enabled services. For example, we believe that the rapidly growing alternative investment management market in Europe presents a compelling growth opportunity.

### **Our acquisitions**

We intend to continue to employ a highly disciplined and focused acquisition strategy to broaden and enhance our product and service offerings, add new clients and supplement our internal development efforts. Our acquisitions have enabled us to expand our product and service offerings into new markets or client bases within the financial services industry. The addition of new products and services has also enabled us to market other products and services to acquired client bases. We believe our acquisitions have been an extension of our research and development effort and have enabled us to purchase proven products and remove the uncertainties sometimes associated with software development projects.

Since 1995, we have acquired 34 businesses within our industry. These acquisitions have contributed marketable products and services, which have added to our revenues and earnings. We believe we have generally been able to improve the operating performance and profitability of our acquired businesses. We seek to reduce the costs of the acquired businesses by consolidating sales and marketing efforts and by eliminating redundant administrative tasks and research and development expenses. In many cases, we have also been able to increase revenues generated by acquired products and services by leveraging our existing products and services, larger sales capabilities and client base.

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We generally seek to acquire companies that satisfy our financial metrics, including expected return on investment, and that:

provide complementary products or services in the financial services industry;

possess proven technology and an established client base that will provide a source of ongoing revenue and to whom we may be able to sell existing products and services;

expand our intellectual property portfolio to complement our business;

address a highly specialized problem or a market niche in the financial services industry;

expand our global reach into strategic geographic markets; and

have solutions that lend themselves to being delivered as software-enabled services.

We believe, based on our experience, that there are numerous solution providers addressing highly particularized financial services needs or providing specialized services that would meet our disciplined acquisition criteria.

The following table provides a list of acquisitions we have made since 1995:

| Acquisition Date | Acquired Business    | Contract Purchase                 | Acquired Capabilities, Products and   |
|------------------|----------------------|-----------------------------------|---|
|                  |                      | Price*                            | Services  |
| March 1995       | Chalke               | \$10,000,000                      | Expanded insurance footprint with PTS actuarial product   |
| November 1997    | Mabel Systems        | \$850,000 and<br>109,224 shares   | Entered Benelux market with investment accounting product   |
| December 1997    | Shepro Braun Systems | 1,500,000 shares                  | Entered hedge fund and family office markets with Total Return product  |
| March 1998       | Quantra              | \$2,269,800 and<br>819,028 shares | Entered the real estate property management market with SKYLINE product   |
| April 1998       | The Savid Group      | \$821,500                         | Expanded debt & derivative product offerings  |
| March 1999       | HedgeWare            | 1,028,524 shares                  | Expanded product offerings for the hedge fund and family office markets   |
| March 1999       | Brookside            | 41,400 shares                     | Expanded our consulting services capabilities   |
| November 2001    | Digital Visions      | \$1,350,000                       | Entered financial institutions market with BANC Mall, PALMS and PortPro products  |
| January 2002     | Real-Time, USA       | \$4,000,000                       | Expanded financial institutions offerings with Lightning and Real-Time products   |
| November 2002    | DBC                  | \$4,500,000                       | Added municipal finance structuring products for underwriters, investment banks, municipal issuers and financial advisors |
| December 2003    | Amicorp Fund         | \$1,800,000                       | Entered offshore fund administration services market  |
|                  | Services             |                                   |   |

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|               |                                |              |  |
|---------------|--------------------------------|--------------|--|
| January 2004  | Investment Advisory<br>Network | \$3,000,000  | Expanded wealth management capabilities with Compass and Portfolio Manager products                        |
| February 2004 | NeoVision Hypersystems         | \$1,600,000  | Added data visualization dashboard capabilities with Heatmaps product                                      |
| April 2004    | OMR Systems                    | \$19,671,000 | Added integrated global product offering for financial institutions and hedge funds with TradeThru product |

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| <b>Acquisition Date</b> | <b>Acquired Business</b> | <b>Contract Purchase</b>                              | <b>Acquired Capabilities, Products and</b>   |
|-------------------------|--------------------------|---|--|
|                         |                          | <b>Price*</b>   | <b>Services</b>  |
| February 2005           | Achievement Technologies | \$470,000   | Enhanced real estate property management offering with SamTrak facilities management product   |
| February 2005           | EisnerFast               | \$25,300,000  | Expanded fund administration services to the hedge fund and private equity markets   |
| April 2005              | Financial Models Company | \$159,000,000   | Expanded front-, middle- and back-office products and services to the investment management industry including Pacer, Pages, Recon and Sylvan products |
| June 2005               | Financial Interactive    | 358,424 shares and warrants to purchase 50,000 shares | Expanded alternative investment fund offerings with Fund <i>Runner</i> CRM product.  |
| August 2005             | MarginMan                | \$5,600,000   | Expanded depth in foreign currency exchange market with MarginMan product  |
| October 2005            | Open Information Systems | \$24,000,000  | Entered money market , custody and security lending market with Global Debt Manager, Information Manager and Money Market Manager products             |
| March 2006              | Cogent Management        | \$12,250,000  | Expanded fund administration services to hedge fund and private equity markets   |
| August 2006             | Zoologic                 | \$3,000,000   | Added education and training courseware offerings for financial institutions   |
| March 2007              | Northport                | \$5,000,000   | Expanded fund administration services to private equity market   |
| October 2008            | Micro Design Services    | \$17,200,000  | Expanded real-time, mission-critical order routing and execution services with ACA, BlockTalk and MarketLook products                                  |
| March 2009              | Evare                    | \$3,514,500   | Expanded institutional middle- and back-office outsourcing services with financial data acquisition, transformation and delivery services              |
| May 2009                | MAXIMIS                  | \$7,700,000   | Expanded institutional footprint and provided new cross-selling opportunities  |
| November 2009           | TheNextRound             | \$21,000,000  | Expanded private equity client base with TNR Solution product  |
| December 2009           | Tradeware                | \$22,500,000  | Expanded electronic trading offering in broker/dealer market   |
| February 2010           | GIPS                     | \$12,000,000  | Expanded fund administration services to private equity market   |
| October 2010            | thinkorswim Technologies | \$5,000,000   | Added electronic OMS/EMS offering in broker/dealer market  |
| December 2010           | TimeShareWare            | \$30,500,000  | Added shared ownership property management platform to real estate offering  |
| March 2011              | BenefitsXML              | \$15,000,000  | Added employee benefits administration solutions   |

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| Acquisition Date | Acquired Business   | Contract Purchase               | Acquired Capabilities, Products and                                |
|------------------|---|---------------------------------|--|
|                  |   | Price*                          | Services   |
| September 2011   | BDO Simpson<br>Xavier Fund<br>Administration<br>Services Limited, a<br>subsidiary of BDO<br>Ireland | \$5,200,000 plus<br>EUR 500,100 | Expanded fund administration services to UCITS funds               |
| December 2011    | Acquisition of<br>Teledata<br>Communications,<br>Inc. Software Assets                               | \$750,000                       | Added background search and credit retrieval software-as-a-service |

\* Share references are to shares of SS&C common stock after giving effect to SS&C's three-for-two common stock split in the form of a stock dividend effective as of March 2004. Such references do not reflect the capital structure of SS&C Holdings.

**Products and services**

Our products and services allow professionals in the financial services industry to automate complex business processes within financial services providers and are instrumental in helping our clients manage significant information processing requirements. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. Our portfolio of over 70 products and software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing.

The following chart summarizes our principal software products and services, typical users and the vertical markets each product serves. Most of these products are also used to deliver our software-enabled services.

| Products                               | Typical Users                   | Vertical Markets Served         |
|--|---------------------------------|---------------------------------|
| <b>Portfolio Management/Accounting</b> |                                 |                                 |
| AdvisorWare                            | Asset managers                  | Alternative investment managers |
| CAMRA                                  |                                 |                                 |
| Debt & Derivatives                     | Registered investment advisors  | Financial markets               |
| Global Wealth Platform                 |                                 |                                 |
| Lightning                              |                                 |                                 |
| MAXIMIS                                | Alternative investment managers | Institutional asset managers    |
| Pacer                                  |                                 |                                 |
| Pages                                  | Brokers/dealers                 | Insurance & pension funds       |
| PortPro                                |                                 |                                 |
| Recon                                  |                                 | Treasury, banks & credit unions |
| Sylvan                                 |                                 |                                 |
| TNR Solution                           |                                 |                                 |
| Total Return                           |                                 |                                 |



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| <b>Products</b>                           | <b>Typical Users</b>             | <b>Vertical Markets Served</b>        |
|---|----------------------------------|---------------------------------------|
| <b><i>Trading/Treasury Operations</i></b> |                                  |                                       |
| Antares                                   | Securities traders               | Alternative investment managers       |
| MarginMan                                 | Financial institutions           | Financial markets                     |
| MarketLook Information System             | Asset managers                   | Treasury, banks & credit unions       |
| TradeThru                                 | Brokers/dealers                  | Corporate treasuries                  |
|   | Financial exchanges              |                                       |
| <b><i>Financial Modeling</i></b>          |                                  |                                       |
| DBC                                       | CEO/CFOs                         | Insurance & pension funds             |
| Global Markets Risk                       | Risk managers                    | Municipal finance groups              |
|   | Investment bankers               | Treasury, banks & credit unions       |
|   | State/local treasury staff       | Asset managers                        |
|   |                                  | Hedge funds                           |
| <b><i>Loan Management/Accounting</i></b>  |                                  |                                       |
| BANC Mall                                 | Commercial lenders               | Commercial lenders                    |
| LMS Loan Suite                            | Mortgage loan portfolio managers | Insurance & pension funds             |
|   | Real estate investment managers  | Treasury, banks & credit unions       |
|   | Bank/credit union loan officers  |                                       |
| <b><i>Property Management</i></b>         |                                  |                                       |
| SKYLINE                                   | Real estate investment managers  | Real estate leasing/property managers |
| TimeShareWare                             | Real estate leasing agents       |                                       |
|   | Real estate property managers    |                                       |
|   | Timeshare resort managers        |                                       |
| <b><i>Money Market Processing</i></b>     |                                  |                                       |
| Global Debt Manager                       | Financial institutions           | Treasury, banks & credit unions       |
|   | Custodians                       |                                       |
|   | Security lenders                 |                                       |
| <b><i>Training</i></b>                    |                                  |                                       |
| Zoologic Learning Solutions               | Financial institutions           | All verticals                         |
|   | Asset managers                   |                                       |

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| <b>Services</b>    | <b>Typical Users</b>            | <b>Vertical Markets Served</b>  |
|--------------------|---------------------------------|---------------------------------|
| Evare              | Investment bankers              |                                 |
| SS&C Direct        | Asset managers                  | Alternative investment managers |
| SS&C Fund Services | Financial exchanges             | Financial markets               |
| SS&C PEI Solutions | Investment advisors             | Institutional asset managers    |
| SSCNet             | Alternative investment managers | Insurance and pension funds     |
| SVC                | Brokers/dealers                 |                                 |
| Tradeware FIXLink  | Private equity managers         |                                 |

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### ***Portfolio management/accounting***

Our products and services for portfolio management span most of our vertical markets and offer our clients a wide range of investment management solutions.

*AdvisorWare.* AdvisorWare software supports hedge funds, funds of funds and family offices with sophisticated global investment, trading and management concerns, and/or complex financial, tax (including German tax requirements), partnership and allocation reporting requirements. It delivers comprehensive multicurrency investment management, financial reporting, performance fee calculations, net asset value calculations, contact management and partnership accounting in a straight-through processing environment.

*CAMRA.* CAMRA (Complete Asset Management, Reporting and Accounting) software supports the integrated management of asset portfolios by investment professionals operating across a wide range of institutional investment entities. CAMRA is a multi-user, integrated solution tailored to support the entire portfolio management function and includes features to execute, account for and report on all typical securities transactions.

*Debt & Derivatives.* Debt & Derivatives is a comprehensive financial application software package designed to process and analyze all activities relating to derivative and debt portfolios, including pricing, valuation and risk analysis, derivative processing, accounting, management reporting and regulatory reporting. Debt & Derivatives delivers real-time transaction processing to treasury and investment professionals, including traders, operations staff, accountants and auditors.

*Global Wealth Platform.* A web-based service, Global Wealth Platform combines our core asset management product functions with an innovative, easy-to-use interface. Global Wealth Platform provides an integrated suite with key components modeling, trading, portfolio accounting, client communications and other mission critical workflows as an on-demand, software-enabled service.

*Lightning.* Lightning is a comprehensive software-enabled service supporting the front-, middle- and back-office processing needs of commercial banks and broker-dealers of all sizes and complexity. Lightning automates a number of processes, including trading, sales, funding, accounting, risk analysis and asset/liability management.

*MAXIMIS.* MAXIMIS is a real-time intranet-enabled portfolio management solution for insurance companies, pension funds and institutional asset managers. Its key product functions include portfolio analysis, investment management, trade processing, cash processing, multi-currency accounting, regulatory reporting, operations and analysis and management reporting.

*Pacer.* Pacer is a portfolio management and accounting system designed to manage diversified global portfolios and meet the unique management and accounting needs of all business streams, from institutional and pension management, to separately managed accounts, private client portfolios, mutual funds and unit trusts.

*Pages.* Pages is a client communication system that generates unique individual client statements and slide presentations for print, electronic or face-to-face meetings. Pages helps enhance customer services by producing client statements that automatically assemble data from portfolio management, customer relationship management, performance measurement and other investment systems.

*PortPro.* PortPro delivers Internet-based portfolio accounting and is available as a software-enabled service. PortPro helps financial institutions effectively measure, analyze and manage balance sheets and investment portfolios. PortPro is offered as a stand-alone product or as a module of Lightning. PortPro includes bond accounting and analytics.

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*Recon.* Recon is a transaction, position and cash reconciliation system that streamlines reconciliation by identifying exceptions and providing effective workflow tools to resolve issues faster, thereby reducing operational risk. Recon automatically reconciles transactions, holdings and cash from multiple sources.

*Sylvan.* Sylvan is a performance measurement, attribution and composite management platform that is designed to streamline the calculation and reporting of performance measurement requirements.

*TNR Solution.* TNR Solution is a software product for private equity, hedge funds, funds of hedge funds and family offices. Built around Microsoft's .NET platform, the product gives end users the flexibility to manage all aspects of their operations from contact management, fund raising, investor relations, fund, portfolio and deal management, general ledger and reporting.

*Total Return.* Total Return is a portfolio management and partnership accounting system directed toward the hedge fund and family office markets. It is a multi-currency system, designed to provide financial and tax accounting and reporting for businesses with high transaction volumes.

### ***Trading/treasury operations***

Our comprehensive real-time trading systems offer a wide range of trade order management solutions that support both buy-side and sell-side trading. Our full-service trade processing system delivers comprehensive processing for global treasury and derivative operations. Solutions are available to clients either through a license or as a software-enabled service.

*Antares.* Antares is a comprehensive, real-time, event-driven trading and profit and loss reporting system designed to integrate trade modeling with trade order management. Antares enables clients to trade and report fixed-income, equities, foreign exchange, futures, options, repos and many other instruments across different asset classes. Antares also offers an add-on option of integrating Heatmaps data visualization technology to browse and navigate holdings information.

*MarginMan.* MarginMan delivers collateralized trading software to the foreign exchange marketplace. MarginMan supports collateralized foreign exchange trading, precious metals trading and over-the-counter foreign exchange options trading.

*MarketLook Information System (MLIS).* MLIS allows traders anywhere in the world access to market color and size directly from traders on the trading floor of the New York Stock Exchange.

*TradeThru.* TradeThru is a web-based treasury and derivatives operations service that supports multiple asset classes and provides multi-bank, multi-entity and multi-currency integration of front-, middle- and back-office trade functions for financial institutions. TradeThru is available either through a license or as a software-enabled service. The system delivers automated front- to back-office functions throughout the lifecycle of a trade, from deal capture to settlement, risk management, accounting and reporting. TradeThru also provides data to other external systems, such as middle-office analytic and risk management systems and general ledgers. TradeThru provides one common instrument database, counterparty database, audit trail and end-of-day runs.

### ***Financial modeling***

We offer several powerful analytical software and financial modeling applications for the insurance industry. We also provide analytical software and services to the municipal finance groups market.

*DBC Product Suite.* We provide analytical software and services to municipal finance groups. Our suite of DBC products addresses a broad spectrum of municipal finance concerns, including:

general bond structures,

revenue bonds,



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housing bonds,

student loans, and

Federal Housing Administration insured revenue bonds and securitizations.

Our DBC products also deliver solutions for debt structuring, cash flow modeling and database management. Typical users of our DBC products include investment banks, municipal issuers and financial advisors for structuring new issues, securitizations, strategic planning and asset/liability management.

*Global Markets Risk.* Global Markets Risk provides a comprehensive view of risk across all asset classes for banks, hedge funds, asset managers, insurance companies and pension funds. Risk Analytics is designed for risk managers who need better tracking, managing and reporting of value-at-risk and ex-ante risk measures across all asset classes.

### ***Loan management/accounting***

Our products that support loan administration activities are BANC Mall and LMS.

*BANC Mall.* BANC Mall is an Internet-based lending and leasing tool designed for loan officers and loan administrators. BANC Mall provides, as a software-enabled service, online lending, leasing and research tools that deliver critical information for credit processing and loan administration. Clients use BANC Mall on a fee-for-service basis to access more than a dozen data providers.

*LMS Loan Suite.* The LMS Loan Suite is a single database application that provides comprehensive loan management throughout the life cycle of a loan, from the initial request to final disposition. We have structured the flexible design of the LMS Loan Suite to meet the most complex needs of commercial lenders and servicers worldwide. The LMS Loan Suite includes both the LMS Originator and the LMS Servicer, facilitating integrated loan portfolio processing.

### ***Property management***

*SKYLINE.* SKYLINE is a comprehensive property management system that integrates all aspects of real estate property management, from prospect management to lease administration, work order management, accounting and reporting. By providing a single-source view of all real estate holdings, SKYLINE functions as an integrated lease administration system, a historical property/portfolio knowledge base and a robust accounting and financial reporting system, enabling users to track each property managed, including data on specific units and tenants.

*TimeShareWare.* TimeShareWare Enterprise incorporates a Service Oriented Architecture (SOA) and provides the tools, structure, and performance needed to accommodate management of complex and demanding resort operations, including sales and marketing, management, contract processing, loan servicing and property management.

### ***Money market processing***

*Global Debt Manager.* Global Debt Manager is a robust browser-based application for corporate and municipal bond accounting. Fully integrated with Money Market Manager (M3), Global Debt Manager offers processing for conventional and structured debt within a secure and flexible platform.

### ***Training***

*Zoologic Learning Solutions.* Zoologic Learning Solutions is a suite of learning solutions that provides in-depth, introductory and continuing education training at all levels, offering mix-and-match courses easily configured into curriculums that meet our clients' needs. It includes instructor-led training, web-based courseware and program design.

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### ***Services***

*Evare.* Evare is a leader in financial data acquisition, transformation and delivery services. Global managed services connect you to your clients and counterparties using each firm's preferred method of connectivity, custom data formats, and industry standards. All parties utilize their existing systems and protocols without having to upgrade or install software.

*SS&C Direct.* We provide comprehensive software-enabled services through our SS&C Direct operating unit for portfolio accounting, reporting and analysis functions. Since 1997, SS&C Direct has offered ASP, business process outsourcing (BPO) and blended outsourcing services to institutional asset managers, insurance companies, hedge funds and financial institutions.

The SS&C Direct service includes:

full BPO investment accounting and investment operations services,

hosting of a company's application software,

automated workflow integration,

automated quality control mechanisms, and

extensive interface and connectivity services to custodian banks, data service providers, depositories and other external entities.

*SS&C Fund Services.* We provide comprehensive on- and offshore fund administration services to hedge fund and other alternative investment managers using our proprietary software products. SS&C Fund Services offers fund manager services, transfer agency services, funds of funds services, tax processing and accounting processing. SS&C Fund Services supports all fund types and investment strategies. Market segments served include:

hedge fund managers

funds of funds managers

commodity trading advisors

family offices

private wealth groups

investment managers

commodity pool operators

proprietary traders

private equity groups

separate managed accounts

*SS&C PEI Solutions.* SS&C PEI Solutions provides outsourced administration services and software designed specifically for the private equity firms and the partnerships they sponsor.

*SSCNet.* SSCNet is a global trade network linking investment managers, broker-dealers, clearing agencies, custodians and interested parties. SSCNet's real-time trade matching utility and delivery instruction database facilitate integration of front-, middle- and back-office functions, reducing operational risk and costs.

*SVC.* SVC is a single source for securities data that consolidates data from leading global sources to provide clients with the convenience of one customized data feed. SVC provides clients with seamless, timely and accurate data for pricing, corporate actions, dividends, interest payments, foreign exchange rates and security master for global financial instruments.



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*Tradeware FIXLink.* Tradeware FIXLink is a FIX network for IOIs, trades, orders, and allocations, providing a reliable broker-neutral and platform-neutral FIX connectivity service to broker-dealers and institutions.

### **Software and service delivery options**

Our delivery methods include software-enabled services, software licenses with related maintenance agreements and blended solutions. Substantially all of our software-enabled services are built around and leverage our proprietary software.

*Software-Enabled Services.* We provide a broad range of software-enabled services for our clients. By utilizing our proprietary software and avoiding the substantial use of third-party products to provide our software-enabled services, we are able to greatly reduce potential operating risks, efficiently tailor our products and services to meet specific client needs, significantly improve overall service levels and generate high overall operating margins and cash flow. Our software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments and are subject to automatic annual renewal at the end of the initial term unless terminated by either party. Pricing on our software-enabled services varies depending upon the complexity of the services being provided, the number of users, assets under management and transaction volume. Importantly, our software-enabled services allow us to leverage our proprietary software and existing infrastructure, thereby increasing our aggregate profits and cash flows. For the year ended December 31, 2011, revenues from software-enabled services represented 66% of total revenues.

*Software License and Related Maintenance Agreements.* We license our software to clients through either perpetual or term licenses. In connection with these contracts we provide maintenance. Maintenance contracts on our core enterprise software products, which typically incorporate annual pricing increases, provide us with a stable and contractually recurring revenue base due to average revenue retention rates of over 90% in each of the last five years. We typically generate additional revenues as our existing clients expand usage of our products. For the year ended December 31, 2011, license and maintenance revenues represented 6% and 21% of total revenues, respectively.

*Blended Solutions.* We provide certain clients with targeted, blended solutions based on a combination of our various software and software-enabled services. We believe that this capability further differentiates us from many of our competitors that are unable to provide this level of service.

### **Professional services**

We offer a range of professional services to assist clients. Professional services consist of consulting and implementation services, including the initial installation of systems, conversion of historical data and ongoing training and support. Our in-house consulting teams work closely with the client to ensure the smooth transition and operation of our systems. Our consulting teams have a broad range of experience in the financial services industry and include certified public accountants, chartered financial analysts, mathematicians and IT professionals from the asset management, real estate, investment, insurance, hedge fund, municipal finance and banking industries. We believe our commitment to professional services facilitates the adoption of our software products across our target markets. For the year ended December 31, 2011, revenues from professional services represented 6% of total revenues.

### **Product support**

We believe a close and active service and support relationship is important to enhancing client satisfaction and furnishes an important source of information regarding evolving client issues. We provide our larger clients with a dedicated client support team whose primary responsibility is to resolve questions and provide solutions to

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address ongoing needs. Direct telephone support is provided during extended business hours, and additional hours are available during peak periods. We also offer the SS&C Solution Center, a website that serves as an exclusive online community for clients, where clients can find answers to product questions, exchange information, share best practices and comment on business issues. Approximately every two weeks, we distribute via the Internet our software and services *eBriefings*, which are industry-specific newsletters in our eight vertical markets and in geographic regions around the world. We supplement our service and support activities with comprehensive training. Training options include regularly hosted classroom and online instruction, *e.Training*, and online client seminars, or webinars, that address current, often technical, issues in the financial services industry.

We periodically make maintenance releases of licensed software available to our clients, as well as regulatory updates (generally during the fourth quarter, on a when and if available basis), to meet industry reporting obligations and other processing requirements.

## **Clients**

We have over 5,000 clients globally in eight vertical markets within the financial services industry that require a full range of information management and analysis, accounting, actuarial, reporting and compliance software on a timely and flexible basis. Our clients include multinational banks, retail banks and credit unions, hedge funds, funds of funds and family offices, institutional asset managers, insurance companies and pension funds, municipal finance groups, brokers/dealers, financial exchanges, commercial lenders, real estate lenders and property managers. Our clients include many of the largest and most well-recognized firms in the financial services industry. During the year ended December 31, 2011, our top 10 clients represented approximately 15% of revenues, with no single client accounting for more than 5% of revenues.

## **Sales and marketing**

We believe a direct sales organization is essential to the successful implementation of our business strategy, given the complexity and importance of the operations and information managed by our products, the extensive regulatory and reporting requirements of each industry, and the unique dynamics of each vertical market. Our dedicated direct sales and support personnel continually undergo extensive product and sales training and are located in our various sales offices worldwide. We also use telemarketing to support sales of our real estate property management products and work through alliance partners who sell our software-enabled services to their correspondent banking clients.

