SYNIVERSE HOLDINGS INC
Form 10-K
March 07, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
COMMISSION FILE NUMBER 333-176382

SYNIVERSE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	30-0041666
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8125 Highwoods Palm Way
Tampa, Florida 33647
(Address of principal executive office)
(Zip code)
(813) 637-5000
(Registrant’s telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None
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 o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No o
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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.

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Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant is $0 as the registrant is a privately held corporation and its common stock is not publicly traded. The number of shares of common stock of the registrant outstanding at March 3, 2017 was 1,000.

Documents Incorporated by Reference

None

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GLOSSARY OF TERMS

Term	Definition
2011 Plan	2011 Equity Incentive Plan
4G	Fourth generation
A2P	Application to Peer
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Carlyle	Investment funds affiliated with The Carlyle Group
CDMA	Code division multiple access
CNAM	Caller name directory
EIS	Enterprise & Intelligence Solutions
E.U.	European Union
FASB	Financial Accounting Standards Board
FCC	Federal Communications Commission
FCPA	Foreign Corrupt Practices Act
GMAC	Guideline merged and acquired company
GPC	Guideline public company
GSM	Global system for mobiles
GSMA	Global System for Mobile Communications Association
IASB	International Accounting Standards Board
IPX	Interworking packet exchange
LTE	Long-term evolution
M2M	Machine-to-machine
MNO	Mobile network operator
MTS	Mobile Transaction Services
MVNO	Mobile virtual network operators
NOL	Net operating loss
OFAC	The Office of Foreign Assets Control of the U.S. Department of the Treasury
OTT	Over-the-top provider
SEC	Securities and Exchange Commission
SS7	Signaling System 7
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States
VIE	Variable interest entity
VoIP	Voice over IP
VoLTE	Voice over LTE

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements in this Annual Report on Form 10-K, including, without limitation, those under the caption entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may constitute “forward-looking statements” for purposes of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some of the forward-looking statements can be identified by the use of terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “intends,” “plans,” “estimates,” “anticipates” or other com and similar expressions. These forward-looking statements include all matters that are not related to present facts or current conditions or that are not historical facts. They appear in a number of places throughout this Annual Report on Form 10-K and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our consolidated results of operations, financial condition, liquidity, prospects and growth strategies and the industries in which we operate and including, without limitation, statements relating to our future performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control and you should not place undue reliance on these forward looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated results of operations, financial condition and liquidity, and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this Annual Report on Form 10-K. In addition, even if our consolidated results of operations, financial condition and liquidity, and industry development are consistent with the forward-looking statements contained in this Annual Report on Form 10-K, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the risks and uncertainties described under the heading “Risk Factors.” Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include:

- system failures or delays which could harm our reputation;
- our reliance on third-party providers for communications software, hardware and infrastructure;
- security breaches which could result in significant liabilities;
- our ability to acquire and integrate complementary business and technologies;
- our ability to adapt quickly to technological and other changes;
- our newly offered services may not perform as anticipated;
- the loss of any of our significant customers;
- the failure to achieve or sustain desired pricing levels;
- consolidation among, or network buildouts by, customers could cause us to lose transaction volume and affect pricing;
- the reduction of services by existing customers;
- increased competition;
- our customers may develop in-house solutions and no longer use our services;
- the success of our international expansion is uncertain;
- our ability to attract and retain key personnel;
- political instability in certain countries where we operate;
- our compliance with anti-corruption laws and regulations;
- our ability to receive and retain licenses or authorizations required to conduct our business internationally, including in countries targeted by economic sanctions;
- changes in the regulatory landscape affecting us and our customers;
- additional costs and liabilities for maintaining customer privacy;
- failure to protect our intellectual property rights or claims by third parties that we infringe on their intellectual property rights;
- our ability to achieve desired organic growth;

- our ability to service our indebtedness;
- the effects of our substantial indebtedness and the limitations contained in the agreements governing such indebtedness;
- the significant influence Carlyle has over corporate decisions;
- fluctuation in currency exchange rates;
- our compliance with international tax laws; and
- impairment of our intangible assets or goodwill.