Our marketing personnel have extensive experience in high tech marketing to the financial services industry and are responsible for identifying market trends, evaluating and developing marketing opportunities, generating client leads and providing sales support. Our marketing activities, which focus on the use of the Internet as a cost-effective means of reaching current and potential clients, include:

content-rich, periodic software and services *eBriefings* targeted at clients and prospects in each of our vertical and geographic markets,

regular product-focused webinars,

seminars and symposiums,

trade shows and conferences, and

e-marketing campaigns.

Some of the benefits of our shift in focus to an Internet-based marketing strategy include lower marketing costs, more direct contacts with actual and potential clients, increased marketing leads, distribution of more up-to-date marketing information and an improved ability to measure marketing initiatives.



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The marketing department also supports the sales force with appropriate documentation or electronic materials for use during the sales process.

### **Product development and engineering**

We believe we must introduce new products and offer product innovation on a regular basis to maintain our competitive advantage. To meet these goals, we use multidisciplinary teams of highly trained personnel and leverage this expertise across all product lines. We have invested heavily in developing a comprehensive product analysis process to ensure a high degree of product functionality and quality. Maintaining and improving the integrity, quality and functionality of existing products is the responsibility of individual product managers. Product engineering management efforts focus on enterprise-wide strategies, implementing best-practice technology regimens, maximizing resources and mapping out an integration plan for our entire umbrella of products as well as third-party products. Our research and development expenses for the years ended December 31, 2009, 2010 and 2011 were \$26.5 million, \$31.4 million and \$35.7 million respectively. In addition, we have made significant investments in intellectual property through our acquisitions.

Our research and development engineers work closely with our marketing and support personnel to ensure that product evolution reflects developments in the marketplace and trends in client requirements. We have generally issued a major release of our core products during the second or third quarter of each fiscal year, which includes both functional and technical enhancements. We also provide an annual release in the fourth quarter to reflect evolving regulatory changes in time to meet clients' year-end reporting requirements.

### **Competition**

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product introductions and marketing efforts by industry participants, although high conversion costs can create barriers to adoption of new products or technologies. The market is fragmented and served by both large-scale players with broad offerings as well as firms that target only local markets or specific types of clients. We also face competition from information systems developed and serviced internally by the IT departments of large financial services firms. We believe that we generally compete effectively as to the factors identified for each market below, although some of our existing competitors and potential competitors have substantially greater financial, technical, distribution and marketing resources than we have and may offer products with different functions or features that are more attractive to potential customers than our offerings.

*Alternative Investments:* In our alternative investments market, we compete with multiple vendors that may be categorized into two groups, one group consisting of independent specialized administration providers, which are generally smaller than us, and the other including prime brokerage firms offering fund administration services. Major competitors in this market include CITCO Group, State Street Bank and GlobeOp Financial Services. The key competitive factors in marketing software and services to the alternative investment industry are the need for independent fund administration, features and adaptability of the software, level and quality of customer support, level of software development expertise and total cost of ownership. Our strengths in this market are our expertise, our independence, our ability to deliver functionality by multiple methods and our technology, including the ownership of our own software. Although no company is dominant in this market, we face many competitors, some of which have greater financial resources and distribution facilities than we do.

*Asset Management:* In our asset management market, we compete with a variety of other vendors depending on client characteristics such as size, type, location, computing environment and functionality requirements. Competitors in this market range from larger providers of integrated portfolio management systems and outsourcing services, such as SunGard, BNY Mellon Financial (Eagle Investment Systems) and Advent Software, to smaller providers of specialized applications and technologies such as StatPro, Charles River Development and others. We also compete with internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing asset management solutions are the

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reliability, accuracy, timeliness and reporting of processed information to internal and external customers, features and adaptability of the software, level and quality of customer support, level of software development expertise and return on investment. Our strengths in this market are our technology, our ability to deliver functionality by multiple delivery methods and our ability to provide cost-effective solutions for clients. Although no company is dominant in this market, we face many competitors, some of which have greater financial resources and distribution facilities than we do.

*Insurance and Pension Funds:* In our insurance and pension funds market, we compete with a variety of vendors depending on client characteristics such as size, type, location, computing environment and functionality requirements. Competitors in this market range from large providers of portfolio management systems, such as State Street Bank (Princeton Financial Systems) and SunGard, to smaller providers of specialized applications and services.

We also compete with outsourcers, as well as the internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing insurance and pension plan systems are the accuracy, timeliness and reporting of processed information provided to internal and external clients, features and adaptability of the software, level and quality of customer support, economies of scale and return on investment. Our strengths in this market are our years of experience, our top-tier clients, our ability to provide solutions by multiple delivery methods, our cost-effective and customizable solutions and our expertise. We believe that we have a strong competitive position in this market.

*Real Estate Property Management:* In our real estate property management market, we compete with numerous software vendors consisting of smaller specialized real estate property management solution providers and larger property management software vendors with more dedicated resources than our real estate property management business, such as Yardi Systems. The key competitive factors in marketing property management and timeshare systems are the features and adaptability of the software, level of quality and customer support, degree of responsiveness and overall net cost. Our strengths in this market are the quality of our software and our reputation with our clients. This is a very fragmented market with many competitors.

*Financial Institutions:* In our financial institutions market, there are multiple software and services vendors that are either smaller providers of specialized applications and technologies or larger providers of enterprise systems, such as SunGard and Misys. We also compete with outsourcers as well as the internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing financial institution software and services include accuracy and timeliness of processed information provided to clients, features and adaptability of the software, level and quality of customer support, level of software development expertise, total cost of ownership and return on investment. Our strengths in this market are our flexible technology platform and our ability to provide integrated solutions for our clients. In this market we face many competitors, some of which have greater financial resources and distribution facilities than we do.

*Commercial Lending:* In our commercial lending market, we compete with a variety of other vendors depending on client characteristics such as size, type, location and functional requirements. Competitors in this market range from large competitors whose principal businesses are not in the loan management business, such as PNC Financial Services (Midland Loan Services), to smaller providers of specialized applications and technologies. The key competitive factors in marketing commercial lending solutions are the accuracy, timeliness and reporting of processed information provided to customers, level of software development expertise, level and quality of customer support and features and adaptability of the software. Our strength in this market is our ability to provide both broadly diversified and customizable solutions to our clients. In this market we face many competitors, some of which have greater financial resources and distribution facilities than we do.

*Financial Markets:* In our financial markets, our competition falls into two categories – the internal development organizations within financial enterprises and specialized financial vendors, such as SunGard and Fidessa. The key competitive factors in marketing financial markets technology solutions are a proven track

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record of delivering high quality solutions, level of responsiveness and overall net cost. Our strengths in this market are a successful track record of delivering solutions and our reputation with our clients. This is an extremely competitive environment which requires developing a strong customer relationship in which we are viewed more as a partner than a vendor.

### **Proprietary rights**

We rely on a combination of trade secret, copyright, trademark and patent law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for many of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality and/or license agreements with our employees, distributors, clients and potential clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use proprietary information, and third parties may assert ownership rights in our proprietary technology. For additional risks relating to our proprietary technology, please see **Risk factors** **Risks relating to our business**. If we are unable to protect our proprietary technology, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties.

Rapid technological change characterizes the software development industry. We believe factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition and reliable service and support are more important to establishing and maintaining a leadership position than legal protections of our technology.

### **Employees**

As of December 31, 2011, we had 1,484 full-time employees, consisting of:

251 employees in research and development;

927 employees in consulting and services;

93 employees in sales and marketing;

111 employees in client support; and

102 employees in finance and administration.

As of December 31, 2011, 386 of our employees were in our international operations. No employee is covered by any collective bargaining agreement. We believe that we have good relations with our employees.

### **Additional Information**

SS&C Holdings was incorporated in Delaware as Sunshine Acquisition Corporation in July 2005 and changed its name to SS&C Technologies Holdings, Inc. in June 2007. SS&C was organized as a Connecticut corporation in March 1986 and reincorporated as a Delaware corporation in April 1996. On November 23, 2005, SS&C Holdings acquired SS&C through the merger of Sunshine Merger Corporation with and into SS&C, with SS&C being the surviving company and wholly-owned subsidiary of SS&C Holdings. We refer to the acquisition, the equity contributions to SS&C Holdings by William C. Stone and The Carlyle Group in connection with the acquisition, SS&C's entry into senior secured credit facilities and its issuance and sale of senior subordinated notes, and the other transactions in connection with the acquisition, collectively as the Transaction. Our principal executive offices are located at 80 Lambertson Road, Windsor, Connecticut 06095. The telephone number of our principal executive offices is (860) 298-4500.



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Our Internet website address is [www.ssctech.com](http://www.ssctech.com). We make available, free of charge, on our through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments thereto that we have filed or furnished with the Securities and Exchange Commission, as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this annual report on Form 10-K.

### **Item 1A. Risk Factors**

You should carefully consider the following risk factors, in addition to other information included in this annual report on Form 10-K and the other reports we file with the Securities and Exchange Commission. If any of the following risks occur, our business, financial condition and operating results could be materially adversely affected.

#### **Risks Relating to Our Business**

*Our business is greatly affected by changes in the state of the general economy and the financial markets, and a prolonged downturn in the general economy or the financial services industry could disproportionately affect the demand for our products and services.*

As widely reported, global credit and financial markets have experienced extreme disruptions over the past several years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. These factors have caused and could continue to cause our clients or prospective clients to delay or reduce purchases of our products, and our revenues could be adversely affected. Fluctuations in the value of assets under our clients management could also adversely affect our revenues. Unfavorable economic conditions or continuing economic uncertainty could make it difficult for our clients to obtain credit on reasonable terms or at all, preventing them from making desired purchases of our products and services, and may impair the ability of our clients to pay for products they have purchased. We cannot predict the timing or duration of any economic downturn, generally, or in the markets in which our businesses operate. Continued turbulence in the U.S. and international markets, renewed concern about the strength and sustainability of a recovery, particularly given the risk of

sovereign debt defaults by European Union member countries, and prolonged declines in business consumer spending could materially adversely affect our liquidity and financial condition, and the liquidity and financial condition of our clients.

Our clients include a range of organizations in the financial services industry whose success is linked to the health of the economy generally and of the financial markets specifically. As a result, we believe that fluctuations, disruptions, instability or prolonged downturns in the general economy and the financial services industry could adversely affect demand for our products and services. For example, such fluctuations, disruptions, instability or downturns may cause our clients to do the following:

cancel or reduce planned expenditures for our products and services;

process fewer transactions through our software-enabled services;

seek to lower their costs by renegotiating their contracts with us;

move their IT solutions in-house;

switch to lower-priced solutions provided by our competitors; or

exit the industry.



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If such conditions occur and persist, our business and financial results, including our liquidity and our ability to fulfill our obligations under of our senior credit facility and to our other lenders, could be materially adversely affected.

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***Further or accelerated consolidations and failures in the financial services industry could adversely affect our results of operations due to a resulting decline in demand for our products and services.***

If banks and financial services firms fail or continue to consolidate, there could be a decline in demand for our products and services. Failures, mergers and consolidations of banks and financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenues even if these events do not reduce the aggregate activities of the consolidated entities. Further, if our clients fail and/or merge with or are acquired by other entities that are not our clients, or that use fewer of our products and services, they may discontinue or reduce their use of our products and services. It is also possible that the larger financial institutions resulting from mergers or consolidations would have greater leverage in negotiating terms with us. In addition, these larger financial institutions could decide to perform in-house some or all of the services that we currently provide or could provide or to consolidate their processing on a non-SS&C system. The resulting decline in demand for our products and services could have a material adverse effect on our revenues.

***If we are unable to retain and attract clients, our revenues and net income would remain stagnant or decline.***

If we are unable to keep existing clients satisfied, sell additional products and services to existing clients or attract new clients, then our revenues and net income would remain stagnant or decline. A variety of factors could affect our ability to successfully retain and attract clients, including:

the level of demand for our products and services;

the level of client spending for information technology;

the level of competition from internal client solutions and from other vendors;

the quality of our client service;

our ability to update our products and services and develop new products and services needed by clients;

our ability to understand the organization and processes of our clients; and

our ability to integrate and manage acquired businesses.

***We face significant competition with respect to our products and services, which may result in price reductions, reduced gross margins or loss of market share.***

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product and service introductions and marketing efforts by industry participants. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We also face competition from information systems developed and serviced internally by the IT departments of financial services firms.

Some of our current and potential competitors have significantly greater financial, technical, distribution and marketing resources, generate higher revenues and have greater name recognition. Our current or potential competitors may develop products comparable or superior to those developed by us, or adapt more quickly to new technologies, evolving industry trends or changing client or regulatory requirements. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share. Increased competition may result in price reductions, reduced gross margins and loss of market share. Accordingly, our business may not grow as expected and may decline.

***Catastrophic events may adversely affect our ability to provide, our clients' ability to use, and the demand for, our products and services, which may disrupt our business and cause a decline in revenues.***

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A war, terrorist attack, natural disaster or other catastrophe may adversely affect our business. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example,

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affecting our clients, the financial markets or the overall economy and reducing our ability to provide, our clients' ability to use, and the demand for, our products and services. The potential for a direct impact is due primarily to our significant investment in infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. A computer virus, security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for clients, disruptions to our operations, or damage to important facilities. In addition, such an event may cause clients to cancel their agreements with us for our products or services. Any of these events could cause a decline in our revenues.

***Our software-enabled services may be subject to disruptions that could adversely affect our reputation and our business.***

Our software-enabled services maintain and process confidential data on behalf of our clients, some of which is critical to their business operations. For example, our trading systems maintain account and trading information for our clients and their customers. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our software-enabled services are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our clients could experience data loss, financial loss, harm to their reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our reputation may be tarnished, and client dissatisfaction and lost business may result.

***We may not achieve the anticipated benefits from our acquisitions and may face difficulties in integrating our acquisitions, which could adversely affect our revenues, subject us to unknown liabilities, increase costs and place a significant strain on our management.***

We have acquired and intend in the future to acquire companies, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. However, acquisitions could subject us to contingent or unknown liabilities, and we may have to incur debt or severance liabilities or write off investments, infrastructure costs or other assets.

Our success is also dependent on our ability to complete the integration of the operations of acquired businesses in an efficient and effective manner. Successful integration in the rapidly changing financial services software and services industry may be more difficult to accomplish than in other industries. We may not realize the benefits we anticipate from acquisitions, such as lower costs or increased revenues. We may also realize such benefits more slowly than anticipated, due to our inability to:

combine operations, facilities and differing firm cultures;

retain the clients or employees of acquired entities;

generate market demand for new products and services;

coordinate geographically dispersed operations and successfully adapt to the complexities of international operations;

integrate the technical teams of acquired companies with our engineering organization;

incorporate acquired technologies and products into our current and future product lines; or

integrate the products and services of acquired companies with our business, where we do not have distribution, marketing or support experience for these products and services.

Integration may not be smooth or successful. The inability of management to successfully integrate the operations of acquired companies could disrupt our ongoing operations, divert management from day-to-day



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responsibilities, increase our expenses and harm our operating results or financial condition. Such acquisitions may also place a significant strain on our administrative, operational, financial and other resources. To manage growth effectively, we must continue to improve our management and operational controls, enhance our reporting systems and procedures, integrate new personnel and manage expanded operations. If we are unable to manage our growth and the related expansion in our operations from recent and future acquisitions, our business may be harmed through a decreased ability to monitor and control effectively our operations and a decrease in the quality of work and innovation of our employees. Certain of our acquisitions have generated disputes with stockholders or management of acquired companies that have required the expenditure of our resources to address or have led to litigation; any such disputes may reduce the value we hope to realize from our acquisitions, either by increasing our costs of the acquisition, reducing our opportunities to realize revenues from the acquisition or imposing litigation costs or adverse judgments on us.

*We expect that our operating results, including our profit margins and profitability, may fluctuate over time.*

Historically, our revenues, profit margins and other operating results have fluctuated from period to period and over time primarily due to the timing, size and nature of our license and service transactions. Additional factors that may lead to such fluctuation include:

the timing of the introduction and the market acceptance of new products, product enhancements or services by us or our competitors;

the lengthy and often unpredictable sales cycles of large client engagements;

the amount and timing of our operating costs and other expenses;

the financial health of our clients;

changes in the volume of assets under our clients' management;

cancellations of maintenance and/or software-enabled services arrangements by our clients;

changes in local, national and international regulatory requirements;

changes in our personnel;

implementation of our licensing contracts and software-enabled services arrangements;

changes in economic and financial market conditions; and

changes in the mix in the types of products and services we provide.

*If we cannot attract, train and retain qualified managerial, technical and sales personnel, we may not be able to provide adequate technical expertise and customer service to our clients or maintain focus on our business strategy.*

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We believe that our success is due in part to our experienced management team. We depend in large part upon the continued contribution of our senior management and, in particular, William C. Stone, our Chief Executive Officer and Chairman of our Board of Directors. Losing the services of one or more members of our senior management could significantly delay or prevent the achievement of our business objectives. Mr. Stone has been instrumental in developing our business strategy and forging our business relationships since he founded the company in 1986. We maintain no key man life insurance policies for Mr. Stone or any other senior officer or manager.

Our success is also dependent upon our ability to attract, train and retain highly skilled technical and sales personnel. Loss of the services of these employees could materially affect our operations. Competition for qualified technical personnel in the software industry is intense, and we have, at times, found it difficult to attract and retain skilled personnel for our operations.

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Locating candidates with the appropriate qualifications, particularly in the desired geographic location and with the necessary subject matter expertise, is difficult. Our failure to attract and retain a sufficient number of highly skilled employees could prevent us from developing and servicing our products at the same levels as our competitors and we may, therefore, lose potential clients and suffer a decline in revenues.

***If we are unable to protect our proprietary technology, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties.***

Our success and ability to compete depends in part upon our ability to protect our proprietary technology. We rely on a combination of trade secret, copyright and trademark law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for some of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality and/or license agreements with our employees, distributors, clients and potential clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use our proprietary information, and third parties may assert ownership rights in our proprietary technology.

Existing patent and copyright laws afford only limited protection. Third parties may develop substantially equivalent or superseding proprietary technology, or competitors may offer equivalent products in competition with our products, thereby substantially reducing the value of our proprietary rights. There are many patents in the financial services field. As a result, we are subject to the risk that others will claim that the important technology we have developed, acquired or incorporated into our products will infringe the rights, including the patent rights, such persons may hold. These claims, if successful, could result in a material loss of our intellectual property rights. Expensive and time-consuming litigation may be necessary to protect our proprietary rights.

We incorporate open source software into a limited number of our software solutions. We monitor our use of open source software to avoid subjecting our products to conditions we do not intend. Although we believe that we have complied with our obligations under the applicable licenses for open source software that we use, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. Therefore, the potential impact of these terms is uncertain and may result in unanticipated obligations or restrictions regarding those of our products, technologies or solutions affected.

We have acquired and may acquire important technology rights through our acquisitions and have often incorporated and may incorporate features of this technology across many products and services. As a result, we are subject to the above risks and the additional risk that the seller of the technology rights may not have appropriately protected the intellectual property rights we acquired. Indemnification and other rights under applicable acquisition documents are limited in term and scope and therefore provide us with only limited protection.

In addition, we currently use certain third-party software in providing some of our products and services, such as industry standard databases and report writers. If we lost our licenses to use such software or if such licenses were found to infringe upon the rights of others, we would need to seek alternative means of obtaining the licensed software to continue to provide our products or services. Our inability to replace such software, or to replace such software in a timely manner, could have a negative impact on our operations and financial results.

***We could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant costs, which, in turn, could reduce or eliminate profits.***

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. We are from time to time a party to litigation to enforce our intellectual property



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rights or as a result of an allegation that we infringe others' intellectual property rights, including patents, trademarks and copyrights. From time to time, we have received notices claiming our technology may infringe third-party intellectual property rights or otherwise threatening to assert intellectual property rights. Any parties asserting that our products or services infringe their proprietary rights could force us to defend ourselves and possibly our clients against the alleged infringement. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. These lawsuits, regardless of their success, could be time-consuming and expensive to resolve, adversely affect our revenues, profitability and prospects and divert management time and attention away from our operations. We may be required to re-engineer our products or services or obtain a license of third-party technologies on unfavorable terms.

***Our failure to continue to derive substantial revenues from the licensing of, or the provision of software-enabled services related to, our CAMRA, TradeThru, Pacer, AdvisorWare and Total Return software, and the provision of maintenance and professional services in support of such licensed software, could adversely affect our ability to sustain or grow our revenues and harm our business, financial condition and results of operations.***

The licensing of, and the provision of software-enabled services, maintenance and professional services relating to, our CAMRA, TradeThru, Pacer, AdvisorWare and Total Return software accounted for approximately 50% of our revenues for the year ended December 31, 2011. We expect that the revenues from these software products and services will continue to account for a significant portion of our total revenues for the foreseeable future. As a result, factors adversely affecting the pricing of or demand for such products and services, such as competition or technological change, could have a material adverse effect on our ability to sustain or grow our revenues and harm our business, financial condition and results of operations.

***We may be unable to adapt to rapidly changing technology and evolving industry standards and regulatory requirements, and our inability to introduce new products and services could result in a loss of market share.***

Rapidly changing technology, evolving industry standards and regulatory requirements and new product and service introductions characterize the market for our products and services. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to keep pace with such changes and developments and to meet changing client needs. The process of developing our software products is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems and technologies. Our ability to keep up with technology and business and regulatory changes is subject to a number of risks, including that:

we may find it difficult or costly to update our services and software and to develop new products and services quickly enough to meet our clients' needs;

we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed operating systems;

we may find it difficult or costly to update our software and services to keep pace with business, evolving industry standards, regulatory and other developments in the industries in which our clients operate; and

we may be exposed to liability for security breaches that allow unauthorized persons to gain access to confidential information stored on our computers or transmitted over our network.

Our failure to enhance our existing products and services and to develop and introduce new products and services to promptly address the needs of the financial markets could adversely affect our business and results of operations.

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***Undetected software design defects, errors or failures may result in loss of our clients' data, litigation against us and harm to our reputation and business.***

Our software products are highly complex and sophisticated and could contain design defects or software errors that are difficult to detect and correct. Errors or bugs may result in loss of client data or require design modifications. We cannot be certain that, despite testing by us and our clients, errors will not be found in new products, which errors could result in data unavailability, loss or corruption of client assets, litigation and other claims for damages against us. The cost of defending such a lawsuit, regardless of its merit, could be substantial and could divert management's attention from our ongoing operations. In addition, if our business liability insurance coverage proves inadequate with respect to a claim or future coverage is unavailable on acceptable terms or at all, we may be liable for payment of substantial damages. Any or all of these potential consequences could have an adverse impact on our operating results and financial condition.

***Challenges in maintaining and expanding our international operations can result in increased costs, delayed sales efforts and uncertainty with respect to our intellectual property rights and results of operations.***

For the years ended December 31, 2009, 2010 and 2011, international revenues accounted for 36%, 32% and 30%, respectively, of our total revenues. We sell certain of our products, such as Altair and Pacer, primarily outside the United States. Our international business may be subject to a variety of risks, including:

changes in a specific country's or region's political or economic condition;

difficulties in obtaining U.S. export licenses;

potentially longer payment cycles;

increased costs associated with maintaining international marketing efforts;

foreign currency fluctuations;

the introduction of non-tariff barriers and higher duty rates;

foreign regulatory compliance; and

difficulties in enforcement of third-party contractual obligations and intellectual property rights.

Such factors could have a material adverse effect on our ability to meet our growth and revenue projections and negatively affect our results of operations.

## **Risks Relating to Our Indebtedness**

***Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our senior credit facility.***

We have incurred a significant amount of indebtedness. As of December 31, 2011, we had total indebtedness of \$100 million and additional available borrowings of \$25 million under our senior credit facility on a revolving basis.

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Our substantial indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our obligations with respect to our senior credit facility;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes;

increase our vulnerability to and limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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expose us to the risk of increased interest rates as borrowings under our senior credit facility are subject to variable rates of interest;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds.

In addition, the agreement governing our senior credit facility contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

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

We are currently obligated to make periodic interest payments on our senior debt of approximately \$3.0 million annually. Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior credit facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all.

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

We may be able to incur substantial additional indebtedness in the future because the terms of our senior credit facility do not fully prohibit us or our subsidiaries from doing so. Subject to covenant compliance and certain conditions, our senior credit facility permits additional borrowing, including borrowing up to \$125.0 million on a revolving basis. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

***Restrictive covenants in the agreement governing our senior credit facility may restrict our ability to pursue our business strategies.***

The agreement governing our senior credit facility limits SS&C's ability, among other things, to:

incur additional indebtedness;

sell assets, including capital stock of restricted subsidiaries;

agree to payment restrictions affecting SS&C's restricted subsidiaries;

pay dividends;

consolidate, merge, sell or otherwise dispose of all or substantially all of SS&C's assets;

make strategic acquisitions;

enter into transactions with SS&C's affiliates;

incur liens; and

designate any of SS&C's subsidiaries as unrestricted subsidiaries.

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In addition, our senior credit facility includes other covenants which, subject to permitted exceptions, prohibit us from making capital expenditures in excess of certain thresholds, making investments, loans and other advances, entering into speculative hedging agreements, and prepaying our other indebtedness while indebtedness under our senior credit facility is outstanding. The agreement governing our senior credit facility also requires us to maintain compliance with specified financial ratios, particularly a leverage ratio and a fixed charge coverage ratio. Our ability to comply with these ratios may be affected by events beyond our control. See Note 6 to our consolidated financial statements for additional information.