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These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this Annual Report on Form 10-K and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

MARKET, RANKING AND INDUSTRY DATA

The data included herein regarding markets and ranking, including the size of certain markets and our position and the position of our competitors and customers within these markets, is based on independent industry publications, reports from government agencies or other published industry sources and our estimates are based on our management's knowledge and experience in the markets in which we operate. When we rank our customers by size, we base those rankings on the number of transactions processed and other market-specific factors. When we describe our market position, we base those descriptions on the number of subscribers serviced by our customers. Our estimates have been based on information obtained from our customers, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this Annual Report on Form 10-K. However, this information may prove to be inaccurate because of the methods by which we obtain certain data for our estimates, because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. In addition, the provided market data is not a guarantee of future market characteristics because consumption patterns and consumer preferences can and do change. See also "Special Note Regarding Forward-Looking Statements."

OTHER DATA

Numerical figures included in this Annual Report on Form 10-K have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

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PART I

ITEM 1. BUSINESS

Overview

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries, enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end-user traffic, clearing of billing records and settlement of payments. We also offer a unique portfolio of intelligent policy and charging tools that enable our customers to use the real-time data generated by these transactions to deliver customized services and choices to their end users. Our portfolio of mission-critical services enables our customers to connect to the mobile ecosystem, optimize their businesses and enhance and personalize the mobile experience for their end-users. We process over 4 billion billable transactions daily and settle over $16 billion annually between our customers.

We are the leader in LTE roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users have come to expect from 4G and other advanced mobile network technologies, including VoLTE. Our IPX network currently directly connects to nearly half of the global mobile population. We believe our global footprint and operational scale are unmatched in our industry. As a trusted partner with over 25 years of experience and a history of innovation, we believe we are well positioned to solve the technical, operational and financial complexities of the mobile ecosystem.

Our diverse customer base includes a broad range of participants in the mobile ecosystem, including approximately 1,000 MNOs and 500 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide and 2 multinational hotel brands.

The mobile experience is a critical and pervasive component of modern life and has become increasingly complex. Mobile devices have evolved from basic cellular phones to include smartphones, tablets, wearables and other connected devices that people now use to conduct an expanding set of activities in real-time, such as streaming videos, posting social media updates, working and shopping. As a result, today’s mobile experience requires seamless and ubiquitous connectivity and coordination between MNOs, OTTs and enterprises across disparate and rapidly evolving networks, devices and applications. The failure to integrate any of these elements can disrupt service, resulting in frustrated end-users, erosion of our customers’ brands and loss of revenue by our customers. Our proprietary services bridge these technological and operational complexities.

Syniverse provides approximately 60 mission-critical services to manage the real-time exchange of information and traffic across the mobile ecosystem, enhance our customers’ brands and provide valuable intelligence about end-users. Our customers demand, and we deliver, high quality service as evidenced by our over 99.999% network availability. Our comprehensive suite of Mobile Transaction Services and Enterprise & Intelligence Solutions includes the services described below.

Mobile Transaction Services: Transaction-based services that are designed to support the long-term success of our MNO customers. Through Mobile Transaction Services, we:

- Clear, process and exchange end-user billing records.
- Process and settle payments between participants in the mobile ecosystem.

- Activate, authenticate and authorize end-user mobile activities.
- Manage the worldwide routing and delivery of text (SMS), multimedia (MMS) and next generation messaging.
- Provide data transport services over our global IP data network regardless of technology protocol.
- Provide intelligent policy and charging tools that enable our customers to use real-time data for improved end-user experience.
- Provide risk management tools to prevent fraudulent activity on operator networks and identify problem areas in the end to end billing cycle.