The restrictions contained in the agreement governing our senior credit facility could limit our ability to plan for or react to market conditions, meet capital needs or acquire companies, products or technologies or otherwise restrict our activities or business plans.

A breach of any of these restrictive covenants or our inability to comply with the required financial ratios could result in a default under the agreement governing our senior credit facility. If such a default occurs, the lenders under our senior credit facility may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. The lenders also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our senior credit facility also have the right to proceed against the collateral, including our available cash, granted to them to secure the indebtedness. If the indebtedness under our senior credit facility, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness.

***SS&C Holdings is a holding company with no operations or assets of its own and its ability to pay dividends is limited or otherwise restricted.***

SS&C Holdings has no direct operations and no significant assets other than the stock of SS&C. Our ability to pay dividends is limited by our status as a holding company and by the terms of the agreement governing our senior credit facility, which significantly restricts the ability of our subsidiaries to pay dividends or otherwise transfer assets to SS&C Holdings. See Risk factors Risks relating to our indebtedness Restrictive covenants in the agreement governing our senior credit facility may restrict our ability to pursue our business strategies. Moreover, even in the absence of any such restrictions, none of the subsidiaries of SS&C Holdings is obligated to make funds available to SS&C Holdings for the payment of dividends or otherwise. In addition, Delaware law imposes requirements that may restrict the ability of our subsidiaries, including SS&C, to pay dividends to SS&C Holdings. Also, SS&C Holdings has no ability to acquire businesses or property or conduct other business activities directly. These limitations could reduce our attractiveness to investors.

### **Risks relating to ownership of our common stock**

***If equity research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.***

The trading market for our common stock is influenced by the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If any equity research analyst who covers us or may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***The market price of our common stock may be volatile, which could result in substantial losses for investors in our common stock.***

Shares of our common stock were sold in our initial public offering, or IPO, at a price of \$15.00 per share on March 31, 2010, and our common stock has subsequently traded as high as \$21.95 and as low as \$13.27. An

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active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. In addition, the market price of our common stock may fluctuate significantly. Some of the factors that may cause the market price of our common stock to fluctuate include:

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

changes in estimates of our financial results or recommendations by securities analysts;

failure of any of our products to achieve or maintain market acceptance;

changes in market valuations of similar companies;

success of competitive products;

changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;

announcements by us or our competitors of significant products, contracts, acquisitions or strategic alliances;

regulatory developments in the United States, foreign countries or both;

litigation involving our company, our general industry or both;

additions or departures of key personnel;

investors' general perception of us; and

changes in general economic, industry and market conditions.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

***A few significant stockholders control the direction of our business. If the ownership of our common stock continues to be highly concentrated, it will prevent other stockholders from influencing significant corporate decisions.***

As of March 8, 2012, investment funds affiliated with Carlyle beneficially owned approximately 36.6% of our common stock, and William C. Stone, our Chairman of the Board and Chief Executive Officer, beneficially owned approximately 22.9% of our common stock. We are also party to a stockholders' agreement with Carlyle and Mr. Stone, pursuant to which Carlyle and Mr. Stone have agreed to vote in favor of nominees to our board of directors nominated by each other. As a result, Carlyle and Mr. Stone exercise control over matters requiring stockholder

approval and our policy and affairs.

The presence of Carlyle's nominees on our board of directors may result in a delay or the deterrence of possible changes in control of our company, which may reduce the market price of our common stock. The interests of our existing stockholders may conflict with the interests of our other stockholders. Additionally, Carlyle and its affiliates are in the business of making investments in companies, and from time to time acquire interests in businesses that directly or indirectly compete with certain portions of our business or are suppliers or clients of ours.

***Our management has broad discretion in the use of our existing cash resources and may not use such funds effectively.***

Our management has broad discretion in the application of our cash resources. Accordingly, our stockholders will have to rely upon the judgment of our management with respect to our existing cash resources,



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with only limited information concerning management's specific intentions. Our management may spend our cash resources in ways that our stockholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business.

*Provisions in our certificate of incorporation and bylaws might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.*

Provisions of our certificate of incorporation and bylaws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

limitations on the removal of directors;

a classified board of directors so that not all members of our board are elected at one time;

advance notice requirements for stockholder proposals and nominations;

the inability of stockholders to call special meetings;

the ability of our board of directors to make, alter or repeal our bylaws;

the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used to institute a rights plan, or a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors; and

a prohibition on stockholders from acting by written consent if William C. Stone, investment funds affiliated with Carlyle, and certain transferees of Carlyle cease to collectively hold a majority of our outstanding common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

*Our management is required to devote significant time to public company compliance requirements. This may divert management's attention from the growth and operation of the business.*

The Sarbanes-Oxley Act of 2002, and rules subsequently implemented by the Securities and Exchange Commission and The NASDAQ Global Select Market, impose a number of requirements on public companies, including provisions regarding corporate governance practices. Our management and other personnel devote a significant amount of time to compliance with these requirements. Moreover, these rules and regulations may make some activities time-consuming and costly. For example, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial additional costs to maintain the same or similar coverage. These rules and regulations may also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the

Sarbanes-Oxley

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Act. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires that we expend significant management time on compliance-related issues. Moreover if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our common stock could decline and we could be subject to sanctions or investigations by The NASDAQ Global Select Market, the Securities and Exchange Commission or other regulatory authorities, which would require additional financial and management resources.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

We lease our corporate offices, which consist of approximately 76,000 square feet of office space located in 80 Lambertson Road, Windsor, CT 06095. In 2006, we extended the lease term through October 2016. We utilize facilities and offices in eighteen other locations in the United States and have offices in Toronto, Canada; Montreal, Canada; London, England; Dublin, Ireland; Amsterdam, the Netherlands; Kuala Lumpur, Malaysia; Tokyo, Japan; Singapore; Curacao; and Sydney, Australia. We believe that our facilities are in good condition and generally suitable to meet our needs for the foreseeable future; however, we will continue to seek additional space as needed to satisfy our growth.

**Item 3. *Legal Proceedings***

From time to time, we are subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of our management, we are not involved in any litigation or proceedings by third parties that our management believes will have a material adverse effect on us, our business or our financial statements.

**Item 4. *Mine Safety Disclosures***

Not applicable.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock began trading on The NASDAQ Global Select Market under the symbol SSNC on March 31, 2010. Before then, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported by The NASDAQ Global Select Market:

|   | High     | Low      |
|---|----------|----------|
| <b>Year ended December 31, 2011</b>           |          |          |
| Fourth Quarter 2011                           | \$ 18.53 | \$ 13.28 |
| Third Quarter 2011                            | \$ 21.49 | \$ 13.50 |
| Second Quarter 2011                           | \$ 20.94 | \$ 18.46 |
| First Quarter 2011                            | \$ 21.56 | \$ 17.49 |
| <b>Year ended December 31, 2010</b>           |          |          |
| Fourth Quarter 2010                           | \$ 21.95 | \$ 15.65 |
| Third Quarter 2010                            | \$ 18.36 | \$ 13.27 |
| Second Quarter 2010                           | \$ 18.41 | \$ 14.45 |
| First Quarter 2010 (beginning March 31, 2010) | \$ 16.34 | \$ 15.01 |

On March 8, 2012, the closing price reported on The NASDAQ Global Select Market of our common stock was \$20.12 per share. As of March 8, 2012, we had approximately 21 holders of record of our common stock.

There is no established public trading market for shares of our Class A non-voting common stock. As of March 8, 2012, we had one holder of record of our Class A non-voting common stock.

We have never declared or paid dividends, and we do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Our ability to pay dividends is limited by our status as a holding company and by the terms of the agreement governing our senior credit facility, insofar as we may seek to pay dividends out of funds made available to us by our subsidiaries, because our debt instruments directly or indirectly impose certain limitations on our subsidiaries' ability to pay dividends or make loans to us. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this annual report on Form 10-K.

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**Performance graph**

This performance graph shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of SS&C Technologies Holdings, Inc. under the Exchange Act.

The following graph shows a comparison from March 31, 2010 (the date our common stock commenced trading on The NASDAQ Global Select Market) through December 31, 2011 of cumulative total return for our common stock, the NASDAQ Composite Index and the NASDAQ Computer and Data Processing Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the NASDAQ Composite Index and the NASDAQ Computer and Data Processing Index assume reinvestment of dividends.

**COMPARISON OF CUMULATIVE TOTAL RETURN\* Among SS&C Technologies Holdings, Inc., the NASDAQ Composite Index And the NASDAQ Computer and Data Processing Index**

\* \$100 invested in stock on 3/31/2010. Return calculations of indices assume the reinvestment of dividends. We did not pay dividends in the periods depicted.

|   | 3/31/10 | 6/30/10 | 9/30/10 | 12/31/10 | 3/31/11 | 6/30/11 | 9/30/11 | 12/31/11 |
|---|---------|---------|---------|----------|---------|---------|---------|----------|
| SS&C Technologies Holdings, Inc.        | 100     | 106     | 105     | 136      | 135     | 132     | 95      | 120      |
| NASDAQ Composite-Total Returns          | 100     | 88      | 99      | 112      | 117     | 117     | 102     | 111      |
| NASDAQ Computer & Data Processing Index | 100     | 84      | 99      | 113      | 117     | 116     | 105     | 110      |

**Table of Contents****Item 6. Selected Financial Data**

The selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this annual report.

|  | Year Ended December 31, |            |            |            |            |
|--|-------------------------|------------|------------|------------|------------|
|  | 2011(5)                 | 2010(4)    | 2009(3)    | 2008(2)    | 2007(1)    |
| <b>(In thousands, except per share data)</b>       |                         |            |            |            |            |
| <b>Consolidated Statements of Operations Data:</b> |                         |            |            |            |            |
| Revenues   | \$ 370,828              | \$ 328,905 | \$ 270,915 | \$ 280,006 | \$ 248,168 |
| Operating income                                   | 93,777                  | 79,840     | 67,103     | 65,083     | 48,730     |
| Net income   | 51,021                  | 32,413     | 19,018     | 18,801     | 6,575      |
| Earnings per share                                 |                         |            |            |            |            |
| Basic  | \$ 0.67                 | \$ 0.47    | \$ 0.31    | \$ 0.31    | \$ 0.11    |
| Diluted  | \$ 0.63                 | \$ 0.44    | \$ 0.30    | \$ 0.30    | \$ 0.10    |
| Weighted average shares outstanding                |                         |            |            |            |            |
| Basic  | 76,482                  | 69,027     | 60,381     | 60,284     | 60,245     |
| Diluted  | 80,709                  | 73,079     | 63,653     | 63,700     | 63,382     |
| Cash dividends declared per share                  |                         |            |            |            |            |

|   | 2011         | 2010         | 2009         | 2008         | 2007         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Consolidated Balance Sheet Data (at period end):</b> |              |              |              |              |              |
| Total assets  | \$ 1,207,608 | \$ 1,275,726 | \$ 1,185,641 | \$ 1,127,353 | \$ 1,190,495 |
| Total long-term debt, including current portion         | 100,000      | 290,794      | 397,259      | 408,726      | 443,009      |
| Stockholders' equity                                    | 980,103      | 857,183      | 645,987      | 587,253      | 612,593      |

- (1) On March 12, 2007, we acquired all of the assets and business of Northport LLC.
- (2) On October 1, 2008, we acquired the assets and business of Micro Design Services, LLC. See Notes 2 and 11 of notes to our consolidated financial statements.
- (3) On March 20, 2009, we acquired the assets and business of Evare, LLC. On May 29, 2009, we acquired the assets and related business associated with Unisys Corporation's MAXIMIS software. On November 19, 2009, we acquired all of the outstanding stock of TheNextRound, Inc. On December 31, 2009, we acquired Tradeware Global Corp., through the merger of TG Acquisition Corp., our wholly-owned subsidiary, with and into Tradeware Global Corp., with Tradeware Global Corp., being the surviving company and becoming our wholly-owned subsidiary. See Notes 2 and 11 to our consolidated financial statements.
- (4) On February 3, 2010, we acquired the assets and related business associated with Geller & Company LLC's Geller Investment Partnership Services division. On October 1, 2010, we acquired all of the outstanding stock of thinkorswim Technologies, Inc. On December 6, 2010, we acquired all of the outstanding stock of PC Consulting d/b/a TimeShareWare. See Notes 2 and 11 to our consolidated financial statements.
- (5) On March 10, 2011, we acquired all of the outstanding stock of BenefitsXML, Inc. On September 8, 2011, we acquired all of the outstanding stock of BDO Simpson Xavier Fund Administration Services Limited, a division of BDO. See Notes 2 and 11 to our consolidated financial statements.

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**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Overview**

We are a leading provider of mission-critical, sophisticated software products and software-enabled services that allow financial services providers to automate complex business processes and effectively manage their information processing requirements. Our portfolio of software products and rapidly deployable software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. We provide our solutions globally to more than 5,000 clients, principally within the institutional asset management, alternative investment management and financial institutions vertical markets. In addition, our clients include commercial lenders, corporate treasury groups, insurance and pension funds, municipal finance groups and real estate property managers.

Since 2008, we have expanded our presence in current markets and entered new markets, increased our contractually recurring revenues, enhanced our operating income, paid down debt and reduced our debt leverage, increased our revenues through offering our proprietary software as software-enabled services, and expanded our reach in the financial services market. Our acquisitions since 2008 have expanded our offerings for alternative investment managers, added to our portfolio management systems and provided us with new trading products for broker-dealers and financial exchanges.

Our revenues for 2011 were \$370.8 million, compared to \$328.9 million and \$270.9 million in 2010 and 2009, respectively. Our revenues increased in 2011 from 2010 primarily as a result of revenues from products and services that we have owned for at least 12 months, or organic revenues, of \$19.7 million. Revenues from products and services that we acquired through our acquisitions of Geller & Company LLC's Geller Investment Partnership Services division, or GIPS, in February 2010, thinkorswim Technologies, Inc., or TOS, in October 2010, TimeShareWare, or TSW, in December 2010, BenefitsXML, Inc., or BXML, in March 2011, and BDO Simpson Xavier Fund Administration Services Limited, or Ireland Fund Admin, in September 2011, in the aggregate, added \$18.7 million in revenues in the year ended December 31, 2011, and the favorable impact from foreign currency translation accounted for \$3.5 million of the total increase, resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar. Our contractually recurring revenues, which we define as our maintenance revenues and software-enabled services revenues, were \$324.3 million in 2011, compared to \$284.5 million and \$229.4 million in 2010 and 2009, respectively. In 2011, contractually recurring revenues represented 87.4% of total revenues, compared to 86.5% and 84.7% in 2010 and 2009, respectively. We believe our high level of contractually recurring revenues provides us with the ability to better manage our costs and capital investments. Our revenues from sales outside the United States were \$111.1 million in 2011, compared to \$104.3 million and \$98.6 million in 2010 and 2009, respectively.

As we have expanded our business, we have focused on increasing our contractually recurring revenues. Since 2008, we have seen increased demand in the financial services industry for our software-enabled services from existing and new customers. We have taken a number of steps to support that demand, such as automating our software-enabled services delivery methods and providing our employees with sales incentives. We have also acquired businesses that offer software-enabled services or that have a large base of maintenance clients. We believe that increasing the portion of our total revenues that are contractually recurring gives us the ability to better plan and manage our business and helps us reduce the fluctuations in revenues and cash flows typically associated with software license revenues. Our software-enabled services revenues increased from \$163.3 million in 2009 to \$246.0 million in 2011. Our maintenance revenues increased from \$66.1 million in 2009 to \$78.3 million in 2011. Maintenance customer retention rates have continued to be in excess of 90%, and we have maintained both pricing levels for new contracts and annual price increases for existing contracts. To support the growth in our software-enabled services revenues and maintain our level of customer service, we have added personnel, expanded our facilities and invested in information technology. These investments and automation

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improvements in our software-enabled services have resulted in improved gross margins. Gross margins have increased from 49.2% in 2009 to 50.3% in 2011. We expect our contractually recurring revenues to continue to increase as a percentage of our total revenues.

We continue to focus on improving operating margins. Our total expenses, including costs of revenues, were \$277.1 million in 2011, compared to \$249.1 million and \$203.8 million in 2010 and 2009, respectively. Our expenses increased in 2011 over 2010 primarily due to an increase of \$12.2 million in costs to support organic revenue growth, acquisitions, which added expenses of \$11.1 million, an increase in costs of \$2.8 million related to foreign currency translation, an increase of \$1.8 million in amortization expense and an increase in stock-based compensation expense of \$0.2 million. As a result of managing our expenses, our operating income margins were 25.3% of revenues in 2011, compared to 24.3% in 2010 and 24.8% in 2009. Consolidated EBITDA, a non-GAAP financial measure defined in our credit agreement and used to measure our debt compliance, was \$152.4 million in 2011, compared to \$141.3 million and \$119.3 million, in 2010 and 2009, respectively. See *Covenant Compliance* for a reconciliation of net income to Consolidated EBITDA.

We generated \$110.4 million in cash from operating activities in 2011, compared to \$75.6 million and \$59.9 million in 2010 and 2009, respectively. In 2011, we used our operating and financing cash flow and existing cash to repay \$291.1 million of debt, acquire three businesses for \$20.6 million, invest \$6.2 million in capital equipment in our business and invest \$1.4 million in internally-developed capitalized software.

**Acquisitions**

To supplement our organic growth, we evaluate and execute acquisitions that provide complementary products or services, add proven technology and an established client base, expand our intellectual property portfolio or address a highly specialized problem or a market niche. Since the beginning of 2009, we have spent approximately \$118.0 million in cash to acquire ten businesses in the financial services industry.

The following table lists the businesses we have acquired since January 1, 2009:

| <b>Acquired Business</b>   | <b>Acquisition Date</b> | <b>Acquired Capabilities, Products and Services</b>   |
|--|-------------------------|---|
| Acquisition of Teledata<br>Communications, Inc. Software<br>Ireland Fund Admin | December 2011           | Added background search and credit retrieval software-as-a-service  |
| BenefitsXML<br>TimeShareWare   | September 2011          | Expanded fund administration services to UCITS funds  |
| thinkorswim Technologies   | March 2011              | Added employee benefits administration solutions  |
| GIPS   | December 2010           | Added shared ownership property management platform to real estate offering   |
| Tradeware  | October 2010            | Added electronic OMS/EMS offering in broker-dealer market   |
| TheNextRound   | February 2010           | Expanded fund administration services to private equity market  |
| MAXIMIS  | December 2009           | Added electronic trading offering in broker-dealer market   |
| Evare  | November 2009           | Expanded private equity client base with TNR Solution product   |
|  | May 2009                | Expanded institutional footprint and provided new cross-selling opportunities   |
|  | March 2009              | Expanded institutional middle- and back-office outsourcing services with financial data acquisition, transformation and delivery services |



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On February 23, 2012, we made a proposal to the independent directors, or the Independent Directors, of GlobeOp Financial Services S.A., or GlobeOp, regarding a possible cash offer for GlobeOp. Following further discussions with the Independent Directors, we made an improved proposal, under which GlobeOp shareholders would be entitled to receive 485 pence in cash for each GlobeOp share. Based on exchange rates on March 9, 2012, the aggregate equity purchase price for GlobeOp under this proposal would be approximately \$940,000,000. The current expectation would be to satisfy the purchase price with a combination of borrowings under a new credit facility and cash on hand. As of March 8, 2012, the Independent Directors indicated that, subject to the finalization of the terms and conditions of the offer, they would be willing to recommend an offer made by us at this level. We continue to conduct due diligence on GlobeOp and have urged GlobeOp's shareholders to take no action in respect of an existing cash offer for GlobeOp made by GEO 3 & Co. S.C.A. on February 1, 2012. There can be no certainty that we will make a cash offer for GlobeOp.

## **Critical Accounting Estimates and Assumptions**

A number of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry, information provided by our clients and information available from other outside sources, as appropriate. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, doubtful accounts receivable, goodwill and other intangible assets and other contingent liabilities. Actual results may differ significantly from the estimates contained in our consolidated financial statements. We believe that the following are our critical accounting policies.

### ***Revenue Recognition***

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues.

Software-enabled services revenues, which are based on a monthly fee or transaction-based, are recognized as the services are performed. Software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments, and are subject to automatic annual renewal at the end of the initial term unless terminated by either party.

We recognize software-enabled services revenues on a monthly basis as the software-enabled services are provided and when persuasive evidence of an arrangement exists, the price is fixed or determinable and collectibility is reasonably assured. We do not recognize any revenues before services are performed. Certain contracts contain additional fees for increases in market value, pricing and trading activity. Revenues related to these additional fees are recognized in the month in which the activity occurs based upon our summarization of account information and trading volume.

We recognize revenues from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable and collection of the resulting receivable is reasonably assured. Our products generally do not require significant modification or customization of the underlying software and, accordingly, the implementation services we provide are not considered essential to the functionality of the software.

We use a signed license agreement as evidence of an arrangement for the majority of our transactions. Delivery generally occurs when the product is delivered to a common carrier F.O.B. shipping point, or if delivered electronically, when the client has been provided with access codes that allow for immediate

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possession via a download. Although our arrangements generally do not have acceptance provisions, if such provisions are included in the arrangement, then delivery occurs at acceptance, unless such acceptance is deemed perfunctory. At the time of the transaction, we assess whether the fee is fixed or determinable based on the payment terms. Collection is assessed based on several factors, including past transaction history with the client and the creditworthiness of the client. The arrangements for perpetual software licenses are generally sold with maintenance and professional services. We allocate revenue to the delivered components, normally the license component, using the residual value method based on vendor-specific objective evidence of the fair value of the undelivered elements. The total contract value is attributed first to the maintenance and customer support arrangement based on the fair value, which is derived from renewal rates. Fair value of the professional services is based upon stand-alone sales of those services. Professional services are generally billed at an hourly rate plus out-of-pocket expenses. Professional services revenues are recognized as the services are performed. Maintenance agreements generally require us to provide technical support and software updates to our clients (on a when-and-if-available basis). We generally provide maintenance services under one-year renewable contracts. Maintenance revenues are recognized ratably over the term of the contract.

We also sell term licenses with maintenance. These arrangements range from one to seven years where vendor-specific objective evidence does not exist for the maintenance element in the term licenses, revenues are recognized ratably over the contractual term of the arrangement.

We occasionally enter into software license agreements requiring significant customization or fixed-fee professional service arrangements. We account for these arrangements in accordance with the percentage-of-completion method based on the ratio of hours incurred to expected total hours; accordingly we must estimate the costs to complete the arrangement utilizing an estimate of man-hours remaining. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Due to the complexity of some software license agreements, we routinely apply judgments to the application of software revenue recognition accounting principles to specific agreements and transactions. Different judgments or different contract structures could have led to different accounting conclusions, which could have a material effect on our reported results of operations.

***Long-lived Assets, Intangible Assets and Goodwill***

We must test goodwill annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill or indefinite-lived intangible assets may be impaired). Historically, we have tested the recoverability of goodwill by comparing the fair value or our reporting unit to its carrying value. To the extent that we do not achieve our revenue or operating cash flow plans or other measures of fair value decline, including external valuation assumptions, our current goodwill carrying value could be impaired. Additionally, since fair value is also based in part on the market approach, if our stock price declines, it is possible we could be required to perform the second step of the goodwill impairment test and impairment could result. The first step of the impairment analysis indicated that the fair value of our reporting unit exceeded its carrying value by more than 25% at December 31, 2011.

We assess the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

significant underperformance relative to historical or projected future operating results;

significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and

significant negative industry or economic trends.

When we determine that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, we assess whether an

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impairment has occurred based on whether net book value of the assets exceeds related projected undiscounted cash flows from these assets. We consider a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles in estimating future cash flows. Differing estimates and assumptions as to any of the factors described above could result in a materially different impairment charge, if any, and thus materially different results of operations.

### ***Acquisition Accounting***

In connection with our acquisitions, we allocate the purchase price to the assets and liabilities we acquire, such as net tangible assets, completed technology, in-process research and development, client contracts, other identifiable intangible assets, deferred revenue and goodwill. We applied significant judgments and estimates in determining the fair market value of the assets acquired and their useful lives. For example, we have determined the fair value of existing client contracts based on the discounted estimated net future cash flows from such client contracts existing at the date of acquisition and the fair value of the completed technology based on the relief-from-royalties method on estimated future revenues of such completed technology and assumed obsolescence factors. While actual results during the years ended December 31, 2011, 2010 and 2009 were consistent with our estimated cash flows and we did not incur any impairment charges during those years, different estimates and assumptions in valuing acquired assets could yield materially different results.

### ***Stock-based Compensation***

Using the fair value recognition provisions of relevant accounting literature, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the fair value of our common stock prior to our initial public offering, the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded for non-qualified stock options. The realizability of the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that is not realizable.

To date, we have granted stock options to our employees and directors under our 2006 equity incentive plan and 2008 stock incentive plan. Because there was no public market for our common stock prior to our IPO, our board of directors determined the fair value of our common stock on the measurement date, which required complex and subjective judgments. Our board reviewed and considered a number of factors when determining the fair value of our common stock, including:

the value of our business as determined at arm's length in connection with the Transaction;

significant business milestones that may have affected the value of our business subsequent to the Transaction;

the risks associated with our business;

the economic outlook in general and the condition and outlook of our industry;

our financial condition and expected operating results;

our level of outstanding indebtedness;

the market price of the stock of publicly traded corporations engaged in the same or similar lines of business;



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as of July 31, 2006, March 31, 2007 and March 1, 2008, analyses using a weighted average of three generally accepted valuation procedures: the income approach, the market approach - publicly traded guideline company method and the market approach - transaction method; and

as of November 15, 2008, April 1, 2009 and November 30, 2009, analyses using a weighted average of two generally accepted valuation procedures: the income approach and the market approach-publicly traded guideline company method. The market approach-transaction method was not utilized due to the lack of comparable transactions in the evaluation period.

The following table summarizes information about stock-based compensation awards granted since August 2006, the date of the first option grants since the Transaction:

| Grant Date    | Shares Under Option | Shares Under Restricted Stock Award | Weighted-Average Exercise Price | Weighted Average Fair Value of Underlying Stock | Weighted-Average Grant Date Fair Value of Options by Vesting Type(1): |             |                   |
|---------------|---------------------|-------------------------------------|---------------------------------|---|---|-------------|-------------------|
|               |                     |                                     |                                 |   | Time  | Performance | Change in Control |
| August 2006   | 9,909,555           |                                     | \$ 8.77                         | \$ 8.77   | \$ 3.66   | \$ 3.88     | \$ 2.50           |
| November 2006 | 89,250              |                                     | 8.77                            | 8.77  | 3.62  | 3.84        | 2.50              |
| March 2007    | 195,500             |                                     | 8.77                            | 8.77  | 3.61  | 3.83        | 0.87              |
| May 2007      | 148,750             |                                     | 11.64                           | 11.64   | 4.81  | 5.10        | 1.07              |
| June 2007     | 25,500              |                                     | 11.64                           | 11.64   | 4.87  | 5.16        | 1.02              |
| January 2009  | 255,041             |                                     | 10.08                           | 10.08   | 2.86  |             |                   |
| December 2009 | 102,000             |                                     | 14.53                           | 14.53   | 4.54  |             |                   |
| January 2010  | 4,250               |                                     | 14.53                           | 14.53   | 4.49  |             |                   |
| February 2010 | 400,350             |                                     | 14.53                           | 14.53   | 4.48  |             |                   |
| March 2010    | 1,615,085           |                                     | 14.53                           | 14.53   | 4.51  |             |                   |
| March 2010    |                     | 153,846                             | 14.53                           | 14.53   | 14.53   |             |                   |
| April 2010    | 21,250              |                                     | 15.29                           | 15.29   | 4.79  |             |                   |
| May 2010      | 50,200              |                                     | 16.49                           | 16.49   | 5.64  |             |                   |
| June 2010     | 48,500              |                                     | 17.83                           | 17.83   | 6.06  |             |                   |
| August 2010   | 14,500              |                                     | 16.24                           | 16.24   | 5.42  |             |                   |
| February 2011 | 165,000             |                                     | 20.15                           | 20.15   | 6.31  |             |                   |
| March 2011    | 21,250              |                                     | 19.74                           | 19.74   | 6.21  |             |                   |
| July 2011     | 35,500              |                                     | 19.78                           | 19.78   | 5.73  |             |                   |
| October 2011  | 1,559,500           |                                     | 13.48                           | 13.48   | 3.91  |             |                   |

- (1) The weighted-average fair value of options by vesting type represents the value at the grant date. These fair values do not reflect the re-valuation of certain options related to modifications effected in February 2009, March 2008 and April 2007, or the resolutions approved by our board and compensation committee in February 2010 and March 2011 relating to performance-based and change in control or superior options, as more fully described in Note 10 to our consolidated financial statements.

**Income Taxes**

The carrying value of our deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets resulting in additional income tax expense in our Consolidated Statements of Operations. On a quarterly basis, we evaluate whether deferred tax assets are realizable and assess whether there is a need for additional valuation allowances. The carrying value of our deferred tax assets and liabilities is recorded based on the statutory rates that we expect our deferred tax assets and liabilities to reverse into income. We estimate the state rate at which our deferred tax assets and liabilities will reverse based on estimates of state income apportionment for future years. Each of these estimates requires significant judgment on the part of our

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management. In addition, we evaluate the need to provide additional tax provisions for adjustments proposed by taxing authorities.

As of December 31, 2011, we had \$9.6 million in liabilities associated with unrecognized tax benefits. All of the unrecognized tax benefits, if recognized, would decrease our effective tax rate and increase our net income. We recognize accrued interest and penalties relating to unrecognized tax benefits as a component of the income tax provision.

**Results of Operations for the Years Ended December 31, 2011, 2010 and 2009**

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

|                           | Year Ended December 31, |                   |                   | Percent Change from<br>Prior Period |              |
|---------------------------|-------------------------|-------------------|-------------------|-------------------------------------|--------------|
|                           | 2011                    | 2010              | 2009              | 2011                                | 2010         |
| <b>Revenues:</b>          |                         |                   |                   |                                     |              |
| Software licenses         | \$ 23,507               | \$ 23,683         | \$ 20,661         | (0.7)%                              | 14.6%        |
| Maintenance               | 78,266                  | 72,703            | 66,099            | 7.7                                 | 10.0         |
| Professional services     | 23,048                  | 20,727            | 20,889            | 11.2                                | (0.8)        |
| Software-enabled services | 246,007                 | 211,792           | 163,266           | 16.2                                | 29.7         |
| <b>Total revenues</b>     | <b>\$ 370,828</b>       | <b>\$ 328,905</b> | <b>\$ 270,915</b> | <b>12.7%</b>                        | <b>21.4%</b> |

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

|                           | Year Ended December 31, |               |               |
|---------------------------|-------------------------|---------------|---------------|
|                           | 2011                    | 2010          | 2009          |
| <b>Revenues:</b>          |                         |               |               |
| Software licenses         | 6.3%                    | 7.2%          | 7.6%          |
| Maintenance               | 21.1                    | 22.1          | 24.4          |
| Professional services     | 6.2                     | 6.3           | 7.7           |
| Software-enabled services | 66.4                    | 64.4          | 60.3          |
| <b>Total revenues</b>     | <b>100.0%</b>           | <b>100.0%</b> | <b>100.0%</b> |

**Comparison of Years Ended December 31, 2011, 2010 and 2009****Revenues**

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

Revenues were \$370.8 million, \$328.9 million and \$270.9 million in 2011, 2010 and 2009, respectively. Our revenues increased in 2011 by \$41.9 million, or 12.7%, primarily due to an increase in organic revenues of \$19.7 million, or 6.0%. Revenues for businesses and products that we acquired through our acquisitions of GIPS



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in February 2010, TOS in October 2010, TSW in December 2010, BXML in March 2011 and Ireland Fund Admin in September 2011, in the aggregate, added \$18.7 million in revenues in the year ended December 31, 2011, and the favorable impact from foreign currency translation accounted for \$3.5 million of the total increase, resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar. Our revenues increased in 2010 by \$58.0 million, or 21.4%, primarily due to an increase in revenues from products and services that we acquired through our acquisitions of Evare in March 2009, MAXIMIS in May 2009, TNR in November 2009, Tradeware in December 2009, GIPS in February 2010, TOS in October 2010 and TSW in December 2010, which, in the aggregate, added \$35.3 million in revenues in the year ended December 31, 2010. Organic revenues increased \$17.6 million, or 6.5%, and the favorable impact from foreign currency translation accounted for \$5.1 million of the total increase, resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar.

***Software Licenses***

Software license revenues were \$23.5 million, \$23.7 million and \$20.6 million in 2011, 2010 and 2009, respectively. Our software license revenues decreased in 2011 by \$0.2 million primarily due to a decrease of \$1.9 million in organic software license revenues, partially offset by revenues from acquisitions, which contributed \$1.6 million, and an increase of \$0.1 million related to foreign currency translation. Our software license revenues increased in 2010 by \$3.0 million primarily due to an increase of \$1.9 million in organic software license revenues, revenues from acquisitions, which contributed \$0.9 million, and an increase of \$0.1 million related to foreign currency translation. Software license revenues will vary depending on the timing, size and nature of our license transactions. For example, the average size of our software license transactions and the number of large transactions may fluctuate on a period-to-period basis. During 2011, the average size and number of perpetual license transactions decreased from those for the comparable period in 2010, while the revenues from term licenses increased from the prior year period. During 2010, the average size and number of perpetual license transactions increased from those for the comparable period in 2009, while the revenues from term licenses decreased from the prior year period. Additionally, software license revenues will vary among the various products that we offer, due to differences such as the timing of new releases and variances in economic conditions affecting opportunities in the vertical markets served by such products.

***Maintenance***

Maintenance revenues were \$78.3 million, \$72.7 million and \$66.1 million in 2011, 2010 and 2009, respectively. Our maintenance revenues increased in 2011 by \$5.6 million, or 8%, primarily due to revenues from acquisitions, which contributed \$4.6 million in the aggregate, an increase in organic maintenance revenues of \$0.5 million and the favorable impact from foreign currency translation of \$0.5 million. Our maintenance revenues increased in 2010 by \$6.6 million, or 10%, primarily due to revenues from acquisitions, which contributed \$6.6 million in the aggregate, and the favorable impact from foreign currency translation of \$0.3 million. These increases were partially offset by a decrease in organic maintenance revenues of \$0.3 million. We typically provide maintenance services under one-year renewable contracts that provide for an annual increase in fees, which is generally tied to the percentage change in the consumer price index. Future maintenance revenue growth is dependent on our ability to retain existing clients, add new license clients and increase average maintenance fees.

***Professional Services***

Professional services revenues were \$23.0 million, \$20.7 million and \$20.9 million in 2011, 2010 and 2009, respectively. Our professional services revenues increased by \$2.3 million in 2011 primarily due to revenues from acquisitions, which contributed \$3.9 million in the aggregate and the favorable impact from foreign currency translation of \$0.3 million, partially offset by a decrease of \$1.9 million in organic professional services revenues. The decrease in organic revenues for 2011 was primarily due to fewer projects associated with one of our products. Our professional services revenues decreased by \$0.2 million in 2010 primarily due to a decrease of \$2.5 million in organic professional services revenues, partially offset by revenues from acquisitions, which



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contributed \$1.9 million in the aggregate and the favorable impact from foreign currency translation of \$0.4 million. The decrease in organic revenues for 2010 was primarily due to a one-time significant project fee recognized in the second quarter of 2009. Our overall software license revenue levels and market demand for professional services will continue to have an effect on our professional services revenues.

### ***Software-Enabled Services***

Software-enabled services revenues were \$246.0 million, \$211.8 million and \$163.3 million in 2011, 2010 and 2009, respectively. Our software-enabled services revenues increased in 2011 by \$34.2 million, or 16%, primarily due to an increase of \$23.0 million in organic software-enabled services revenues, revenues from acquisitions, which contributed \$8.6 million, and the favorable impact from foreign currency translation of \$2.6 million. Our software-enabled services revenues increased in 2010 by \$48.5 million, or 30%, primarily due to revenues from acquisitions, which contributed \$25.7 million, an increase of \$18.5 million in organic software-enabled services revenues and the favorable impact from foreign currency translation of \$4.3 million. Organic revenues increased in 2011 and 2010 due primarily to high demand for our services from alternative asset managers. Future software-enabled services revenue growth is dependent on our ability to add new software-enabled services clients, retain existing clients and increase average software-enabled services fees.

### **Cost of Revenues**

The total cost of revenues was \$184.3 million, \$165.9 million and \$137.7 million in 2011, 2010 and 2009, respectively. Our gross margin increased from 49% in 2009 to 50% in 2010 and 2011. Our total cost of revenues increased in 2011 by \$18.4 million primarily as a result of an increase of \$9.9 million in costs to support organic revenue growth, our acquisitions, which added costs of revenues of \$5.2 million in the aggregate, an increase in costs of \$1.8 million related to the unfavorable effect of foreign currency translation and an increase of \$1.8 million in amortization expense, partially offset by a decrease in stock-based compensation expense of \$0.3 million. Our total cost of revenues increased in 2010 by \$28.2 million primarily as a result of acquisitions, which added costs of revenues of \$16.0 million, an increase of \$4.0 million in amortization expense, an increase of \$3.7 million in costs to support organic revenue growth, an increase in costs of \$2.3 million related to foreign currency translation and an increase in stock-based compensation expense of \$2.2 million. The increase in amortization expense was primarily related to acquisitions during the period.

### ***Cost of Software License Revenues***

Cost of software license revenues consists primarily of amortization expense of completed technology, royalties, third-party software, and the costs of product media, packaging and documentation. The cost of software license revenues was \$6.8 million, \$7.8 million and \$8.5 million in 2011, 2010 and 2009, respectively. The decrease in cost of software license revenues in 2011 was primarily due to a reduction of \$1.0 million in amortization expense due to the accelerated amortization methods utilized for our intangible assets, partially offset by an increase of \$0.1 million related to the unfavorable effect of foreign currency translation. The decrease in cost of software license revenues in 2010 was primarily due to a reduction of \$0.8 million in amortization expense, partially offset by an increase of \$0.1 million related to foreign currency translation.

### ***Cost of Maintenance Revenues***

Cost of maintenance revenues consists primarily of technical client support, costs associated with the distribution of products and regulatory updates and amortization of intangible assets. The cost of maintenance revenues was \$35.0 million, \$32.7 million and \$27.6 million in 2011, 2010 and 2009, respectively. The increase in cost of maintenance revenues in 2011 of \$2.3 million, or 7%, was primarily due to additional amortization expense of \$1.5 million, our acquisitions, which added \$0.8 million in costs in the aggregate, and an increase in costs of \$0.3 million related to foreign currency translation, partially offset by a decrease of \$0.3 million in costs to support organic revenues. The increase in cost of maintenance revenues in 2010 of \$5.1 million, or 19%, was

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primarily due to acquisitions, which added \$2.5 million in costs, an increase of \$2.1 million in amortization expense, an increase in costs of \$0.3 million related to foreign currency translation and an increase in stock-based compensation expense of \$0.2 million. Cost of maintenance revenues as a percentage of these revenues was 45% for 2011 and 2010 and 42% for 2009. The increase in costs as a percentage of revenues for 2011 is primarily related to our acquisition during the period.

***Cost of Professional Services Revenues***

Cost of professional services revenues consists primarily of the cost related to personnel utilized to provide implementation, conversion and training services to our software licensees, as well as system integration and custom programming consulting services. The cost of professional services revenue was \$15.5 million, \$14.0 million and \$14.2 million in 2011, 2010 and 2009, respectively. The increase in costs of professional services revenues of \$1.6 million, or 11%, was primarily related to our acquisitions, which added \$0.9 million in costs in the aggregate, an increase in costs of \$0.2 million related to foreign currency translation and an increase of \$0.4 million in costs to support projects, partially offset by additional amortization expense of \$0.1 million. The decrease in costs of professional services revenues in 2010 of \$0.2 million, or 1%, was primarily related to a reduction of \$2.2 million in costs to support organic professional services revenues, primarily as a result of one significant implementation project that occurred during 2009, partially offset by our acquisitions, which added \$1.4 million in costs, an increase in costs of \$0.3 million related to foreign currency translation and an increase in stock-based compensation expense of \$0.3 million. Cost of professional services revenues as a percentage of these revenues was 67% for 2010 and 2011 and 68% for 2009.

***Cost of Software-Enabled Services Revenues***

Cost of software-enabled services revenues consists primarily of the cost related to personnel utilized in servicing our software-enabled services clients and amortization of intangible assets. The cost of software-enabled services revenues was \$126.9 million, \$111.5 million and \$87.5 million in 2011, 2010 and 2009, respectively. The increase in costs of software-enabled services revenues in 2011 of \$15.4 million, or 14%, was primarily related to an increase of \$9.8 million in costs to support the growth of organic software-enabled services revenues, our acquisitions, which added \$3.5 million in costs in the aggregate, an increase in costs of \$1.2 million related to foreign currency translation and an increase in costs of \$1.2 million related to amortization expense, partially offset by a decrease in stock-based compensation expense of \$0.3 million. The increase in costs of software-enabled services revenues in 2010 of \$24.0 million, or 27%, was primarily related to our acquisitions, which added \$12.1 million in costs in the aggregate, an increase of \$5.9 million in costs to support the growth of organic software-enabled services revenues, an increase of \$2.7 million in amortization expense, an increase in costs of \$1.6 million related to foreign currency translation and an increase in stock-based compensation expense of \$1.7 million. Cost of software-enabled services revenues as a percentage of these revenues was 52% for 2011, 53% for 2010 and 54% for 2009.

**Operating Expenses**

Our total operating expenses were \$92.8 million, \$83.1 million and \$66.1 million in 2011, 2010 and 2009, respectively, representing 25%, 25% and 24%, respectively, of total revenues in those years. The increase in total operating expenses in 2011 of \$9.7 million, or 12%, was primarily due to our acquisitions, which added \$5.9 million in costs in the aggregate, an increase in costs of \$2.3 million to support organic revenue growth, an increase in costs of \$1.0 million related to foreign currency translation and an increase in costs of \$0.5 million related to stock-based compensation. The increase in total operating expenses in 2010 of \$17.0 million, or 26%, was primarily due to our acquisitions, which added \$9.2 million in costs in the aggregate, an increase in stock-based compensation of \$5.4 million, an increase in costs of \$1.1 million related to foreign currency translation and an increase of \$1.3 million in costs to support organic revenue growth.

***Selling and Marketing***

Selling and marketing expenses consist primarily of the personnel costs associated with the selling and marketing of our products, including salaries, commissions and travel and entertainment. Such expenses also

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include amortization of intangible assets, the cost of branch sales offices, trade shows and marketing and promotional materials. Selling and marketing expenses were \$28.9 million, \$25.2 million and \$20.4 million in 2011, 2010 and 2009, respectively, representing 8% of total revenues in each of those years. The increase in selling and marketing expenses in 2011 of \$3.7 million, or 15%, was primarily due to our acquisitions, which added \$1.6 million in costs in the aggregate, an increase in costs of \$1.2 million to support organic revenue growth, an increase in costs of \$0.4 million related to foreign currency translation, an increase in stock-based compensation expense of \$0.4 million and an increase in costs of \$0.1 million related to amortization expense. The increase in selling and marketing expenses in 2010 of \$4.8 million, or 24%, was primarily due to our acquisitions, which added \$3.3 million in costs in the aggregate, an increase in stock-based compensation expense of \$1.0 million, an increase of \$0.3 million in costs to support organic revenue growth and an increase in costs of \$0.2 million related to foreign currency translation.

***Research and Development***

Research and development expenses consist primarily of personnel costs attributable to the enhancement of existing products and the development of new software products. Research and development expenses were \$35.6 million, \$31.4 million and \$26.5 million in 2011, 2010 and 2009, respectively, representing 10% of total revenues in each of those years. The increase in research and development expenses in 2011 of \$4.2 million, or 13%, was primarily related to our acquisitions, which added \$3.3 million in costs in the aggregate, an increase of \$0.5 million in costs to support organic revenue growth and an increase in costs of \$0.4 million related to foreign currency translation. The increase in research and development expenses in 2010 of \$4.9 million, or 19%, was primarily related to our acquisitions, which added \$3.5 million in costs in the aggregate, an increase in costs of \$0.6 million related to foreign currency translation, an increase in stock-based compensation expense of \$0.7 million and an increase of \$0.1 million in costs to support organic revenue growth.

***General and Administrative***

General and administrative expenses consist primarily of personnel costs related to management, accounting and finance, information management, human resources and administration and associated overhead costs, as well as fees for professional services. General and administrative expenses were \$28.2 million, \$26.5 million and \$19.2 million in 2011, 2010 and 2009, respectively, representing 8% of total revenues in 2011 and 2010 and 7% of total revenues in 2009. The increase in general and administrative expenses in 2011 of \$1.8 million, or 7%, was primarily related to our acquisitions, which added \$1.0 million in costs in the aggregate, an increase in costs of \$0.6 million to support organic revenue growth, an increase in costs of \$0.2 million related to foreign currency translation and an increase in stock-based compensation expense of \$0.1 million, partially offset by a decrease in amortization expense of \$0.1 million. The increase in general and administrative expenses in 2010 of \$7.3 million, or 38%, was primarily related to an increase in stock-based compensation expense of \$3.7 million, our acquisitions, which added \$2.4 million in costs in the aggregate, an increase in costs of \$0.3 million related to foreign currency translation and an increase in costs of \$0.9 million to support organic revenue growth.

***Interest Income, Interest Expense and Other (Expense) Income, Net***

We had interest expense of \$14.7 million and interest income of \$0.1 million in 2011 compared to interest expense of \$30.6 million and interest income of \$0.2 million in 2010. We had interest expense of \$36.9 million and interest income of \$0.1 million in 2009. The decrease in interest expense in 2011 and 2010 reflects the lower average debt balance resulting from net repayments of debt of \$191.1 million during 2011, which includes the redemptions of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 in March and December 2011 and the full repayment of the senior credit facility under our then-existing credit agreement, which we refer to as the Prior Facility, and net repayments of debt of \$108.1 million during 2010, which includes the partial redemption of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 in April 2010 (discussed further in Liquidity and Capital Resources ).

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Other expense, net for 2011 consisted primarily of an increase of \$0.5 million in our contingent consideration liability associated with the BXML acquisition from \$1.8 million to \$2.3 million, fees of \$0.3 million associated with the redemption of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 (discussed further in Note 6 to our consolidated financial statements), and foreign currency transaction losses of \$0.1 million, partially offset by a refund of facilities charges of \$0.5 million. Other income, net for 2010 consisted primarily of a reduction of \$1.0 million in our contingent consideration liability associated with the TNR acquisition from \$1.0 million to \$0, partially offset by foreign currency transaction losses of \$0.5 million. Other income, net for 2009 consisted primarily of foreign currency transaction losses of \$1.5 million.

**Loss on extinguishment of debt**

Loss on extinguishment of debt in 2011 consisted of \$2.0 million in note redemption premiums and \$2.8 million from the write-offs of deferred financing costs associated with the redemption of the remaining \$133.3 million of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. Loss on extinguishment of debt in 2010 consisted of \$4.2 million in note redemption premiums and \$1.3 million from the write-offs of deferred financing costs associated with the redemption of \$71.75 million of our 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013. The redemption of our notes is discussed further in Liquidity and Capital Resources.

**Provision for Income Taxes**

Our overall effective tax rate was 31.0%, 27.1%, and 34.0% for the years ended December 31, 2011, 2010 and 2009, respectively. For the year ended December 31, 2011, we recorded a provision for income taxes of \$22.9 million. The difference between the provision we recorded and the statutory rate was primarily due to foreign tax benefits of approximately \$4.0 million, partially offset by state income taxes of \$1.6 million. For the year ended December 31, 2010, we recorded a provision for income taxes of \$12.0 million. The difference between the provision we recorded and the statutory rate was primarily due to foreign tax benefits of approximately \$4.0 million, partially offset by state income taxes of \$1.8 million. For the year ended December 31, 2009, we recorded a provision for income taxes of \$9.8 million. The difference between the provision we recorded and the statutory rate was primarily due to foreign tax benefits of approximately \$2.3 million, partially offset by state income taxes of \$1.8 million. We had \$53.4 million of deferred tax liabilities and \$26.4 million of deferred tax assets at December 31, 2011. In future years, we expect to have sufficient levels of taxable income to realize the net deferred tax assets at December 31, 2011.

Our effective tax rate includes the effect of operations outside the United States, which historically have been taxed at rates lower than the U.S. statutory rate. While we have income from multiple foreign sources, the majority of the Company's non-U.S. operations are in Canada and the United Kingdom, where the statutory rates were 28.2% and 26%, respectively, in 2011, 30.4% and 28.0%, respectively, in 2010 and 33.1% and 28.0%, respectively, in 2009. A future proportionate change in the composition of income before income taxes from foreign and domestic tax jurisdictions could impact our periodic effective tax rate.

**Liquidity and Capital Resources**

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

Our cash and cash equivalents at December 31, 2011 were \$40.3 million, a decrease of \$44.5 million from \$84.8 million at December 31, 2010. The decrease in cash is due primarily to net repayments of debt and cash used for acquisitions and capital expenditures, net proceeds of \$52.0 million from our follow-on public offering of common stock in February 2011 and cash provided by operations.

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Net cash provided by operating activities was \$110.4 million in 2011. Cash provided by operating activities was primarily due to net income of \$51.0 million adjusted for non-cash items of \$48.6 million, partially offset by changes in our working capital accounts (excluding the effect of acquisitions) totaling \$10.8 million. The changes in our working capital accounts were driven by increases in deferred revenues, accrued expenses and other liabilities and accounts payable and a change in income taxes prepaid and payable, partially offset by increases in accounts receivable and prepaid expenses and other assets. The increase in deferred revenues was primarily due to the collection of annual maintenance fees. The increase in accounts receivable was primarily due to the increase in revenue, partially offset by an improvement in days sales outstanding from 48 days at December 31, 2010 to 44 days at December 31, 2011. The change in income taxes prepaid and payable was primarily related to an income tax benefit associated with the exercise of stock options, partially offset by a prepayment of income taxes.

Investing activities used net cash of \$29.4 million in 2011, primarily related to \$20.6 million in cash paid for our acquisitions, \$6.2 million in cash paid for capital expenditures, \$1.4 million in cash paid for capitalized software and \$1.1 million in other investing activities associated with the restricted cash held as collateral for a letter of credit on behalf of a lease agreement.