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Enterprise & Intelligence Solutions: Services that bridge OTTs and enterprises with MNOs and incorporate our real-time intelligence capabilities to enable all of our customers to serve their end-users. Through Enterprise & Intelligence Solutions, we:

- Connect enterprises to the mobile ecosystem to allow them to reliably reach and interact with their customers and employees via mobile devices.
- Bridge OTTs to the mobile ecosystem allowing OTT end-users to seamlessly interact with traditional mobile end-users.
- Enable enterprises to rapidly execute and optimize their mobile communications initiatives.
- Provide data analytics and business intelligence solutions designed to measure, enhance and secure the end-user experience for our enterprise customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

We derive revenues primarily from transaction-based and monthly recurring fees paid to us by our customers for various types of mobile services. A majority of our revenues were generated by transaction-based fees. These fees are based upon the number of records or transactions processed or the size of data records processed or both, and includes tier-based pricing and additional fees for volume above an agreed-upon threshold. Monthly recurring fees are based upon contractual provisions that require set, predictable payments each month. Due to the nature of our services, any single end-user call, data session or message often generates multiple transactions and payments from multiple customers. We have long-standing customer relationships, with an average tenure of 18 years among our top 10 customers and have maintained a customer contract renewal rate of 95% or higher over the past nine years. Our transaction-based and monthly recurring fee revenue model coupled with our long-term contracts and customer relationships provides us with a highly predictable and recurring revenue stream, with approximately 90% of our annual revenue for each of the last seven years earned under contracts in place at the beginning of the year. Our scalable infrastructure provides significant operating leverage, allowing us to benefit from volume growth and rapidly scale our services across customers, markets, and geographies with relatively low marginal costs. Our efficient management of capital expenditures and low working capital needs lead to significant free cash flow that we may use to repay indebtedness, make acquisitions and fund future growth in the business.

Our principal executive offices are located at 8125 Highwoods Palm Way, Tampa, Florida 33647. Our telephone number is +1 (813) 637-5000, and our website is www.syniverse.com. The information on or linked to our website is not part of this Annual Report on Form 10-K, nor is such content incorporated by reference herein.

Business Information

Syniverse provides mission-critical technology and business services that enable the seamless provision of the mobile experience to end-users regardless of network, device or application. Our comprehensive suite of services includes Mobile Transaction Services and Enterprise & Intelligence Solutions.

Revenues by service offerings were as follows:

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Mobile Transaction Services	$649,948	$731,496	$782,116
Enterprise & Intelligence Solutions	131,944	129,979	134,179
Revenues	$781,892	$861,475	$916,295

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

	Year Ended December 31,		
(in thousands)	2016	2015	2014
North America	$483,329	$534,178	$585,455
Europe, Middle East and Africa	133,293	143,837	165,661
Asia Pacific	116,960	125,175	101,714
Caribbean and Latin America	48,310	58,285	63,465
Revenues	$781,892	$861,475	$916,295

For the years ended December 31, 2016, 2015 and 2014, we derived 57.0%, 57.8% and 59.7% of our revenues from customers in the United States, respectively.

Long-lived assets, which consist of property and equipment, net and capitalized software, net, by geographic location were as follows:

	December 31,	
(in thousands)	2016	2015
North America	$201,753	$227,359
Europe, Middle East and Africa	35,624	63,301
Asia Pacific	14,058	14,186
Caribbean and Latin America	638	736
Long-lived assets, net	$252,073	$305,582

For the years ended December 31, 2016 and 2015, 80.0% and 74.4%, respectively, of our long-lived assets were located in the United States.

Mobile Transaction Services

With the emergence of new technologies and market entrants within the mobile ecosystem, it remains critical to connect disparate networks and partners to deliver seamless and ubiquitous services to end-users. In order for an end-user to complete a call, initiate a data session, send a message, or perform numerous other functions using their mobile device, MNOs must connect with one another and exchange information. These connections and exchanges vary in complexity depending upon geography, technology, application and device. Our core strength is solving that complexity, bridging parties together to deliver seamless service to end-users. We provide the interconnection between approximately 1,000 MNOs, processing over 4 billion billable transactions each day between and among these MNOs. This transaction processing facilitates clearing of transaction records, settlement of transaction fees, authentication and activation of subscribers and advanced data transport services, among other mission-critical services. Any time information passes from one network to another, we can provide the connection and process the transaction that enables the exchange.