Financing activities used net cash of \$125.4 million in 2011, representing \$291.1 million in repayments of debt, partially offset by \$100.0 million in net proceeds from our senior credit facility, which we refer to as the Senior Credit Facility, \$52.0 million in net proceeds from our follow-on offering, proceeds of \$8.8 million from stock option exercises and income tax windfall benefits of \$4.9 million related to the exercise of stock options. The repayment of debt during the period includes our use of proceeds from the Senior Credit Facility and follow-on offering and available cash to redeem \$66.6 million in principal amount of our outstanding 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding December 15, 2011, the date of the redemption, and \$66.6 million in principal amount of our outstanding 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 at a redemption price of 102.9375% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding March 17, 2011, the date of the redemption, as well as the full repayment of the term loan under our Prior Facility discussed further below.

We have made a permanent reinvestment determination in certain non-U.S. operations that have historically generated positive operating cash flows. At December 31, 2011, we held approximately \$11.9 million in cash and cash equivalents at non-U.S. subsidiaries where we had made such a determination and in turn no provision for U.S. income taxes had been made. As of December 31, 2011, we believe we have sufficient foreign tax credits available to offset tax obligations associated with the repatriation of these funds.

**Contractual Obligations**

The following table summarizes our contractual obligations as of December 31, 2011 that require us to make future cash payments (in thousands):

| Contractual Obligations and Other Commitments   | Total             | Payments Due by Period |                  |                   |                      | All Other        |
|---|-------------------|------------------------|------------------|-------------------|----------------------|------------------|
|   |                   | Less than<br>1 Year    | 1-3 Years        | 3-5 Years         | More than<br>5 Years |                  |
| Short-term and long-term debt                   | \$ 100,000        | \$                     | \$               | \$ 100,000        | \$                   | \$               |
| Interest payments(1)                            | 9,156             | 2,035                  | 4,069            | 3,052             |                      |                  |
| Operating lease obligations(2)                  | 55,497            | 10,834                 | 17,342           | 11,345            | 15,976               |                  |
| Purchase obligations(3)                         | 6,349             | 4,873                  | 1,343            | 133               |                      |                  |
| Uncertain tax positions and related interest(4) | 11,890            |                        |                  |                   |                      | 11,890           |
| <b>Total contractual obligations</b>            | <b>\$ 182,892</b> | <b>\$ 17,742</b>       | <b>\$ 22,754</b> | <b>\$ 114,530</b> | <b>\$ 15,976</b>     | <b>\$ 11,890</b> |

- (1) Reflects interest payments on our Senior Credit Facility at an assumed interest rate of three-month LIBOR of 0.28% plus 1.75% for U.S. dollar loans.

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- (2) We are obligated under noncancelable operating leases for office space and office equipment. The lease for the corporate facility in Windsor, Connecticut expires in 2016. We sublease office space under noncancelable leases. We received rental income under these leases of \$1.3 million for each of the years ended December 31, 2011, 2010 and 2009. The effect of the rental income to be received in the future has not been included in the table above.
- (3) Purchase obligations include the minimum amounts committed under contracts for goods and services.
- (4) As of December 31, 2011, our liability for uncertain tax positions and related net interest payable were \$9.6 million and \$2.3 million, respectively. We are unable to reasonably estimate the timing of such liability and interest payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

### **Off-Balance Sheet Arrangements**

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

### **Senior Credit Facility**

On December 15, 2011, we entered into a credit agreement with SS&C as the borrower, which provides for a \$125 million Senior Credit Facility, to be available on a revolving basis until December 15, 2016, of which \$100 million was immediately drawn, and contains an expansion feature permitting additional revolving or term loan commitments of up to \$75 million under certain circumstances. Borrowings outstanding will bear interest at a rate per annum equal to, at the election of SS&C, either a floating base rate or a Eurocurrency rate plus, in each case, an applicable margin. In addition, we pay a commitment fee in respect of unused revolving commitments at a rate that will be adjusted based on our leverage ratio. The initial commitment fee rate is 0.25% per annum, payable quarterly in arrears. We may choose to prepay loans or reduce the Senior Credit Facility commitments at any time, without penalty.

The obligations under the Senior Credit Facility are guaranteed by SS&C Holdings and the material U.S. subsidiaries of SS&C. Obligations under the Senior Credit Facility are secured, subject to certain agreed upon exceptions, by substantially all of the tangible and intangible assets of SS&C and each guarantor (including, without limitation, intellectual property and capital stock of domestic subsidiaries).

The Senior Credit Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, SS&C Holdings, SS&C and most of SS&C's subsidiaries' ability to incur or guarantee additional indebtedness, pay dividends and distributions on capital stock, create liens on assets, repay subordinated indebtedness, make capital expenditures, engage in certain transactions with affiliates, dispose of assets and engage in mergers or acquisitions. In addition, under the Senior Credit Facility, we are required to satisfy and maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio. As of December 31, 2011, we were in compliance with the financial and non-financial covenants.

In connection with the entry into the Senior Credit Facility, SS&C terminated its then-existing credit agreement and used the proceeds from advances made under the Senior Credit Facility to repay all amounts outstanding under the Prior Facility, including an aggregate principal amount of outstanding borrowings of approximately \$99.7 million. At the time of the termination of the Prior Facility, all liens and other security interests that SS&C had granted to the lenders under the Prior Facility were released.

### **11 <sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013**

The 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 were unsecured senior subordinated obligations of SS&C that were subordinated in right of payment to all existing and future senior debt, including the Prior Facility.

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The senior subordinated notes were redeemable in whole or in part, at SS&C's option, at any time at varying redemption prices that generally include premiums as defined in the indenture governing the senior subordinated notes. In May 2010, SS&C redeemed \$71.75 million in principal amount of its outstanding 11 3/4% senior subordinated notes due 2013 at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, May 24, 2010, the date of redemption. In February 2011, SS&C issued a notice of redemption for \$66.6 million in aggregate principal amount of its outstanding 11 3/4% senior subordinated notes due 2013 at a redemption price of 102.9375% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, March 17, 2011, the date of redemption. In December 2011, SS&C redeemed the remaining \$66.6 million in aggregate principal amount outstanding of its 11 3/4% senior subordinated notes due 2013 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, December 19, 2011, the date of redemption.

### ***Covenant Compliance***

Under the Senior Credit Facility, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2011, we were in compliance with the financial and non-financial covenants. Our continued ability to meet these financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet these ratios and tests. A breach of any of these covenants could result in a default under the Senior Credit Facility. Upon the occurrence of any event of default under the Senior Credit Facility, the lenders could elect to declare all amounts outstanding under the Senior Credit Facility to be immediately due and payable and terminate all commitments to extend further credit.

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

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

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

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

Consolidated EBITDA is not a recognized measurement under GAAP, and investors should not consider Consolidated EBITDA as a substitute for measures of our financial performance and liquidity as determined in accordance with GAAP, such as net income, operating income or net cash provided by operating activities. Because other companies may calculate Consolidated EBITDA differently than we do, Consolidated EBITDA

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may not be comparable to similarly titled measures reported by other companies. Consolidated EBITDA has other limitations as an analytical tool, when compared to the use of net income, which is the most directly comparable GAAP financial measure, including:

Consolidated EBITDA does not reflect the provision of income tax expense in our various jurisdictions;

Consolidated EBITDA does not reflect the significant interest expense we incur as a result of our debt leverage;

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

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

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

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

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2011                    | 2010              | 2009              |
|   | (In thousands)          |                   |                   |
| Net income                                  | \$ 51,021               | \$ 32,413         | \$ 19,018         |
| Interest expense, net(1)                    | 19,415                  | 35,892            | 36,863            |
| Income tax provision                        | 22,918                  | 12,034            | 9,804             |
| Depreciation and amortization               | 42,224                  | 40,728            | 36,028            |
| <b>EBITDA</b>                               | <b>135,578</b>          | <b>121,067</b>    | <b>101,713</b>    |
| Purchase accounting adjustments(2)          | (373)                   | (238)             | (93)              |
| Capital-based taxes                         | 354                     | 1,091             | 795               |
| Unusual or non-recurring charges (gains)(3) | 2,355                   | (325)             | 1,990             |
| Acquired EBITDA and cost savings(4)         | 1,192                   | 6,392             | 8,053             |
| Stock-based compensation                    | 13,493                  | 13,254            | 5,607             |
| Other(5)                                    | (183)                   | 39                | 1,201             |
| <b>Consolidated EBITDA, as defined</b>      | <b>\$ 152,416</b>       | <b>\$ 141,280</b> | <b>\$ 119,266</b> |

- (1) Interest expense includes loss from extinguishment of debt shown as a separate line item on our consolidated statements of operations.
- (2) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase rent expense by the amount that would have been recognized if lease obligations were not adjusted to fair value at the date of acquisitions.
- (3) Unusual or non-recurring charges include foreign currency transaction gains and losses, severance expenses, proceeds from legal and other settlements and other expenses, such expenses associated with the bond redemption, acquisitions and facility refund.
- (4) Acquired EBITDA and cost savings reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period and cost savings to be realized from such acquisitions.
- (5) Other includes management fees and related expenses paid to The Carlyle Group and the non-cash portion of straight-line rent expense.





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Our covenant requirements for total leverage ratio and minimum fixed charge coverage ratio and the actual ratios for the year ended December 31, 2011 are as follows:

|   | <b>Covenant<br/>Requirements</b> | <b>Actual<br/>Ratios</b> |
|---|----------------------------------|--------------------------|
| Maximum consolidated total leverage to Consolidated EBITDA Ratio(1)     | 3.25x                            | 0.66x                    |
| Minimum Consolidated EBITDA to consolidated fixed charge coverage ratio | 1.50x                            | 9.32x                    |

- (1) Calculated as the ratio of funded debt to Consolidated EBITDA, as defined by the Senior Credit Facility, for the period of four consecutive fiscal quarters ended on the measurement date. Funded debt is comprised of indebtedness for borrowed money, notes, bonds or similar instruments, and capital lease obligations. This covenant is applied at the end of each quarter.

**Recent Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment ( ASU 2011-08 ). ASU 2011-08 intends to address concerns about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles Goodwill and Other. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under ASU 2011-08, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 will be applied prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income ( ASU 2011-05 ). ASU 2011-05 intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of ASU 2011-05 will be applied retrospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 is not expected to have a material impact on our financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement ( ASU 2011-04 ). ASU 2011-04 amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes are effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on our financial position, results of operations or cash flows but will require additional financial statement disclosures related to fair value measurements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

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

At December 31, 2011, we had total variable interest rate debt of \$100.0 million. As of December 31, 2011, a 1% change in interest rates would result in a change in interest expense of approximately \$1.0 million per year.

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During 2011, approximately 30% of our revenues were from clients located outside the United States. A portion of the revenues from clients located outside the United States is denominated in foreign currencies, the majority being the Canadian dollar. While revenues and expenses of our foreign operations are primarily denominated in their respective local currencies, some subsidiaries do enter into certain transactions in currencies that are different from their local currency. These transactions consist primarily of cross-currency intercompany balances and trade receivables and payables. As a result of these transactions, we have exposure to changes in foreign currency exchange rates that result in foreign currency transaction gains and losses, which we report in other income (expense). These outstanding amounts were not material for the year ended December 31, 2011. The amount of these balances can fluctuate in the future as we bill customers and buy products or services in currencies other than our functional currency, which could increase our exposure to foreign currency exchange rates. We continue to monitor our exposure to foreign exchange rates as a result of our acquisitions and changes in our operations. We do not enter into any market risk sensitive instruments for trading purposes.

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

### **Item 8. *Financial Statements and Supplementary Data***

Information required by this item is contained in our consolidated financial statements, related footnotes and the report of PricewaterhouseCoopers LLP, which information follows the signature page to this annual report and is incorporated herein by reference.

### **Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

### **Item 9A. *Controls and Procedures* *Disclosure Controls and Procedures***

Our management, with the participation of our chief executive officer and chief financial officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2011. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2011, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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### ***Report of Management on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that: 1) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are made in accordance with management and board of director authorization; and 3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

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

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. *Other Information***

None.

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**PART III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

Incorporated by reference from the information in the Company's proxy statement for the 2012 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 11. *Executive Compensation***

Incorporated by reference from the information in the Company's proxy statement for the 2012 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Incorporated by reference from the information in the Company's proxy statement for the 2012 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

Incorporated by reference from the information in the Company's proxy statement for the 2012 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 14. *Principal Accountant Fees and Services***

Incorporated by reference from the information in the Company's proxy statement for the 2012 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**  
**(a)**

**1. Financial Statements**

The following financial statements are filed as part of this annual report:

| <b>Document</b>  | <b>Page</b> |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>   | F-1         |
| <u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>  | F-2         |
| <u>Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009</u>                  | F-3         |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009</u>                  | F-4         |
| <u>Consolidated Statements of Changes in Stockholder s Equity for years ended December 31, 2011, 2010 and 2009</u> | F-5         |
| <u>Notes to Consolidated Financial Statements</u>  | F-6         |

**2. Financial Statement Schedules**

Financial statement schedules are not submitted because they are not applicable, not required or the information is included in our consolidated financial statements.

**3. Exhibits**

The attached list of exhibits in the Exhibit Index immediately preceding the exhibits to this annual report is incorporated herein by reference in response to this item.

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**SIGNATURES**

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

SS&C TECHNOLOGIES HOLDINGS, INC.

By: /s/ William C. Stone  
 William C. Stone  
 Chairman of the Board and Chief Executive Officer

Date: March 9, 2012

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

| Signatures                 | Title   | Date          |
|----------------------------|---|---------------|
| /s/ William C. Stone       | Chairman of the Board and Chief Executive Officer | March 9, 2012 |
| William C. Stone           | (Principal Executive Officer)                     |               |
| /s/ Patrick J. Pedonti     | Senior Vice President and Chief Financial Officer | March 9, 2012 |
| Patrick J. Pedonti         | (Principal Financial and Accounting Officer)      |               |
| /s/ Normand A. Boulanger   | Director  | March 9, 2012 |
| Normand A. Boulanger       |   |               |
| /s/ Campbell R. Dyer       | Director  | March 9, 2012 |
| Campbell R. Dyer           |   |               |
| /s/ William A. Etherington | Director  | March 9, 2012 |
| William A. Etherington     |   |               |
|                            | Director  |               |
| Allan M. Holt              |   |               |
| /s/ Claudius E. Watts, IV  | Director  | March 9, 2012 |
| Claudius E. Watts, IV      |   |               |
| /s/ Jonathan E. Michael    | Director  | March 9, 2012 |
| Jonathan E. Michael        |   |               |

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/s/ David A. Varsano

Director

March 9, 2012

David A. Varsano



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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of SS&C Technologies Holdings, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1), present fairly, in all material respects, the financial position of SS&C Technologies Holdings, Inc. and its subsidiaries at December 31, 2011 and 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company’s internal control over financial reporting based on our audits (which was an integrated audit in 2011). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

March 9, 2012

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Consolidated Balance Sheets**

|   | <b>December 31,<br/>2011</b>                 | <b>December 31,<br/>2010</b> |
|---|--|------------------------------|
|   | <b>(In thousands, except per share data)</b> |                              |
| <b>ASSETS</b>   |  |                              |
| Current assets:   |  |                              |
| Cash  | \$ 40,318                                    | \$ 84,843                    |
| Accounts receivable, net of allowance for doubtful accounts of \$2,006 and \$1,986, respectively (Note 3) | 47,201                                       | 45,531                       |
| Prepaid expenses and other current assets   | 5,214  | 5,932                        |
| Prepaid income taxes  | 788  | 2,242                        |
| Deferred income taxes (Note 5)  | 889  | 1,142                        |
| Restricted cash   | 1,149  |                              |
| <b>Total current assets</b>   | <b>95,559</b>                                | <b>139,690</b>               |
| Property and equipment:   |  |                              |
| Leasehold improvements  | 6,468  | 5,605                        |
| Equipment, furniture, and fixtures  | 34,802                                       | 30,407                       |
|   | 41,270                                       | 36,012                       |
| Less accumulated depreciation   | (26,966)                                     | (22,442)                     |
| <b>Net property and equipment</b>   | <b>14,304</b>                                | <b>13,570</b>                |
| Deferred income taxes (Note 5)  | 1,111  | 686                          |
| Goodwill  | 931,639                                      | 926,668                      |
| Intangible and other assets, net of accumulated amortization of \$188,907 and \$153,123, respectively     | 164,995                                      | 195,112                      |
| <b>Total assets</b>   | <b>\$ 1,207,608</b>                          | <b>\$ 1,275,726</b>          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |  |                              |
| Current liabilities:  |  |                              |
| Current portion of long-term debt (Note 6)  | \$   | \$ 1,702                     |
| Accounts payable  | 4,170  | 3,790                        |
| Accrued employee compensation and benefits  | 19,770                                       | 16,854                       |
| Other accrued expenses  | 14,058                                       | 11,052                       |
| Interest payable  | 95   | 1,305                        |
| Deferred maintenance and other revenue  | 46,395                                       | 41,671                       |
| <b>Total current liabilities</b>  | <b>84,488</b>                                | <b>76,374</b>                |
| Long-term debt, net of current portion (Note 6)   | 100,000                                      | 289,092                      |
| Other long-term liabilities   | 14,081                                       | 12,343                       |
| Deferred income taxes (Note 5)  | 28,936                                       | 40,734                       |
| <b>Total liabilities</b>  | <b>227,505</b>                               | <b>418,543</b>               |
| Commitments and contingencies (Note 13)   |  |                              |
| Stockholders' equity (Notes 4 and 10):  |  |                              |

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|  |                     |                     |
|--|---------------------|---------------------|
| <b>Common stock:</b>   |                     |                     |
| Class A non-voting common stock, \$0.01 par value per share, 5,000 shares authorized; 1,429 shares and 791 shares issued and outstanding, respectively, of which 64 and 154 are unvested, respectively | 14                  | 8                   |
| Common stock, \$0.01 par value per share, 100,000 shares authorized; 76,723 shares and 72,489 shares issued, respectively, and 76,235 shares and 72,001 shares outstanding, respectively               | 767                 | 725                 |
| Additional paid-in capital   | 829,994             | 750,857             |
| Accumulated other comprehensive income   | 25,413              | 32,699              |
| Retained earnings  | 129,734             | 78,713              |
|  | <b>985,922</b>      | <b>863,002</b>      |
| Less: cost of common stock in treasury, 488 shares   | (5,819)             | (5,819)             |
| <b>Total stockholders' equity</b>  | <b>980,103</b>      | <b>857,183</b>      |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 1,207,608</b> | <b>\$ 1,275,726</b> |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Consolidated Statements of Operations**

|  | Year Ended December 31,                         |                  |                  |
|--|---|------------------|------------------|
|  | 2011  | 2010             | 2009             |
|  | (In thousands, except share and per share data) |                  |                  |
| <b>Revenues:</b>   |   |                  |                  |
| Software licenses  | \$ 23,507                                       | \$ 23,683        | \$ 20,661        |
| Maintenance  | 78,266  | 72,703           | 66,099           |
| Professional services  | 23,048  | 20,727           | 20,889           |
| Software-enabled services  | 246,007   | 211,792          | 163,266          |
| <b>Total revenues</b>  | <b>370,828</b>                                  | <b>328,905</b>   | <b>270,915</b>   |
| <b>Cost of revenues:</b>   |   |                  |                  |
| Software licenses  | 6,825   | 7,750            | 8,499            |
| Maintenance  | 34,993  | 32,712           | 27,559           |
| Professional services  | 15,549  | 13,954           | 14,154           |
| Software-enabled services  | 126,921   | 111,516          | 87,528           |
| <b>Total cost of revenues</b>  | <b>184,288</b>                                  | <b>165,932</b>   | <b>137,740</b>   |
| <b>Gross profit</b>  | <b>186,540</b>                                  | <b>162,973</b>   | <b>133,175</b>   |
| <b>Operating expenses:</b>   |   |                  |                  |
| Selling and marketing  | 28,892  | 25,229           | 20,362           |
| Research and development   | 35,650  | 31,442           | 26,513           |
| General and administrative   | 28,221  | 26,462           | 19,197           |
| <b>Total operating expenses</b>  | <b>92,763</b>                                   | <b>83,133</b>    | <b>66,072</b>    |
| <b>Operating income</b>  | <b>93,777</b>                                   | <b>79,840</b>    | <b>67,103</b>    |
| Interest income  | 120   | 170              | 28               |
| Interest expense   | (14,748)  | (30,582)         | (36,891)         |
| Other (expense) income, net  | (423)   | 499              | (1,418)          |
| Loss on extinguishment of debt   | (4,787)   | (5,480)          |                  |
| <b>Income before income taxes</b>  | <b>73,939</b>                                   | <b>44,447</b>    | <b>28,822</b>    |
| Provision for income taxes (Note 5)  | 22,918  | 12,034           | 9,804            |
| <b>Net income</b>  | <b>\$ 51,021</b>                                | <b>\$ 32,413</b> | <b>\$ 19,018</b> |
| <b>Basic earnings per share</b>  | <b>\$ 0.67</b>                                  | <b>\$ 0.47</b>   | <b>\$ 0.31</b>   |
| Basic weighted average number of common shares outstanding                         | 76,482  | 69,027           | 60,381           |
| <b>Diluted earnings per share</b>  | <b>\$ 0.63</b>                                  | <b>\$ 0.44</b>   | <b>\$ 0.30</b>   |
| Diluted weighted average number of common and common equivalent shares outstanding | 80,709  | 73,079           | 63,653           |

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Consolidated Statements of Cash Flows**

|  | 2011             | Year Ended December 31,<br>2010<br>(In thousands) | 2009             |
|--|------------------|---|------------------|
| <b>Cash flow from operating activities:</b>  |                  |   |                  |
| Net income   | \$ 51,021        | \$ 32,413   | \$ 19,018        |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                  |   |                  |
| Depreciation and amortization  | 42,224           | 40,728  | 36,028           |
| Stock compensation expense   | 13,493           | 13,254  | 5,607            |
| Amortization and write-offs of loan origination costs                                    | 4,485            | 3,392   | 2,306            |
| Loss (gain) on sale or disposition of property and equipment                             | 11               | (9)   | 13               |
| Deferred income taxes  | (12,423)         | (13,700)  | (8,861)          |
| Provision for doubtful accounts  | 802              | 831   | 213              |
| <b>Changes in operating assets and liabilities, excluding effects from acquisitions:</b> |                  |   |                  |
| Accounts receivable  | (1,818)          | 1,066   | 3,360            |
| Prepaid expenses and other assets  | (324)            | (133)   | (284)            |
| Income taxes prepaid and payable   | 4,181            | 2,073   | (5,236)          |
| Accounts payable   | 278              | (1,041)   | 1,549            |
| Accrued expenses   | 4,076            | (2,660)   | 1,646            |
| Deferred maintenance and other revenue   | 4,401            | (647)   | 4,493            |
| <b>Net cash provided by operating activities</b>   | <b>110,407</b>   | <b>75,567</b>                                     | <b>59,852</b>    |
| <b>Cash flow from investing activities:</b>  |                  |   |                  |
| Additions to property and equipment  | (6,222)          | (4,834)   | (2,559)          |
| Cash paid for business acquisitions, net of cash acquired (Note 11)                      | (20,577)         | (45,815)  | (51,477)         |
| Additions to capitalized software  | (1,406)          | (509)   | (101)            |
| Other  | (1,149)          | 59  | 3                |
| <b>Net cash used in investing activities</b>   | <b>(29,354)</b>  | <b>(51,099)</b>                                   | <b>(54,134)</b>  |
| <b>Cash flow from financing activities:</b>  |                  |   |                  |
| Cash received from debt borrowings   | 100,000          |   | 2,000            |
| Repayment of debt  | (291,050)        | (108,120)   | (19,679)         |
| Income tax benefit related to exercise of stock options                                  | 4,934            | 5,064   |                  |
| Proceeds from common stock issuance, net   | 51,971           | 134,558   |                  |
| Proceeds from exercise of stock options  | 8,787            | 10,813  | 1,998            |
| Purchase of common stock for treasury  |                  | (1,169)   | (2,215)          |
| <b>Net cash (used in) provided by financing activities</b>                               | <b>(125,358)</b> | <b>41,146</b>                                     | <b>(17,896)</b>  |
| Effect of exchange rate changes on cash  | (220)            | 174   | 1,934            |
| <b>Net (decrease) increase in cash</b>   | <b>(44,525)</b>  | <b>65,788</b>                                     | <b>(10,244)</b>  |
| Cash, beginning of period  | 84,843           | 19,055  | 29,299           |
| <b>Cash, end of period</b>   | <b>\$ 40,318</b> | <b>\$ 84,843</b>                                  | <b>\$ 19,055</b> |
| <b>Supplemental disclosure of cash paid for:</b>   |                  |   |                  |
| Interest   | \$ 14,210        | \$ 29,291   | \$ 34,061        |
| Income taxes, net of refunds   | \$ 25,247        | \$ 18,344   | \$ 23,512        |

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Supplemental disclosure of non-cash investing activities:

See Note 11 for a discussion of acquisitions.

The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Consolidated Statements of Changes in Stockholders' Equity****For the years ended December 31, 2011, 2010 and 2009**

|  | Class A<br>Common Stock          |        | Common Stock                     |        | Additional<br>Paid-in<br>Capital | Retained<br>Earnings<br>(In thousands) | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Treasury<br>Stock | Total<br>Stockholders'<br>Equity | Total<br>Comprehensive<br>Income |
|--|----------------------------------|--------|----------------------------------|--------|----------------------------------|--|---|-------------------|----------------------------------|----------------------------------|
|  | Number<br>of<br>Issued<br>Shares | Amount | Number<br>of<br>Issued<br>Shares | Amount |                                  |  |   |                   |                                  |                                  |
| Balance, at December 31, 2008                                |                                  |        | 60,545                           | 605    | 579,691                          | 27,282                                 | (17,890)  | (2,435)           | 587,253                          |                                  |
| Net income   |                                  |        |                                  |        |                                  | 19,018                                 |   |                   | 19,018                           | \$ 19,018                        |
| Foreign exchange translation adjustment                      |                                  |        |                                  |        |                                  |  | 32,879  |                   | 32,879                           | 32,879                           |
| Change in unrealized loss on interest rate swaps, net of tax |                                  |        |                                  |        |                                  |  | 1,447   |                   | 1,447                            | 1,447                            |
| <b>Total comprehensive income</b>                            |                                  |        |                                  |        |                                  |  |   |                   |                                  | <b>\$ 53,344</b>                 |
| Stock-based compensation expense                             |                                  |        |                                  |        | 5,607                            |  |   |                   | 5,607                            |                                  |
| Exercise of options  |                                  |        | 262                              | 3      | 1,995                            |  |   |                   | 1,998                            |                                  |
| Purchase of common stock                                     |                                  |        |                                  |        |                                  |  | (2,215)   |                   | (2,215)                          |                                  |
| Balance, at December 31, 2009                                |                                  |        | 60,807                           | 608    | 587,293                          | 46,300                                 | 16,436  | (4,650)           | 645,987                          |                                  |
| Net income   |                                  |        |                                  |        |                                  | 32,413                                 |   |                   | 32,413                           | \$ 32,413                        |
| Foreign exchange translation adjustment                      |                                  |        |                                  |        |                                  |  | 13,448  |                   | 13,448                           | 13,448                           |
| Change in unrealized loss on interest rate swaps, net of tax |                                  |        |                                  |        |                                  |  | 2,815   |                   | 2,815                            | 2,815                            |
| <b>Total comprehensive income</b>                            |                                  |        |                                  |        |                                  |  |   |                   |                                  | <b>\$ 48,676</b>                 |
| Stock-based compensation expense                             |                                  |        |                                  |        | 13,254                           |  |   |                   | 13,254                           |                                  |
| Exercise of options  | 637                              | 6      | 1,848                            | 19     | 10,788                           |  |   |                   | 10,813                           |                                  |
| Income tax benefit related to exercise of stock options      |                                  |        |                                  |        | 5,064                            |  |   |                   | 5,064                            |                                  |
| Issuance of common stock                                     | 154                              | 2      | 9,834                            | 98     | 134,458                          |  |   |                   | 134,558                          |                                  |
| Purchase of common stock                                     |                                  |        |                                  |        |                                  |  | (1,169)   |                   | (1,169)                          |                                  |
| Balance, at December 31, 2010                                | 791                              | \$ 8   | 72,489                           | \$ 725 | \$ 750,857                       | \$ 78,713                              | \$ 32,699   | \$ (5,819)        | \$ 857,183                       |                                  |
| Net income   |                                  |        |                                  |        |                                  | 51,021                                 |   |                   | 51,021                           | \$ 51,021                        |
| Foreign exchange translation adjustment                      |                                  |        |                                  |        |                                  |  | (7,286)   |                   | (7,286)                          | (7,286)                          |
| <b>Total comprehensive income</b>                            |                                  |        |                                  |        |                                  |  |   |                   |                                  | <b>\$ 43,735</b>                 |
| Stock-based compensation expense                             |                                  |        |                                  |        | 13,493                           |  |   |                   | 13,493                           |                                  |
| Exercise of options  | 638                              | 6      | 1,134                            | 11     | 8,770                            |  |   |                   | 8,787                            |                                  |
| Income tax benefit related to exercise of stock options      |                                  |        |                                  |        | 4,934                            |  |   |                   | 4,934                            |                                  |
| Issuance of common stock                                     |                                  |        | 3,100                            | 31     | 51,940                           |  |   |                   | 51,971                           |                                  |



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|                               |       |       |        |        |            |            |           |            |            |
|-------------------------------|-------|-------|--------|--------|------------|------------|-----------|------------|------------|
| Balance, at December 31, 2011 | 1,429 | \$ 14 | 76,723 | \$ 767 | \$ 829,994 | \$ 129,734 | \$ 25,413 | \$ (5,819) | \$ 980,103 |
|-------------------------------|-------|-------|--------|--------|------------|------------|-----------|------------|------------|

The accompanying notes are an integral part of these consolidated financial statements.

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### **SS&C Technologies Holdings, Inc. and subsidiaries**

#### **Notes to Consolidated Financial Statements**

*SS&C Technologies Holdings, Inc., or Holdings, is our top-level holding company. SS&C Technologies, Inc., or SS&C, is our primary operating company and a wholly-owned subsidiary of SS&C Technologies Holdings, Inc. The Company means SS&C Technologies Holdings, Inc. and its consolidated subsidiaries, including SS&C.*

#### **1. Organization**

The Company provides software products and software-enabled services to the financial services industry, primarily in North America. The Company also has operations in the United Kingdom, the Netherlands, Malaysia, Ireland, Australia, Curacao and Japan. The Company's portfolio of over 70 products and software-enabled services allows its clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. The Company provides its products and related services in eight vertical markets in the financial services industry:

1. Alternative investments;
2. Insurance and pension funds;
3. Asset and wealth management;
4. Financial institutions;
5. Commercial lenders;
6. Real estate property management;
7. Municipal finance; and
8. Financial markets.

#### **2. Summary of Significant Accounting Policies**

##### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, collectibility of accounts receivable, costs to complete certain contracts, valuation of acquired assets and liabilities, valuation of stock options, income tax accruals and the value of deferred tax assets. Estimates are also used to determine the remaining economic lives and carrying value of fixed assets, goodwill and intangible assets. Actual results could differ from those estimates.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation. Unconsolidated investments in entities over which the Company does not have control but has the ability to exercise influence over operating and financial policies, if any, are accounted for under the equity method of accounting. Earnings and losses from such investments are recorded on a pre-tax basis.



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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

***Revenue Recognition***

The Company's payment terms for software licenses typically require that the total fee be paid upon signing of the contract. Maintenance services are typically due in full at the beginning of the maintenance period. Professional services and software-enabled services are typically due and payable monthly in arrears. Normally, the Company's arrangements do not provide for any refund rights, and payments are not contingent on specific milestones or customer acceptance conditions. For arrangements that do contain such provisions, the Company defers revenue until the rights or conditions have expired or have been met.

Unbilled accounts receivable primarily relates to professional services and software-enabled services revenue that has been earned as of month end but is not invoiced until the subsequent month, and to software license revenue that has been earned and is realizable but not invoiced to clients until future dates specified in the client contract.

Deferred revenue consists of payments received related to product delivery, maintenance and other services, which have been paid by customers prior to the recognition of revenue. Deferred revenue relates primarily to cash received for maintenance contracts in advance of services being performed over the contractual term.

***License Revenue***

The Company follows the principles of accounting standards relating to software revenue recognition, which provide guidance on applying GAAP in recognizing revenue on software transactions. Accounting standards require that revenue recognized from software transactions be allocated to each element of the transaction based on the relative fair values of the elements, such as software products, specified upgrades, enhancements, post-contract client support, installation or training. The determination of fair value is based upon vendor-specific objective evidence ( VSOE ). The Company recognizes software license revenues allocated to software products and enhancements generally upon delivery of each of the related products or enhancements, assuming all other revenue recognition criteria are met. In the rare occasion that a software license agreement includes the right to a specified upgrade or product, the Company defers all revenues under the arrangement until the specified upgrade or product is delivered, since typically VSOE does not exist to support the fair value of the specified upgrade or product.

The Company generally recognizes revenue from sales of software or products including proprietary software upon product shipment and receipt of a signed contract, provided that collection is probable and all other revenue recognition criteria are met. The Company sells perpetual software licenses in conjunction with professional services for installation and maintenance. For these arrangements, the total contract value is attributed first to the maintenance arrangement based on its fair value, which is derived from stated renewal rates. The contract value is then attributed to professional services based on estimated fair value, which is derived from the rates charged for similar services provided on a stand-alone basis. The Company's software license agreements generally do not require significant modification or customization of the underlying software, and, accordingly, implementation services provided by the Company are not considered essential to the functionality of the software. The remainder of the total contract value is then attributed to the software license based on the residual method.

The Company also sells term licenses ranging from one to seven years, some of which include bundled maintenance services. For those arrangements with bundled maintenance services, VSOE does not exist for the maintenance element and therefore the total fee is recognized ratably over the contractual term of the arrangement. The Company classifies revenues from bundled term license arrangements as both software licenses and maintenance revenues by allocating a portion of the revenues from the arrangement to maintenance

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

revenues and classifying the remainder in software licenses revenues. The Company uses its renewal rates for maintenance under perpetual license agreements for the purpose of determining the portion of the arrangement fee that is classified as maintenance revenues.

The Company occasionally enters into license agreements requiring significant customization of the Company's software. The Company accounts for the license fees under these agreements on the percentage-of-completion basis. This method requires estimates to be made for costs to complete the agreement utilizing an estimate of development man-hours remaining. Revenue is recognized each period based on the hours incurred to date compared to the total hours expected to complete the project. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are determined on a contract-by-contract basis, and are made in the period in which such losses are first estimated or determined.

***Maintenance Agreements***

Maintenance agreements generally require the Company to provide technical support and software updates (on a when-and-if-available basis) to its clients. Such services are generally provided under one-year renewable contracts. Maintenance revenues are recognized ratably over the term of the maintenance agreement.

***Professional Services***

The Company provides consulting and training services to its clients. Revenues for such services are generally recognized over the period during which the services are performed. The Company typically charges for professional services on a time-and-materials basis. However, some contracts are for a fixed fee. For the fixed-fee arrangements, an estimate is made of the total hours expected to be incurred to complete the project. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Revenues are recognized each period based on the hours incurred to date compared to the total hours expected to complete the project.

***Software-enabled Services***

The Company's software-enabled services arrangements make its software applications available to its clients for processing of transactions. The software-enabled services arrangements provide an alternative for clients who do not wish to install, run and maintain complicated financial software. Under the arrangements, the client does not have the right to take possession of the software, rather, the Company agrees to provide access to its applications, remote use of its equipment to process transactions, access to client's data stored on its equipment, and connectivity between its environment and the client's computing systems. Software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments, and are subject to automatic annual renewal at the end of the initial term unless terminated by either party.

The Company recognizes software-enabled services revenues on a monthly basis as the software-enabled services are provided and when persuasive evidence of an arrangement exists, the price is fixed or determinable and collectibility is reasonably assured. The Company does not recognize any revenue before services are performed. Certain contracts contain additional fees for increases in market value, pricing and trading activity.

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

Revenues related to these additional fees are recognized in the month in which the activity occurs based upon the Company's summarization of account information and trading volume.

***Research and Development***

Research and development costs associated with computer software are charged to expense as incurred. Capitalization of internally developed computer software costs begins upon the establishment of technological feasibility based on a working model. Net capitalized software costs of \$1.8 million and \$0.6 million are included in the December 31, 2011 and 2010 balance sheets, respectively, under Intangible and other assets.

The Company's policy is to amortize these costs upon a product's general release to the client. Amortization of capitalized software costs is calculated by the greater of (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product, including the period being reported on, typically two to five years. It is reasonably possible that those estimates of anticipated future gross revenues, the remaining estimated economic life of the product, or both could be reduced significantly due to competitive pressures. Amortization expense related to capitalized software development costs was \$0.2 million and \$0.1 million for each of the years ended December 31, 2011 and 2009. There was no amortization expense related to capitalized software development costs for the year ended December 31, 2010.

***Stock-based Compensation***

Using the fair value recognition provisions of relevant accounting literature, stock-based compensation cost is measured at the grant date based on the estimated fair value of the award and is recognized as expense over the appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of the Company's stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, the Company estimates the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on the Company's financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded for non-qualified option awards. The realizability of the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that is not realizable.

***Other (Expense) Income, Net***

Other expense, net for 2011 consists primarily of an increase of \$0.5 million in the Company's contingent consideration liability associated with the BenefitsXML, Inc. ( "BXML" ) acquisition from \$1.8 million to \$2.3 million, fees of \$0.3 million associated with the redemption of SS&C's 11<sup>3/4</sup> senior subordinated notes due 2013, which is discussed further in Note 6 below, and foreign currency transaction losses of \$0.1 million, partially offset by a refund of facilities charges of \$0.5 million. Other income, net for 2010 consists primarily of a reduction of \$1.0 million in the Company's contingent consideration liability associated with the TheNextRound, Inc. ( "TNR" ) acquisition from \$1.0 million to \$0, partially offset by foreign currency transaction losses of \$0.5 million. Other income, net for 2009 consists primarily of foreign currency transaction losses of \$1.5 million.

***Income Taxes***

The Company accounts for income taxes in accordance with the relevant accounting literature. An asset and liability approach is used to recognize deferred tax assets and liabilities for the future tax consequences of items

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

that are recognized in the Company's financial statements and tax returns in different years. A valuation allowance is established against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

The Company accounts for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

***Cash and Cash Equivalents***

The Company considers all highly liquid marketable securities with original maturities of three months or less at the date of acquisition to be cash equivalents. The Company did not hold any cash equivalents at December 31, 2011 and 2010.

***Restricted Cash***

Restricted cash includes monies held by a bank as security for a letter of credit issued due to lease requirements for an office space. The letter of credit is expected to conclude within the next twelve months, and as such, the restricted cash is classified as a current asset on the Consolidated Balance Sheet. Additionally, it is included in other investing activities on the Consolidated Statement of Cash Flows. The Company did not have any restricted cash at December 31, 2010.

***Property and Equipment***

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using a combination of straight-line and accelerated methods over the estimated useful lives of the assets as follows:

| <b>Description</b>  | <b>Useful Life</b>                             |
|---|--|
| Equipment   | 3-5 years                                      |
| Furniture and fixtures  | 7-10 years                                     |
| Leasehold improvements  | Shorter of lease term or estimated useful life |
| Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was \$5.4 million, \$5.6 million and \$4.9 million, respectively. |  |

Maintenance and repairs are expensed as incurred. The costs of sold or retired assets are removed from the related asset and accumulated depreciation accounts and any gain or loss is included in other income, net.

***Registration Costs***

During the year ended December 31, 2011, the Company incurred a total of \$0.9 million in professional fees and other costs related to its secondary offering. These costs were netted against the related offering proceeds in the accompanying financial statements. During the year ended December 31, 2010, the Company netted a total of

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

\$2.6 million in professional fees and other costs related to the initial public offering of its common stock against the initial public offering proceeds in the accompanying financial statements.

**Goodwill and Intangible Assets**

The Company tests goodwill annually for impairment as of December 31st (and in interim periods if certain events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount). The Company has completed the required impairment tests for goodwill and has determined that no impairment existed as of December 31, 2011 or 2010. The first step of the impairment analysis indicated that the fair value of the Company's reporting unit exceeded its carrying value by more than 25% at December 31, 2011. There were no other indefinite-lived intangible assets as of December 31, 2011 or 2010.

The following table summarizes changes in goodwill (in thousands):

|  |            |
|--|------------|
| <b>Balance at December 31, 2009</b>              | \$ 885,517 |
| 2010 acquisitions                                | 32,823     |
| Adjustments to previous acquisitions             | (409)      |
| Income tax benefit on Rollover options exercised | (4,394)    |
| Effect of foreign currency translation           | 13,131     |
| <b>Balance at December 31, 2010</b>              | 926,668    |
| 2011 acquisitions                                | 12,913     |
| Adjustments to previous acquisitions             | 815        |
| Income tax benefit on Rollover options exercised | (2,792)    |
| Effect of foreign currency translation           | (5,965)    |
| <b>Balance at December 31, 2011</b>              | \$ 931,639 |

Completed technology and other identifiable intangible assets are amortized over lives ranging from three to 15 years based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. Amortization expense associated with completed technology and other amortizable intangible assets was \$36.6 million, \$35.1 million and \$31.0 million for the years ended December 31, 2011, 2010 and 2009, respectively.

A summary of the components of intangible assets is as follows (in thousands):

|                                | <b>December 31,</b> |             |
|--------------------------------|---------------------|-------------|
|                                | <b>2011</b>         | <b>2010</b> |
| Customer relationships         | \$ 252,228          | \$ 245,832  |
| Completed technology           | 74,011              | 72,621      |
| Trade names                    | 18,596              | 18,519      |
| Other                          | 2,341               | 2,372       |
|                                | 347,176             | 339,344     |
| Less: accumulated amortization | (188,247)           | (152,698)   |
|                                | \$ 158,929          | \$ 186,646  |





**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

Total estimated amortization expense, related to intangible assets, for each of the next five years, as of December 31, 2011, is expected to approximate (in thousands):

| <b>Year Ending December 31,</b> |            |
|---------------------------------|------------|
| 2012                            | \$ 34,719  |
| 2013                            | 31,961     |
| 2014                            | 28,268     |
| 2015                            | 24,787     |
| 2016                            | 21,926     |
|                                 | \$ 141,661 |

***Impairment of Long-Lived Assets***

The Company evaluates the recoverability of its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the assets' carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. The Company has identified no such impairment losses. Substantially all of the Company's long-lived assets are located in the United States and Canada.

***Concentration of Credit Risk***

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, cash equivalents, marketable securities, and trade receivables. The Company has cash investment policies that limit investments to investment grade securities. Concentrations of credit risk, with respect to trade receivables, are limited due to the fact that the Company's client base is highly diversified. As of December 31, 2011 and 2010, the Company had no significant concentrations of credit.

***International Operations and Foreign Currency***

The functional currency of each foreign subsidiary is the local currency. Accordingly, assets and liabilities of foreign subsidiaries are translated to U.S. dollars at period-end exchange rates, and capital stock accounts are translated at historical rates. Revenues and expenses are translated using the average rates during the period. The resulting translation adjustments are excluded from net earnings and accumulated as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included within other income (expense) in the results of operations in the periods in which they occur.

***Comprehensive Income***

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

***Recent Accounting Pronouncements***

In September 2011, the FASB issued ASU No. 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 intends to address concerns about the cost



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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles – Goodwill and Other. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under ASU 2011-08, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 will be applied prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (ASU 2011-05). ASU 2011-05 intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of ASU 2011-05 will be applied retrospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard in the first quarter of 2012 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (ASU 2011-04). ASU 2011-04 amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes are effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows but will require additional financial statement disclosures related to fair value measurements.

***Basic and Diluted Earnings per Share***

Earnings per share is calculated in accordance with the relevant standards. Basic earnings per share includes no dilution and is computed by dividing income available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options and restricted stock using the treasury stock method. Common equivalent shares are excluded from the computation of diluted earnings per share if the effect of including such common equivalent shares is anti-dilutive because their total assumed proceeds exceed the average fair value of common stock for the period.

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

The following table sets forth the weighted average common shares used in the computation of basic and diluted earnings per share (in thousands):

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2011                    | 2010   | 2009   |
| Weighted average common shares outstanding used in calculation of basic earnings per share                         | 76,482                  | 69,027 | 60,381 |
| Weighted average common stock equivalents options and restricted shares  | 4,227                   | 4,052  | 3,272  |
| Weighted average common and common equivalent shares outstanding used in calculation of diluted earnings per share | 80,709                  | 73,079 | 63,653 |

Options to purchase 272,266 and 1,267,293 shares were outstanding for the year ended December 31, 2011 and 2010, respectively, but were not included in the computation of diluted earnings per share because the effect of including the options would be anti-dilutive.

**3. Accounts Receivable, net**

Accounts receivable are as follows (in thousands):

|                                 | December 31, |           |
|---------------------------------|--------------|-----------|
|                                 | 2011         | 2010      |
| Accounts receivable             | \$ 34,655    | \$ 31,375 |
| Unbilled accounts receivable    | 14,552       | 16,142    |
| Allowance for doubtful accounts | (2,006)      | (1,986)   |
| Total accounts receivable, net  | \$ 47,201    | \$ 45,531 |

The following table represents the activity for the allowance for doubtful accounts during the years ended December 31, 2011, 2010 and 2009 (in thousands):

| Allowance for Doubtful Accounts: | Year Ended December 31, |          |          |
|----------------------------------|-------------------------|----------|----------|
|                                  | 2011                    | 2010     | 2009     |
| Balance at beginning of period   | \$ 1,986                | \$ 1,425 | \$ 1,444 |
| Charge to costs and expenses     | 802                     | 831      | 213      |
| Write-offs, net of recoveries    | (758)                   | (364)    | (313)    |
| Other adjustments                | (24)                    | 94       | 81       |
| Balance at end of period         | \$ 2,006                | \$ 1,986 | \$ 1,425 |

Management establishes the allowance for doubtful accounts based on historical bad debt experience. In addition, management analyzes client accounts, client concentrations, client creditworthiness, current economic trends and changes in the client's payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**4. Stockholders Equity**

In March 2010, the Company's Board of Directors approved an 8.5-for-1 stock split of the Company's common stock to be effected in the form of a stock dividend, effective as of March 10, 2010. All share data as it

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**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

relates to this annual report on Form 10-K for prior periods has been retroactively revised to reflect the stock split and increase in authorized shares.

At December 31, 2011, 100,000,000 shares of common stock were authorized and 76,723,255 and 76,235,442 shares of common stock were issued and outstanding, respectively. At December 31, 2010, 100,000,000 shares of common stock were authorized and 72,488,979 and 72,001,166 shares of common stock were issued and outstanding, respectively. During the year ended December 31, 2011, the Company did not repurchase any shares of common stock. During the year ended December 31, 2010, the Company repurchased 80,486 shares of common stock at an average price of \$14.52 per share.

At December 31, 2011, 5,000,000 shares of Class A non-voting common stock were authorized and 1,428,846 shares were issued and outstanding, of which 64,104 were unvested. At December 31, 2010, 5,000,000 shares of Class A non-voting common stock were authorized and 791,394 shares were issued and outstanding, of which 153,846 were unvested. During the year ended December 31, 2010, the Company granted 153,846 restricted shares of its Class A non-voting common stock, which vest over a period of three years from March 11, 2010, with 1/3rd of the shares vesting on March 11, 2011 and the remaining 2/3rds of the shares vesting in eight equal quarterly installments over the remaining two years.

**5. Income Taxes**

The sources of income before income taxes were as follows (in thousands):

|                                   | Year Ended December 31, |                  |                  |
|-----------------------------------|-------------------------|------------------|------------------|
|                                   | 2011                    | 2010             | 2009             |
| U.S.                              | \$ 47,082               | \$ 20,712        | \$ 9,749         |
| Foreign                           | 26,857                  | 23,735           | 19,073           |
| <b>Income before income taxes</b> | <b>\$ 73,939</b>        | <b>\$ 44,447</b> | <b>\$ 28,822</b> |

The income tax provision (benefit) consists of the following (in thousands):

|                  | Year Ended December 31, |                 |                |
|------------------|-------------------------|-----------------|----------------|
|                  | 2011                    | 2010            | 2009           |
| <b>Current:</b>  |                         |                 |                |
| Federal          | \$ 20,140               | \$ 12,572       | \$ 8,379       |
| Foreign          | 10,052                  | 9,464           | 8,727          |
| State            | 5,149                   | 3,698           | 1,559          |
| <b>Total</b>     | <b>35,341</b>           | <b>25,734</b>   | <b>18,665</b>  |
| <b>Deferred:</b> |                         |                 |                |
| Federal          | (7,411)                 | (7,062)         | (8,108)        |
| Foreign          | (2,061)                 | (2,605)         | (1,902)        |
| State            | (2,951)                 | (4,033)         | 1,149          |
| <b>Total</b>     | <b>(12,423)</b>         | <b>(13,700)</b> | <b>(8,861)</b> |

|       |           |           |          |
|-------|-----------|-----------|----------|
| Total | \$ 22,918 | \$ 12,034 | \$ 9,804 |
|-------|-----------|-----------|----------|

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The reconciliation between the expected tax expense and the actual tax provision (benefit) is computed by applying the U.S. federal corporate income tax rate of 35% to income before income taxes as follows (in thousands):

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2011                    | 2010      | 2009      |
| Computed expected tax expense                             | \$ 25,879               | \$ 15,556 | \$ 10,087 |
| Increase (decrease) in income tax expense resulting from: |                         |           |           |
| State income taxes (net of federal income tax benefit)    | 1,635                   | 1,790     | 1,775     |
| Foreign operations  | (4,096)                 | (2,950)   | (2,258)   |
| Rate change impact on tax liabilities                     |                         | (1,024)   |           |
| Uncertain tax positions                                   | 607                     | (1,051)   | 466       |
| Other   | (1,107)                 | (287)     | (266)     |
| Provision (benefit) for income taxes                      | \$ 22,918               | \$ 12,034 | \$ 9,804  |

The components of deferred income taxes at December 31, 2011 and 2010 are as follows (in thousands):

|   | 2011                      |                                | 2010                      |                                |
|---|---------------------------|--------------------------------|---------------------------|--------------------------------|
|   | Deferred<br>Tax<br>Assets | Deferred<br>Tax<br>Liabilities | Deferred<br>Tax<br>Assets | Deferred<br>Tax<br>Liabilities |
| Deferred compensation                         | \$ 15,515                 | \$                             | \$ 12,419                 | \$                             |
| Tax credit carryforwards                      | 3,654                     |                                | 3,020                     |                                |
| Acquired technology                           | 3,641                     |                                | 1,538                     |                                |
| Accrued expenses                              | 1,690                     |                                | 1,594                     |                                |
| Net operating loss carryforwards              | 1,411                     |                                | 1,718                     |                                |
| Impaired investment interest                  | 817                       |                                | 828                       |                                |
| Purchased in-process research and development | 450                       |                                | 684                       |                                |
| Other   | 449                       |                                | 121                       |                                |
| Property and equipment                        |                           | 2,356                          |                           | 1,232                          |
| Trade names                                   |                           | 3,208                          |                           | 3,940                          |
| Other intangible assets                       |                           | 10,071                         |                           | 7,853                          |
| Customer relationships                        |                           | 37,723                         |                           | 46,395                         |
| <b>Total</b>                                  | <b>27,627</b>             | <b>53,358</b>                  | <b>21,922</b>             | <b>59,420</b>                  |
| Valuation allowance                           | (1,205)                   |                                | (1,408)                   |                                |
| <b>Total</b>                                  | <b>\$ 26,422</b>          | <b>\$ 53,358</b>               | <b>\$ 20,514</b>          | <b>\$ 59,420</b>               |

At December 31, 2011, the Company had not accrued deferred income taxes of \$20.4 million on unremitted earnings from non-U.S. subsidiaries as such earnings are expected to be reinvested overseas and used to service Canadian debt.