Clear, Process and Exchange Inter-operator Billing Records

We are the largest global clearinghouse providing transaction processing services to over 500 MNOs globally to validate, clear, process and exchange inter-operator billing records. Several times per day our customers send us billing detail records related to all of the roaming end-users to whom they are providing service. Our clearinghouse service verifies the accuracy and rates on these records and routes the records to the related operator. We ensure for our customers that any change in technology is seamless, moving from 2G to 3G and LTE, as well as any future evolutions.

MNOs rely on a multitude of wholesale roaming agreements among one another to provide their end-users with a seamless experience outside their end-user's home coverage area. These agreements define the terms and wholesale rates that a visited MNO charges to the home MNO in exchange for providing service to roaming end-users. When MNOs offer nationwide

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coverage plans, they often fill the gaps in their home network through wholesale roaming agreements with other MNOs, even if they do not charge their end-users for such roaming. MNOs use clearinghouses to manage the complex exchange of wholesale end-user billing records and monthly settlement of fees.

Process and Settle Payments between Participants in the Mobile Ecosystem

We are the largest wholesale provider of financial settlement services to the mobile industry, providing these services to MNOs to settle over $16 billion annually between our customers. On a monthly basis we determine the wholesale fees owed between and among our MNO customers and their roaming partners and perform the reconciliation, generate the invoicing and settle the payment of these wholesale roaming fees.

Activate, Authenticate and Authorize End-user Mobile Activities

We provide signaling solutions that deliver over 9 billion records daily while operating with 99.999% availability. These records authenticate the identity of end-users while roaming and authorize the appropriate level of service in the visited network. Our signaling solutions and ability to interact with specialized MNO databases are used by MNOs to communicate with each other regarding the activities taking place outside their home 2G, 3G, LTE or Wi-Fi networks. Our number portability services, active in several countries, allow end-users to keep their mobile numbers when activating service on a new network. As service providers continue to leverage their networks to introduce new services, we work with our customers to develop and manage new signaling solutions to activate, authenticate and authorize these new services between MNOs.

Manage the Worldwide Routing and Delivery of SMS, MMS and Next Generation Messaging

We operate a worldwide inter-carrier messaging platform that handles over 30 billion messages monthly and includes the most extensive direct connections to MNOs in the Americas and Asia. MNOs rely on messaging gateways to provide the reach necessary to exchange messages between end-users on any network or service globally. As one of the largest messaging gateways globally, our platform verifies routing of messages to the proper destination, translates between protocols to handle incompatibility, analyzes the traffic to identify and eliminate potential fraud and spam and manages traffic volumes to accommodate each customer’s messaging platform volume limitations.

Provide Data Transport Services over Our Global IP Data Network Regardless of Technology Protocol

We operate the largest independent global IPX network with more than 300 direct MNO connections and 29 network access points through which we provide both interconnectivity and roaming services between MNOs. We launched our IPX network in 2009 with a broad range of services, including a comprehensive LTE portfolio. LTE roaming services have been available since January 2012 with over 130 live LTE roaming customers across more than 2,500 LTE roaming routes. IP networks are used by MNOs and M2M providers for the transport of end-user data and content. With the explosive growth of high speed data networks, smart phones and applications, our customers have increased their reliance on IP networks to meet the insatiable demand for bandwidth. MNOs rely on private secure IPX gateways to provide connectivity between their internal IP networks for the secure exchange of end-user content. M2M and MVNO providers often use IPX networks to manage all internet access for their end-users. We also provide a diameter signaling service that currently delivers over 600 million daily transactions, which is reflective of the technological evolution from 3G signaling to next generation LTE. Diameter signaling services enables MNOs to better manage mobile data and signaling traffic growth across LTE and IMS networks.