At December 31, 2011, the Company had foreign net operating loss carryforwards of \$4.3 million, which are available to offset foreign income on an infinite carryforward basis.

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At December 31, 2011, the Company believed that the recorded domestic state income tax credit carryforward of \$3.6 million will be utilized before it starts to expire in 2012.

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**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

The Company has recorded valuation allowances of \$1.2 million at December 31, 2011 and \$1.4 million at 2010 related to net operating loss carryforwards and tax credits in certain state and foreign jurisdictions.

The following table summarizes the activity related to the Company's unrecognized tax benefits for the years ended December 31, 2011 and 2010 (in thousands):

|   |          |
|---|----------|
| <b>Balance at January 1, 2010</b>               | \$ 8,265 |
| Increases related to current year tax positions | 2,503    |
| Settlements with tax authorities                | (318)    |
| Lapse of statutes of limitation                 | (1,180)  |
| Foreign exchange translation adjustment         | 267      |
| <b>Balance at December 31, 2010</b>             | 9,537    |
| Increases related to current year tax positions | 150      |
| Foreign exchange translation adjustment         | (108)    |
| <b>Balance at December 31, 2011</b>             | \$ 9,579 |

The Company accrued potential penalties and interest on the unrecognized tax benefits of \$0.6 million during both 2011 and 2010 and has recorded a total liability for potential penalties and interest of \$2.3 million and \$1.7 million at December 31, 2011 and 2010, respectively. Unrecognized tax benefits of approximately \$1.1 million are expected to be recognized in the quarter ending March 31, 2012 due to a settlement reached by the Company and the State of Connecticut in 2012. These unrecognized tax benefits relate to previously non-recognized State income tax credits. The Company's unrecognized tax benefits as of December 31, 2011 relate to domestic and foreign taxing jurisdictions and are recorded in other long-term liabilities on the Company's Consolidated Balance Sheet at December 31, 2011.

The Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as the U.S., Canada, Connecticut and New York. In these major jurisdictions, the Company is no longer subject to examination by tax authorities for years prior to 2006, 2007, 2008 and 2010, respectively. The Company's U.S. federal income tax returns are currently under audit for the tax periods ended December 31, 2007 and 2008.

**6. Debt, Derivative Instruments, and Capital Leases**

At December 31, 2011 and 2010, debt consisted of the following (in thousands):

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2011</b>         | <b>2010</b> |
| Senior credit facility, weighted-average interest rate of 2.03%                          | \$ 100,000          | \$          |
| Prior senior credit facility, term loan portion, weighted-average interest rate of 2.55% |                     | 157,499     |
| 11 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013                      |                     | 133,250     |
| Capital leases   |                     | 45          |
|  | 100,000             | 290,794     |
| Short-term borrowings and current portion of long-term debt                              |                     | (1,702)     |

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|                |            |            |
|----------------|------------|------------|
| Long-term debt | \$ 100,000 | \$ 289,092 |
|----------------|------------|------------|

Capitalized financing costs of \$1.7 million, \$2.1 million and \$2.3 million were amortized to interest expense in the years ended December 31, 2011, 2010 and 2009, respectively, and the Company incurred expenses of \$4.8

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

million and \$5.5 million in losses on extinguishment of debt associated with the redemption of the 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 in 2011 and 2010 as shown on the Company's Consolidated Statements of Operations and described below. The unamortized balance of capitalized financing costs is included in intangible and other assets in the Company's Consolidated Balance Sheet.

*Senior credit facilities.* On December 15, 2011, the Company entered into a credit agreement with SS&C as the borrower, which provides for a \$125 million senior credit facility ( Senior Credit Facility ) to be available on a revolving basis until December 15, 2016, of which \$100 million was immediately drawn, and contains an expansion feature permitting additional revolving or term loan commitments of up to \$75 million under certain circumstances. Borrowings outstanding will bear interest at a rate per annum equal to, at the election of SS&C, either a floating base rate or a Eurocurrency rate plus, in each case, an applicable margin. In addition, the Company pays a commitment fee in respect of unused revolving commitments at a rate that will be adjusted based on its leverage ratio. The initial commitment fee rate is 0.25% per annum, payable quarterly in arrears. The Company may optionally prepay loans or reduce the credit facility commitments at any time, without penalty.

The obligations under the Senior Credit Facility were guaranteed by Holdings and by SS&C's material U.S. subsidiaries, with certain exceptions as set forth in the credit agreement. Obligations under the Senior Credit Facility are secured, subject to certain agreed upon exceptions, by substantially all of the tangible and intangible assets of SS&C and each guarantor (including, without limitation, intellectual property and capital stock of domestic subsidiaries).

The Senior Credit Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, Holdings, SS&C and most of SS&C's subsidiaries' ability to incur additional indebtedness, pay dividends and distributions on capital stock, create liens on assets, repay subordinated indebtedness, make capital expenditures, engage in certain transactions with affiliates, dispose of assets and engage in mergers or acquisitions. In addition, under the Senior Credit Facility, the Company is required to satisfy and maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio. As of December 31, 2011, the Company was in compliance with the financial and non-financial covenants.

In connection with the entry into the Senior Credit Facility, SS&C terminated its existing credit agreement ( Prior Facility ) and used the proceeds from advances made under the Senior Credit Facility to repay all amounts outstanding under the Prior Facility, including an aggregate principal amount of outstanding borrowings of approximately \$99.7 million. At the time of the termination of the Prior Facility, all liens and other security interests that SS&C had granted to the lenders under the Prior Facility were released.

*11 <sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013.* The 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013 were unsecured senior subordinated obligations of SS&C that were subordinated in right of payment to all existing and future senior debt of SS&C, including the Senior Credit Facility. The senior subordinated notes were jointly and severally fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case subject to certain customary release provisions, by all existing and future direct and indirect domestic subsidiaries of SS&C that guarantee the obligations under the Senior Credit Facility or any of SS&C's other indebtedness or the indebtedness of the guarantors.

On December 19, 2011, the Company completed a full redemption of the remaining \$66.6 million outstanding principal balance of the 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, on such amount to, but excluding, the date of redemption. The Company recorded a loss on extinguishment of debt of \$1.9 million, which relates to the write-off of capitalized financing costs attributable to the redeemed notes.

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

The Company had previously completed two partial redemptions of the outstanding 11 <sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2013:

On March 17, 2011, the Company completed a partial redemption for \$66.6 million in principal amount at a redemption price of 102.9375% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, the date of redemption. The Company recorded a loss on extinguishment of debt of \$2.9 million in connection with the redemption, which includes the redemption premium of \$2.0 million and \$0.9 million relating to the write-off of capitalized financing costs attributable to the redeemed notes.

On May 24, 2010, the Company completed a partial redemption of \$71.75 million in principal amount at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, the date of redemption. The Company recorded a loss on extinguishment of debt of \$5.5 million, which includes the redemption premium of \$4.2 million and \$1.3 million relating to the write-off of capitalized financing costs attributable to the redeemed notes.

*Interest rate swap agreements.* The Company has utilized interest rate swap agreements to manage the floating rate portion of its debt portfolio. An interest rate swap is a contractual agreement to exchange payments based on underlying interest rates. The last interest rate swap, denominated in U.S. dollars with a notional value of \$100 million, expired on December 31, 2010. Under this agreement, the Company was required to pay the counterparty a stream of fixed interest payments of 4.78% and, in turn, receive variable interest payments based on LIBOR from the counterparty. The net receipt or payment from the interest rate swap agreements was recorded in interest expense and increased net interest expense by \$4.5 million and \$4.0 million during the years ended December 31, 2010 and 2009, respectively. The interest rate swaps were designated and qualify as cash flow hedges under relevant accounting guidance. As such, the swaps were accounted for as assets and liabilities in the Consolidated Balance Sheet at fair value.

For the years ended December 31, 2010, the Company recorded unrealized gains of \$2.8 million, net of tax, in other comprehensive income related to the change in fair value of the swaps. There was no income statement impact from changes in the fair value of the swap agreements as the hedges had been assessed to have no ineffectiveness. The Company had no interest rate swaps outstanding as of December 31, 2011 and 2010.

At December 31, 2011, annual maturities of long-term debt during the next five years and thereafter are as follows (in thousands):

| Year Ending December 31, |            |
|--------------------------|------------|
| 2012                     | \$         |
| 2013                     |            |
| 2014                     |            |
| 2015                     |            |
| 2016                     | 100,000    |
|                          | \$ 100,000 |

**7. Fair Value Measurements**

The Company adopted the requirements of the Fair Value Measurements and Disclosure Topic as of January 1, 2008, with the exception of the application to non-recurring nonfinancial assets and nonfinancial liabilities, which was delayed and therefore adopted as of January 1, 2009. As of December 31, 2010, the



**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

Company did not have any significant nonfinancial assets and nonfinancial liabilities that are measured at fair value on a non-recurring basis.

*Valuation Hierarchy.* The authoritative guidance relating to fair value measurements and disclosure establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table sets forth the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2011 (in thousands):

| <b>Fair Values at December 31, 2011</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---|----------------|----------------|----------------|
| Assets                                  | \$             | \$             | \$             |
| Liabilities:                            |                |                |                |
| Contingent consideration                |                |                | 2,300          |
| Total liabilities                       | \$             | \$             | \$ 2,300       |

*Valuation Techniques.* The Company determines the fair value of its contingent consideration liabilities associated with its acquisitions based on the potential payments of the liability associated with the unobservable input of the estimated post-acquisition financial results of the related acquisition through a certain date. As such, contingent consideration liabilities are a Level 3 liability. During the year ended December 31, 2011, the Company increased its contingent consideration liability associated with the estimated post-acquisition financial results of BXML through February 28, 2013 to its current fair value of \$2.3 million. The adjustment of \$0.5 million was recorded to other expense. During the year ended December 31, 2010, the Company reduced its original contingent consideration liability of \$1.0 million associated with the estimated post-acquisition financial results of TNR through May 2011 to \$0. The adjustment of \$1.0 million was recorded to other income. See Note 11 for further discussion of acquisitions.

The carrying amounts and fair values of financial instruments at December 31, 2011 and 2010 are as follows (in thousands):

|   | 2011            |            | 2010            |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial liabilities:  |                 |            |                 |            |
| Senior credit facility  | \$ 100,000      | \$ 100,000 | \$              | \$         |
| Prior facility  |                 |            | 157,499         | 157,499    |
| 11 <sup>3</sup> / <sub>4</sub> % senior subordinated notes due 2013 |                 |            | 133,250         | 137,839    |

The above fair values were computed based on comparable quoted market prices or an estimate of the amount to be paid to terminate or settle the agreement, as applicable. The fair values of cash, accounts receivable,



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net, short-term borrowings, and accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

**8. Leases**

The Company is obligated under noncancelable operating leases for office space and office equipment. Total rental expense was \$12.1 million, \$11.8 million and \$9.7 million for the years ended December 31, 2011, 2010 and 2009, respectively. The lease for the corporate facility in Windsor, Connecticut expires in 2016. Future minimum lease payments under the Company's operating leases, excluding future sublease income, as of December 31, 2011, are as follows (in thousands):

| <b>Year</b>         |                  |
|---------------------|------------------|
| <b>Ending</b>       |                  |
| <b>December 31,</b> |                  |
| 2012                | \$ 10,834        |
| 2013                | 10,084           |
| 2014                | 7,258            |
| 2015                | 6,153            |
| 2016                | 5,192            |
| 2017 and thereafter | 15,976           |
|                     | <b>\$ 55,497</b> |

The Company subleases office space to other parties under noncancelable leases. The Company received rental income under these leases of \$1.3 million for each of the years ended December 31, 2011, 2010 and 2009.

Future minimum lease receipts under these leases as of December 31, 2011 are as follows (in thousands):

| <b>Year</b>         |                 |
|---------------------|-----------------|
| <b>Ending</b>       |                 |
| <b>December 31,</b> |                 |
| 2012                | \$ 1,345        |
| 2013                | 1,345           |
| 2014                | 224             |
|                     | <b>\$ 2,914</b> |

**9. Defined Contribution Plans**

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The Company has a 401(k) Retirement Plan (the Plan ) that covers substantially all domestic employees. Each employee may elect to contribute to the Plan, through payroll deductions, of up to 50% of his or her cash compensation, subject to certain limitations. The Plan provides for a Company match of employees' contributions in an amount equal to 50% of an employee's contributions up to \$4,000 per year. The Company offers employees a selection of various public mutual funds but does not include Company common stock as an investment option in its Plan.

During the years ended December 31, 2011, 2010 and 2009, the Company incurred \$2.0 million, \$1.7 million and \$1.4 million, respectively, of matching contribution expenses related to the Plan.

### **10. Stock Options and Stock-based Compensation**

In April 2008, the Company's Board of Directors adopted, and its stockholders approved, an equity-based incentive plan ( the 2008 Plan ), which authorizes equity awards to be granted for up to 1,416,661 shares of

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**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

Company's common stock. Additionally, there is an annual increase to be added on the first day of each of the Company's fiscal years during the term of the 2008 stock incentive plan beginning in fiscal 2009 equal to the lesser of (i) 1,416,661 shares of common stock, (ii) 2% of the outstanding shares on such date or (iii) an amount determined by the Company's board of directors. Under the 2008 Plan, which became effective in July 2008, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on such date. Generally, awards expire ten years from the date of grant. The Company has granted time-based options under the 2008 Plan.

In August 2006, the Company's Board of Directors adopted an equity-based incentive plan (the 2006 Plan), which authorizes equity awards to be granted for up to 11,173,819 shares of the Company's common stock. Under the 2006 Plan, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on such date. Generally, awards expire ten years from the date of grant. The Company has granted both time-based and performance-based options under the 2006 Plan.

The Company generally settles stock option exercises with newly issued common shares.

*Time-based options.* Time-based options granted under the 2006 Plan or the 2008 Plan generally vest 25% on the first anniversary of the grant date and 1/36th of the remaining balance each month thereafter for 36 months. All time-based options vest upon a change in control, subject to certain conditions. Time-based options granted during 2011, 2010 and 2009 have a weighted-average grant date fair value of \$4.34, \$4.59 and \$3.34 per share, respectively, based on the Black-Scholes option pricing model. Compensation expense is recorded on a straight-line basis over the requisite service period. The fair value of time-based options vested during the years ended December 31, 2011, 2010 and 2009 was approximately \$3.2 million, \$2.3 million and \$3.0 million, respectively. At December 31, 2011, there was approximately \$11.7 million of unearned non-cash stock-based compensation related to time-based options that the Company expects to recognize as expense over a weighted average remaining period of approximately three years.

For the time-based options valued using the Black-Scholes option-pricing model, the Company used the following weighted-average assumptions:

|                                   | Time-Based awards |        |        |
|-----------------------------------|-------------------|--------|--------|
|                                   | 2011              | 2010   | 2009   |
| Expected term to exercise (years) | 4.0               | 4.0    | 4.0    |
| Expected volatility               | 36.13%            | 36.33% | 34.24% |
| Risk-free interest rate           | 0.81%             | 1.95%  | 1.89%  |
| Expected dividend yield           | 0%                | 0%     | 0%     |

On November 23, 2005, the Company acquired SS&C through the merger of Sunshine Merger Corporation with and into SS&C, with SS&C being the surviving company and wholly-owned subsidiary of SS&C Holdings. The Company refers to the acquisition, the equity contributions to SS&C Holdings by William C. Stone and The Carlyle Group in connection with the acquisition, SS&C's entry into senior secured credit facilities and its issuance and sale of senior subordinated notes, and the other transactions in connection with the acquisition, collectively as the Transaction (the Transaction). Expected volatility is based on a combination of the Company's historical volatility adjusted for the Transaction and historical volatility of the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

*Performance-based options.* Certain performance-based options granted under the 2006 Plan vest upon the attainment of annual EBITDA targets for the Company during the five fiscal year periods following the date of

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

grant. Additionally, EBITDA in excess of the EBITDA target in any given year shall be applied to the EBITDA of any previous year for which the EBITDA target was not met in full such that attainment of a prior year EBITDA target can be achieved subsequently. In the event all EBITDA targets of previous years were met in full, the excess EBITDA shall be applied to the EBITDA of future years. These performance-based options also vest upon a change in control, subject to certain conditions. There were no such performance-based options granted during 2011, 2010 or 2009. Compensation expense is recorded at the time that the attainment of the annual and cumulative EBITDA targets becomes probable. For purposes of this Note 10, references to EBITDA mean the Company's Consolidated EBITDA, as further adjusted to exclude acquired EBITDA and cost savings.

In February 2009, the Company's Board of Directors approved the vesting of the 2006, 2007 and 2008 performance-based options that did not otherwise vest during 2008 and established the Company's annual EBITDA target range for 2009. As of that date, the Company estimated the weighted-average fair value of the performance-based options that were vested by the Board and those that vest upon the attainment of the 2009 EBITDA target range to be \$3.65. In estimating the common stock value, the Company valued the Company using the income approach and the guideline company method. The Company used the following weighted-average assumptions to estimate the option value: expected term to exercise of 2.5 years; expected volatility of 38.0%; risk-free interest rate of 1.2%; and no dividend yield. Expected volatility is based on the historical volatility of the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

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

In February 2010, the Company's Board of Directors amended the 2006 Plan to provide for the conversion of the outstanding performance-based options that would vest only upon a change in control into performance-based options that vest 50% based on EBITDA performance in each of 2010 and 2011. This amendment affected 1,680,868 outstanding options.

In March 2011, the Company's Board of Directors established SS&C's annual EBITDA target range for 2011. As of that date, the Company estimated the weighted-average fair value of the performance-based options that vest upon the attainment of the 2011 EBITDA target range to be \$11.41 per share. In estimating the common stock value, the Company valued the Company using the income approach and the guideline company method. The Company used the following weighted-average assumptions to estimate the option value: expected term to exercise of 2.5 years; expected volatility of 38.0%; risk-free interest rate of 1.0%; and no dividend yield. Expected volatility is based on a combination of the Company's historical volatility adjusted for the Transaction and historical volatility of the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

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The fair value of these performance-based options that vested during the years ended December 31, 2011, 2010 and 2009 was approximately \$9.6 million, \$10.4 million and \$2.6 million, respectively. At December 31, 2011, there was no unearned non-cash stock-based compensation to be recognized in the future.

*Total stock-based option awards.* The amount of stock-based compensation expense recognized in the Company's Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009 was as follows (in thousands):

| <b>Statement of<br/>Operations<br/>Classification</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|-------------|
| Cost of maintenance                                   | \$ 367      | \$ 341      | \$ 114      |
| Cost of professional services                         | 519         | 485         | 208         |
| Cost of software-enabled services                     | 2,448       | 2,786       | 1,133       |
| <br>  |             |             |             |
| Total cost of revenues                                | 3,334       | 3,612       | 1,455       |
| Selling and marketing                                 | 2,373       | 1,962       | 954         |
| Research and development                              | 1,386       | 1,346       | 600         |
| General and administrative(1)                         | 6,400       | 6,334       | 2,598       |
| <br>  |             |             |             |
| Total operating expenses                              | 10,159      | 9,642       | 4,152       |
| <br>  |             |             |             |
| Total stock-based compensation expense                | \$ 13,493   | \$ 13,254   | \$ 5,607    |

- (1) For the year ended December 31, 2011, includes stock-based compensation expense of \$0.7 million associated with restricted Class A stock. At December 31, 2011, there was approximately \$0.9 million of unearned non-cash stock-based compensation related to the restricted stock that the Company expects to recognize as expense over an average remaining period of approximately 1 year. For the year ended December 31, 2010, includes stock-based compensation expense of \$0.6 million associated with restricted Class A stock. At December 31, 2010, there was approximately \$1.6 million of unearned non-cash stock-based compensation related to the restricted stock that the Company expects to recognize as expense over an average remaining period of approximately 2 years.

The associated future income tax benefit recognized was \$4.7 million, \$4.4 million and \$3.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

For the year ended December 31, 2011, the amount of cash received from the exercise of stock options was \$8.8 million, with an associated tax benefit realized of \$7.7 million. The intrinsic value of options exercised during the year ended December 31, 2011 was approximately \$23.6 million. For the year ended December 31, 2010, the amount of cash received from the exercise of stock options was \$10.4 million, with an associated tax benefit realized of \$9.5 million. The intrinsic value of options exercised during the year ended December 31, 2010 was approximately \$27.9 million. For the year ended December 31, 2009, the amount of cash received from the exercise of stock options was less than \$0.1 million, with an associated tax benefit realized of less than \$0.1 million. The intrinsic value of options exercised during the year ended December 31, 2009 was approximately \$0.8 million.

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

The following table summarizes stock option transactions for the years ended December 31, 2011, 2010 and 2009:

|                                  | Shares      | Weighted<br>Average<br>Exercise Price |
|----------------------------------|-------------|---------------------------------------|
| Outstanding at December 31, 2008 | 12,862,120  | 6.67                                  |
| Granted                          | 357,041     | 11.35                                 |
| Cancelled/forfeited              | (219,010)   | 8.91                                  |
| Exercised                        | (262,592)   | 7.62                                  |
| Outstanding at December 31, 2009 | 12,737,559  | 6.74                                  |
| Granted(1)                       | 2,154,135   | 14.67                                 |
| Cancelled/forfeited              | (224,125)   | 13.60                                 |
| Exercised                        | (2,485,377) | 4.35                                  |
| Outstanding at December 31, 2010 | 12,182,192  | 8.51                                  |
| Granted(2)                       | 1,781,250   | 14.30                                 |
| Cancelled/forfeited              | (107,805)   | 13.97                                 |
| Exercised                        | (1,771,776) | 4.96                                  |
| Outstanding at December 31, 2011 | 12,083,861  | 9.83                                  |

(1) Of the grants during 2010, 1,636,335 were granted under the 2008 Plan and 517,800 were granted under the 2006 Plan.

(2) Of the grants during 2011, 1,275,750 were granted under the 2008 Plan and 505,500 were granted under the 2006 Plan.

The following table summarizes information about stock options outstanding that are expected to vest and stock options outstanding that are exercisable at December 31, 2011:

| Shares    | Outstanding, Vested Options Currently Exercisable |   |  | Outstanding Options Expected to Vest |  |   |  |
|-----------|---|---|--|--------------------------------------|--|---|--|
|           | Weighted<br>Average<br>Exercise<br>Price          | Aggregate<br>Intrinsic<br>Value<br>(In thousands) | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(Years) | Shares                               | Weighted<br>Average<br>Exercise<br>Price | Aggregate<br>Intrinsic<br>Value<br>(In thousands) | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(Years) |
| 9,210,285 | \$ 8.42   | \$ 88,768   | 4.51   | 2,873,576                            | \$ 14.34                                 | \$ 10,682   | 9.10   |

**11. Acquisitions*****Ireland Fund Administration***

On September 8, 2011, the Company purchased all of the outstanding stock of BDO Simpson Xavier Fund Administration Services Limited ( Ireland Fund Admin ), a division of BDO, for approximately \$5.1 million in cash plus the assumption of certain liabilities. Ireland Fund Admin is a Dublin-based fund administrator that provides software-enabled services in the European regulated funds market.

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The net assets and results of operations of Ireland Fund Admin have been included in the Company's consolidated financial statements from September 9, 2011. The purchase price was allocated to tangible and intangible customer relationships based on their fair value at the date of acquisition. The fair value of customer relationships was determined using the income approach. Specifically, the discounted cash flows method was

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

utilized. The customer relationships are amortized each year based on the ratio that current cash flows for the customer relationships bear to the total of current and expected future cash flows for the customer relationships. The customer relationships are amortized over approximately six years, the estimated life of the asset. The remainder of the purchase price was allocated to goodwill and is not tax deductible.

There are \$0.9 million in revenues from Ireland Fund Administration operations included in the Consolidated Statement of Operations for the year ended December 31, 2011.

***BenefitsXML***

On March 10, 2011, the Company purchased all of the outstanding stock of BXML for approximately \$14.8 million in cash, plus the costs of effecting the transaction and the assumption of certain liabilities. BXML provides technology solutions for employee benefit plan providers.

The net assets and results of operations of BXML have been included in the Company's consolidated financial statements from March 11, 2011. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name, and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The completed technology is amortized over approximately five years, contractual relationships are amortized over approximately five years and trade name is amortized over approximately seven years, the estimated lives of the assets. The Company initially recorded a contingent consideration liability of \$1.8 million, which is based on the attainment of certain revenue and EBITDA targets by the acquired business through February 28, 2013. The total possible undiscounted payments could range from zero to \$3.0 million. The liability was increased during 2011 bringing the balance at December 31, 2011 to \$2.3 million. The remainder of the purchase price was allocated to goodwill and is tax deductible (excluding the portion relating to the contingent consideration liability, which is not tax deductible until paid).

There are \$5.1 million in revenues from BXML operations included in the Consolidated Statement of Operations for the year ended December 31, 2011.

***TimeShareWare***

On December 6, 2010, the Company purchased all of the outstanding stock of PC Consulting d/b/a TimeShareWare ( TSW ) for approximately \$29.3 million in cash, plus the assumption of certain liabilities. TSW provides technology solutions for shared-ownership resorts including vacation membership associations, fractional membership properties, condo-hotels, vacation rentals and timeshare resorts.

The net assets and results of operations of TSW have been included in the Company's consolidated financial statements from December 6, 2010. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows or savings for the intangible asset bear to the total of current and expected future cash flows or savings for the intangible asset. The completed technology is amortized over approximately



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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

seven years, the trade name is amortized over approximately 10 years, and the contractual relationships are amortized over approximately 10 years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is not tax deductible.

***thinkorswim Technologies, Inc.***

On October 1, 2010, the Company purchased all of the outstanding stock of thinkorswim Technologies, Inc. ( TOS ) for approximately \$5.2 million in cash, plus the costs of affecting the transaction and the assumption of certain liabilities. TOS is an Internet-deployed trade order management system, execution system, and liquidity engine that provides connectivity to algorithmic trading systems.

The net assets and results of operations of TOS have been included in the Company's consolidated financial statements from October 1, 2010. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology and customer contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The completed technology is amortized over approximately five years and the contractual relationships are amortized over approximately three years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

***Geller Investment Partnership Services***

On February 3, 2010, the Company purchased substantially all of the assets and related business associated with the Geller Investment Partnership Services ( GIPS ) division of Geller & Company LLC for approximately \$11.4 million in cash, plus the assumption of certain liabilities. GIPS provides accounting and reporting, performance, tax, administrative and investor services for private equity funds, funds of hedge funds and limited partners that invest in alternative asset classes.

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

***Tradeware Global Corp.***

On December 31, 2009, the Company acquired Tradeware Global Corp. ( Tradeware ) for approximately \$22.4 million in cash, plus the costs of effecting the transaction and the assumption of certain liabilities and net of cash acquired. The acquisition was effected through the merger of TG Acquisition Corp., a wholly-owned subsidiary of the Company, with and into Tradeware, with Tradeware being the surviving company and a

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**SS&C Technologies Holdings, Inc. and subsidiaries**

**Notes to Consolidated Financial Statements, continued**

wholly-owned subsidiary of the Company. Tradeware is a broker-neutral solution provider for electronic access to global equity markets.

The net assets and results of operations of Tradeware have been included in the Company's consolidated financial statements from December 31, 2009. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name, and client relationships and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The completed technology is amortized over approximately five years, the trade name is amortized over approximately 10 years, and the contractual relationships are amortized over approximately 12 years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill, a portion of which is tax deductible.

***TheNextRound, Inc.***

On November 19, 2009, the Company purchased all the outstanding stock of TheNextRound, Inc. ( "TNR" ) for approximately \$18.7 million in cash, plus the costs of effecting the transaction and the assumption of certain liabilities and net of cash acquired. TNR provides front- and back-office software solutions to the private equity and alternative investment communities.

The net assets and results of operations of TNR have been included in the Company's consolidated financial statements from November 20, 2009. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name, client relationships and client contracts, and non-compete agreements, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The completed technology is amortized over approximately seven years, the trade name is amortized over approximately 10 years, the client relationships are amortized over approximately 13 years, and the non-compete agreements are amortized over approximately two years, the estimated lives of the assets.

As of December 31, 2009, the Company recorded a contingent consideration liability of \$1.0 million, which was based on the attainment of certain revenue and EBITDA targets by the acquired business through May 2011. The total possible undiscounted payments could range from zero to \$6.5 million. As of December 31, 2010 and 2011, the liability has a fair value of \$0. See Note 7 for further discussion of the contingent consideration liability. In addition, the Company accrued a \$1.0 million contingent liability, which was subsequently settled concurrent with the GIPS acquisition. The Company was fully indemnified for this amount by the TNR shareholders. The remainder of the purchase price was allocated to goodwill and is tax deductible.

***MAXIMIS***

On May 29, 2009, the Company purchased the assets and related business associated with Unisys Corporation's MAXIMIS software ( "MAXIMIS" ) for approximately \$6.9 million in cash, plus the assumption of certain liabilities. MAXIMIS is a real-time, intranet-enabled investment accounting application with comprehensive support for domestic and international securities trading.

**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued**

The net assets and results of operations of MAXIMIS have been included in the Company's consolidated financial statements from May 29, 2009. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name, and client relationships and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The completed technology is amortized over approximately 5.5 years, the trade name is amortized over approximately 7.5 years, and the contractual relationships are amortized over approximately 6.5 years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

**Evare, LLC**

On March 20, 2009, the Company purchased substantially all the assets of Evare, LLC ( Evare ), for approximately \$3.6 million in cash, plus the costs of effecting the transaction, and the assumption of certain liabilities. Evare is a managed utility service provider for financial data acquisition, enrichment, transformation and delivery.

The net assets and results of operations of Evare have been included in the Company's consolidated financial statements from March 21, 2009. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of trade name and client relationships and client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the trade name and the discounted cash flows method was utilized for the contractual relationships. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The trade name is amortized over approximately seven years, and the contractual relationships are amortized over approximately four years, the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

The following summarizes the allocation of the purchase price for the acquisitions of Ireland Fund Admin, BXML, TSW, TOS, GIPS, Tradeware, TNR, MAXIMIS and Evare (in thousands):

|  | <b>Ireland<br/>Fund<br/>Admin</b> | <b>BXML</b> | <b>TSW</b> | <b>TOS</b> | <b>GIPS</b> | <b>Tradeware</b> | <b>TNR</b> | <b>MAXIMIS</b> | <b>Evare</b> |
|--|-----------------------------------|-------------|------------|------------|-------------|------------------|------------|----------------|--------------|
| Tangible assets acquired, net of cash received | \$                                | \$ 79       | \$ 187     | \$ 33      | \$ 32       | \$ 1,795         | \$ 1,155   | \$ 143         | \$ 1,090     |
| Accounts receivable                            | 155                               | 462         | 3,108      | 720        | 1,680       | 1,212            | 3,362      |                | 928          |
| Completed technology                           |                                   | 1,600       | 3,000      | 480        |             | 2,700            | 3,200      | 1,485          |              |
| Trade names                                    |                                   | 100         | 200        |            |             | 300              | 200        | 110            | 150          |
| Acquired client relationships and contracts    | 3,555                             | 3,700       | 5,900      | 1,950      | 2,500       | 8,300            | 4,800      | 5,420          | 1,720        |
| Non-compete agreements                         |                                   |             |            |            |             |                  | 100        |                |              |
| Goodwill                                       | 1,878                             | 10,984      | 23,010     | 2,072      | 8,404       | 15,295           | 13,057     | 821            | 500          |
| Deferred revenue                               |                                   | (190)       | (735)      |            | (1,126)     | (2)              | (3,172)    | (965)          | (28)         |
| Deferred taxes                                 | (444)                             |             | (3,484)    |            |             | (2,981)          |            |                |              |
| Other liabilities assumed                      | (79)                              | (1,951)     | (1,912)    | (27)       | (118)       | (4,236)          | (3,980)    | (108)          | (810)        |
| Consideration paid, net of cash acquired       | \$ 5,065                          | \$ 14,784   | \$ 29,274  | \$ 5,228   | \$ 11,372   | \$ 22,383        | \$ 18,722  | \$ 6,906       | \$ 3,550     |



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Additionally, the Company acquired software-as-a-service assets from Teledata Communications, Inc. in December 2011 for approximately \$0.7 million.

The fair value of acquired accounts receivable balances approximates the contractual amounts due from acquired customers, except for approximately \$1.0 million, \$0.3 million and less than \$0.1 million of contractual amounts that are not expected to be collected as of the acquisition date and that were also reserved by the companies acquired Tradeware, TSW and TOS, respectively.

The goodwill associated with each of the transactions above is a result of expected synergies from combining the operations of businesses acquired with the Company and intangible assets that do not qualify for separate recognition, such as an assembled workforce.

The following unaudited pro forma condensed consolidated results of operations is provided for illustrative purposes only and assumes that the acquisitions of Ireland Fund Admin, BXML, TSW, TOS and GIPS occurred on January 1, 2010. This unaudited pro forma information (in thousands, except per share data) should not be relied upon as being indicative of the historical results that would have been obtained if these acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

|  | 2011       | 2010       |
|--|------------|------------|
| Revenues   | \$ 373,537 | \$ 350,286 |
| Net income   | \$ 51,314  | \$ 35,807  |
| Basic earnings per share   | \$ 0.67    | \$ 0.52    |
| Basic weighted average number of common shares outstanding                         | 76,482     | 69,027     |
| Diluted earnings per share   | \$ 0.64    | \$ 0.49    |
| Diluted weighted average number of common and common equivalent shares outstanding | 80,709     | 73,079     |

**12. Related Party Transactions**

At the time of the Transaction, the Company agreed to pay TC Group, L.L.C. an annual fee of \$1.0 million for certain management services to be performed by TC Group, L.L.C. following the Transaction and will also pay TC Group, L.L.C. additional reasonable compensation for other services provided by TC Group, L.L.C. to the Company from time to time, including investment banking, financial advisory and other services. The Company's obligation to pay TC Group, L.L.C. an annual fee of \$1.0 million terminated upon completion of the Company's IPO in March 2010. Expenses of \$0.3 million, and \$1.1 million in 2010 and 2009, respectively, related to these services are included in general and administrative expenses in the Consolidated Statements of Operations. There were no such expenses in fiscal 2011.

In 2008, the Company agreed to provide fund administration services to certain investment funds affiliated with The Carlyle Group. The Company recorded revenues of \$1.1 million, \$0.8 million and \$0.3 million under this arrangement during the years ended December 31, 2011, 2010 and 2009, respectively.

In 2009, the Company agreed to provide processing services to the Carlyle Investment Management L.L.C., including investment accounting and data processing services. The agreement was amended in June 2011 to extend the term through June 21, 2014. The Company will be paid a monthly charge based on annual rates derived from the net asset value of Carlyle Investment Management L.L.C., subject to a minimum monthly fee. The Company will also receive other fees for certain ancillary services that it provides under the agreement. In 2011, 2010 and 2009, the Company recorded revenue of \$0.4 million, \$0.5 million and \$0.1 million, respectively, under this arrangement.

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

**14. Product and Geographic Sales Information**

The Company operates in one reportable segment. There were no sales to any individual clients during the periods in the three-year period ended December 31, 2011 that represented 10% or more of net sales. The Company attributes net sales to an individual country based upon location of the client.

The Company manages its business primarily on a geographic basis. The Company's reportable regions consist of the United States, Canada, Americas excluding the United States and Canada, Europe and Asia Pacific and Japan. The European region includes European countries as well as the Middle East and Africa.

The Company relies exclusively on its operations in the Netherlands for sales of its Altair product. Total revenue derived from this product was \$1.1 million, \$1.8 million and \$2.3 million in the years ended December 31, 2011, 2010 and 2009, respectively.

Revenues by geography were (in thousands):

|  | 2011       | 2010       | 2009       |
|--|------------|------------|------------|
| United States                                | \$ 259,762 | \$ 224,630 | \$ 172,323 |
| Canada                                       | 53,846     | 49,704     | 41,708     |
| Americas, excluding United States and Canada | 9,507      | 6,152      | 7,393      |
| Europe                                       | 38,126     | 40,285     | 42,152     |
| Asia-Pacific and Japan                       | 9,587      | 8,134      | 7,339      |
|  | \$ 370,828 | \$ 328,905 | \$ 270,915 |

Long-lived assets as of December 31, were (in thousands):

|  | 2011      | 2010      | 2009      |
|--|-----------|-----------|-----------|
| United States                                | \$ 13,256 | \$ 15,382 | \$ 18,146 |
| Canada                                       | 3,855     | 4,460     | 4,906     |
| Americas, excluding United States and Canada | 93        | 109       | 100       |
| Europe                                       | 861       | 687       | 460       |
| Asia-Pacific and Japan                       | 525       | 792       | 650       |
|  | \$ 18,590 | \$ 21,430 | \$ 24,262 |

Revenues by product group were (in thousands):

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|                                 | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---------------------------------|-------------|-------------|-------------|
| Portfolio management/accounting | \$ 290,927  | \$ 261,736  | \$ 222,208  |
| Trading/treasury operations     | 41,118      | 40,239      | 22,952      |
| Financial modeling              | 7,810       | 8,786       | 8,475       |
| Loan management/accounting      | 7,681       | 4,974       | 4,608       |
| Property management             | 14,983      | 5,578       | 5,343       |
| Money market processing         | 5,786       | 5,143       | 4,514       |
| Training                        | 2,523       | 2,449       | 2,815       |
|                                 | \$ 370,828  | \$ 328,905  | \$ 270,915  |

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**Table of Contents****SS&C Technologies Holdings, Inc. and subsidiaries****Notes to Consolidated Financial Statements, continued****15. Subsequent Event**

On February 28, 2012, SS&C entered into a definitive Asset Purchase Agreement to acquire the assets of Thomson Reuter's PORTIA® business ( PORTIA ) for a purchase price of \$170 million, plus the costs of effecting the transaction and the assumption of certain liabilities. The closing, which is expected to occur in the second quarter of 2012, remains subject to regulatory approval and satisfaction of customary closing conditions. Associated with this acquisition, Bank of America, N.A. has committed to provide the Company with a \$175 million senior secured term loan, the aggregate proceeds of which will be sufficient for the Company to pay the aggregate purchase consideration and all related fees and expenses in connection with this acquisition. PORTIA provides a broad set of middle-to-back office capabilities that allow investment managers to track and manage the day-to-day activity in their investment portfolios.

**16. Selected Quarterly Financial Data (Unaudited)**

Unaudited quarterly results for 2011 and 2010 were:

|                            | First<br>Quarter(1)                   | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter(2) |
|----------------------------|---------------------------------------|-------------------|------------------|----------------------|
|                            | (In thousands, except per share data) |                   |                  |                      |
| <b>2011</b>                |                                       |                   |                  |                      |
| Revenue                    | \$ 89,007                             | \$ 91,803         | \$ 94,323        | \$ 95,695            |
| Gross profit               | 44,512                                | 46,166            | 47,844           | 48,018               |
| Operating income           | 23,107                                | 22,895            | 24,090           | 23,685               |
| Net income                 | 9,834                                 | 13,028            | 14,899           | 13,260               |
| Basic earnings per share   | \$ 0.13                               | \$ 0.17           | \$ 0.19          | \$ 0.17              |
| Diluted earnings per share | \$ 0.12                               | \$ 0.16           | \$ 0.18          | \$ 0.16              |

- (1) During the first quarter of 2011, the Company recognized a loss on extinguishment of debt of \$2.9 million, which decreased net income for the period.
- (2) During the fourth quarter of 2011, the Company recognized a loss on extinguishment of debt of \$1.9 million, which decreased net income for the period.

|                            | First<br>Quarter                      | Second<br>Quarter(1) | Third<br>Quarter | Fourth<br>Quarter |
|----------------------------|---------------------------------------|----------------------|------------------|-------------------|
|                            | (In thousands, except per share data) |                      |                  |                   |
| <b>2010</b>                |                                       |                      |                  |                   |
| Revenue                    | \$ 78,174                             | \$ 81,618            | \$ 83,003        | \$ 86,110         |
| Gross profit               | 39,012                                | 40,678               | 40,666           | 42,617            |
| Operating income           | 19,421                                | 19,789               | 19,585           | 21,045            |
| Net income                 | 9,021                                 | 4,362                | 9,854            | 9,176             |
| Basic earnings per share   | \$ 0.15                               | \$ 0.06              | \$ 0.14          | \$ 0.13           |
| Diluted earnings per share | \$ 0.14                               | \$ 0.06              | \$ 0.13          | \$ 0.12           |

- (1) During the second quarter of 2010, the Company recognized a loss on extinguishment of debt of \$5.5 million, which decreased net income for the period.





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**EXHIBIT INDEX**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 2.1                   | Agreement and Plan of Merger, dated as of July 28, 2005, by and among the Registrant, Sunshine Merger Corporation and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 2.1 to SS&C Technologies, Inc.'s Current Report on Form 8-K, filed on July 28, 2005 (File No. 000-28430)  |
| 2.2                   | Amendment No. 1 to Agreement and Plan of Merger, dated as of August 25, 2005, by among the Registrant, Sunshine Merger Corporation and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 2.1 to SS&C Technologies, Inc.'s Current Report on Form 8-K, filed on August 30, 2005 (File No. 000-28430)   |
| 2.3                   | Asset Purchase Agreement, dated February 28, 2012, by and among Thomson Reuters (Markets) LLC and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 1.1 to SS&C Technologies Holdings, Inc.'s Current Report on Form 8-K, filed on February 29, 2012 (File No. 001-34675)   |
| 3.1                   | Restated Certificate of Incorporation of the Registrant is incorporated herein by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-164043) (the 2010 Form S-1 )   |
| 3.2                   | Amended and Restated Bylaws of the Registrant are incorporated herein by reference to Exhibit 3.4 to the 2010 Form S-1   |
| 10.1                  | Credit Agreement, dated as of December 15, 2011, by and among SS&C Technologies, Inc., the Registrant and the subsidiary guarantors identified therein, Bank of America, N.A., and other lenders party thereto is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on December 20, 2011 (File No. 001-34675)   |
| 10.2                  | Stockholders Agreement, dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., William C. Stone and Other Executive Stockholders (as defined therein) is incorporated herein by reference to Exhibit 10.5 to SS&C Technologies, Inc.'s Registration Statement on Form S-4, as amended (File No. 333-135139) (the Form S-4 )  |
| 10.3                  | Amendment No. 1, dated April 22, 2008, to the Stockholders Agreement dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone is incorporated herein by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-143719) (the 2008 Form S-1 )   |
| 10.4                  | Amendment No. 2, dated March 2, 2010, to the Stockholders Agreement dated as of November 23, 2005, as amended by Amendment No. 1 to the Stockholders Agreement dated April 22, 2008, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone is incorporated herein by reference to Exhibit 10.1 to SS&C Technologies, Inc.'s Current Report on Form 8-K, filed on March 2, 2010 (File No. 000-28430) (the March 2, 2010 8-K ) |
| 10.5                  | Amendment No. 3, dated March 10, 2011, to the Stockholders Agreement dated as of November 23, 2005, as amended by Amendment No. 1 to the Stockholders Agreement dated April 22, 2008, and Amendment No. 2 to the Stockholders Agreement dated March 2, 2010, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone   |
| 10.6                  | Registration Rights Agreement, dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., William C. Stone and Other Executive Investors (as defined therein) is incorporated herein by reference to Exhibit 10.6 to the Form S-4  |
| 10.7                  | Form of Service Provider Stockholders Agreement by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and the Service Provider Stockholders (as defined therein) is incorporated herein by reference to Exhibit 10.7 to the Form S-4  |

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| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 10.8                  | Amendment No. 1, dated April 22, 2008, to the Service Provider Stockholders Agreement dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P. and CP IV Coinvestment, L.P. is incorporated herein by reference to Exhibit 10.29 to the 2008 Form S-1   |
| 10.9                  | SS&C Technologies, Inc. Management Rights Agreement, dated as of November 23, 2005, by and among Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., the Registrant and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 10.9 to the Form S-4   |
| 10.10*                | 1998 Stock Incentive Plan, including form of stock option agreement, is incorporated herein by reference to Exhibit 10.10 to the Form S-4  |
| 10.11*                | 1999 Non-Officer Employee Stock Incentive Plan, including form of stock option agreement, is incorporated herein by reference to Exhibit 10.11 to the Form S-4   |
| 10.12*                | Form of Option Assumption Notice for 1998 Stock Incentive Plan and 1999 Non-Officer Employee Stock Incentive Plan is incorporated herein by reference to Exhibit 10.12 to the Form S-4   |
| 10.13                 | 2006 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.1 to SS&C Technologies, Inc. s Current Report on Form 8-K, filed on August 15, 2006 (File No. 333-135139) (the August 15, 2006 8-K )  |
| 10.14*                | Forms of 2006 Equity Incentive Plan Amended and Restated Stock Option Grant Notice and Amended and Restated Stock Option Agreement are incorporated herein by reference to Exhibit 10.2 to the March 2, 2010 8-K   |
| 10.15*                | Form of Stock Award Agreement is incorporated herein by reference to Exhibit 10.4 to the August 15, 2006 8-K   |
| 10.16                 | 2008 Stock Incentive Plan is incorporated herein by reference to Exhibit 10.26 to the 2008 Form S-1  |
| 10.17*                | Form of 2008 Stock Incentive Plan Stock Option Grant Notice and Stock Option Agreement is incorporated herein by reference to Exhibit 10.26 to the 2010 Form S-1   |
| 10.18*                | Employment Agreement, dated as of March 11, 2010, by and among William C. Stone, the Registrant and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 10.27 to the 2010 Form S-1  |
| 10.19*                | Lease Agreement, dated September 23, 1997, by and between SS&C Technologies, Inc. and Monarch Life Insurance Company, as amended by First Amendment to Lease dated as of November 18, 1997, is incorporated herein by reference to Exhibit 10.15 to SS&C Technologies, Inc. s Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 000-28430) |
| 10.20*                | Second Amendment to Lease, dated as of April 1999, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.12 to SS&C Technologies, Inc. s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-28430) (the 2004 10-K )  |
| 10.21*                | Third Amendment to Lease, effective as of July 1, 1999, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.13 to the 2004 10-K   |
| 10.22*                | Fourth Amendment to Lease, effective as of June 7, 2005, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership, is incorporated herein by reference to Exhibit 10.5 to SS&C Technologies, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 (File No. 000-28430) (the Q2 2005 10-Q )                        |
| 10.23*                | Fifth Amendment to Lease, dated as of November 1, 2006, by and between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.25 to the 2008 Form S-1  |

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| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 10.24*                | Lease Agreement, dated January 6, 1998, by and between Financial Models Company Inc. and Polaris Realty (Canada) Limited, as amended by First Amendment of Lease, dated as of June 24, 1998, and as amended by Second Lease Amending Agreement, dated as of November 13, 1998, is incorporated herein by reference to Exhibit 10.6 to the Q2 2005 10-Q |
| 10.25*                | Amended and Restated Stock Option Agreement, dated February 16, 2010, between the Registrant and William C. Stone is incorporated herein by reference to Exhibit 10.33 to SS&C Technologies, Inc. s Annual Report on Form 10-K, filed on February 26, 2010 (File No. 000-28430)  |
| 10.26                 | Form of Director Indemnification Agreement is incorporated herein by reference to Exhibit 10.35 to the 2010 Form S-1   |
| 10.27                 | Restricted Stock Agreement, dated as of January 21, 2011, between the Registrant and William C. Stone is incorporated by reference to Exhibit 10.34 to the Registrant s Registration Statement on Form S-1, as amended (File No. 333-171673)   |
| 10.28                 | Amended and Restated Stock Option Agreement, dated May 24, 2011, between the Registrant and William C. Stone is incorporated herein by reference to the Registrant s Current Report on Form 8-K, filed on May 27, 2011 (File No. 001-34675)  |
| 21                    | Subsidiaries of the Registrant   |
| 23.1                  | Consent of PricewaterhouseCoopers LLP  |
| 31.1                  | Certifications of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2                  | Certifications of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32                    | Certification of the Registrant s Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1351, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 101.INS               | XBRL Instance Document.**  |
| 101.SCH               | XBRL Taxonomy Extension Schema Document.**   |
| 101.CAL               | XBRL Taxonomy Calculation Linkbase Document.**   |
| 101.LAB               | XBRL Taxonomy Label Linkbase Document.**   |
| 101.PRE               | XBRL Taxonomy Presentation Linkbase Document.**  |
| 101.DEF               | XBRL Taxonomy Extension Definition Linkbase Document.**  |
| 101.REF               | XBRL Taxonomy Reference Linkbase Document.**   |

\* Management contract or compensatory plan or arrangement filed herewith in response to Item 15(a)(3) of the Instructions to the Annual Report on Form 10-K.

The Registrant hereby agrees to furnish supplementally a copy of any omitted schedules to this agreement to the Securities and Exchange Commission upon its request.

\*\* submitted electronically herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009, (ii) Condensed Consolidated Balance Sheets at December 31, 2011 and 2010, (iii) Condensed Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009 and (iv) Notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.