When end-users roam outside of their home network, all of their data traffic is routed back through their home MNO to control access and ensure a consistent end-user experience, regardless of location. This data traffic is exchanged between the home and visited MNO via an IPX gateway. Additionally, LTE standards define IPX gateways as the platform to securely exchange data between end-users on different home networks. VoLTE will migrate traditional voice transport to IPX networks. Our IPX network currently covers 9 of the top 10 international voice routes. IPX gateways allow differentiated class of service based on applications such as dynamic bandwidth provisioning and traffic prioritization. This creates opportunities for MNOs to deliver new services designed to optimize the end-user experience, including VoLTE, video and other advanced services. We believe our global reach establishes us as the provider of choice for MNOs as they migrate to LTE networks.

Provide Intelligent Policy and Charging Tools that Enable Our Customers to Use Real-time Data for Improved End-user Experience

We provide dynamic policy management solutions that allow MNOs to proactively monitor and evaluate an end user's profile and offer incremental services or resolve network issues in real-time. For example, when a subscriber is roaming in a foreign country without a proper roaming plan, our solution allows a subscriber to select a suitable plan and provisions that plan in real-time.

Provide Risk Management Tools to Prevent Fraudulent Activity

Our risk management capabilities extend to a variety of revenue assurance, fraud prevention and other mobile security services. These include the real-time exchange and analysis of roaming activity records and end-user subscription information for the development of fraud profiles to identify and prevent fraudulent activity, messaging spam and unauthorized access to MNO networks. These services enable MNOs to minimize disruption to their networks, mitigate financial losses and optimize the quality of the end-user experience.

Enterprise & Intelligence Solutions

As mobile becomes the preferred real-time communications medium for OTTs and enterprises, end-users now demand seamless and ubiquitous access to these services. OTTs and enterprises need an experienced partner who can provide them with global access to their customers across disparate mobile networks, each with unique attributes and specifications. MNOs require the ability to measure and manage end-user service availability in real-time. We provide the tools to manage a standardized and seamless roll-out of end-user engagement strategies and best practices to efficiently and effectively integrate their platform into the mobile ecosystem.

Connect Enterprises to the Mobile Ecosystem for Enhanced Customer and Employee Engagement

We provide enterprises, such as banks, retailers, airlines and hotels, with the ability to reliably reach and interact with all of their customers and employees via mobile devices regardless of geography, network, device or application. Our high-volume processing capabilities currently support in excess of 20 million messages being sent by our enterprise customers to end-users daily.

Bridge OTTs to the Mobile Ecosystem Allowing OTT End-users to Interact with Traditional Mobile End-users

Our IP messaging gateway bridges OTT messaging applications with MNOs allowing OTT end-users to seamlessly interact with traditional mobile messaging. For example our service allows an end user of a VoIP service to send and receive messages from multiple platforms (smartphone app, tablet, PC, etc.) and appear as if the messages were originating or terminating to a mobile phone number. By connecting these OTTs to the larger mobile ecosystem, we effectively remove barriers between end-users and expand the addressable messaging market.

Enable Enterprises to Rapidly Execute and Optimize their Mobile Initiatives

We provide mobile campaign management services that enable enterprises to optimize and differentiate their mobile interactions with various audiences. These interactions can take the form of mobile marketing or alert services or other types of communications with customers or employees. The enterprises we serve interact with a large number of customers and employees on a regular, and sometimes daily, basis. These services are "opted-in" by the end-user and our solutions provide our enterprise customers with the ability to outsource the end-user permission process. Many of these end-users are most effectively reached in a targeted and customized fashion that accounts for their individual preferences and priorities. As a result, it has become increasingly important for enterprises to structure their mobile outreach initiatives to allow for targeting of specific audiences. By analyzing and processing end-user information, our services allow enterprises to intelligently segment their different constituents and then selectively schedule and deliver relevant and customized offers and information to end-users. Our service allows for the rapid deployment of mobile campaigns, real-time processing of end-user communications, and, ultimately, serve to reinforce our customer's brand with its end-users.

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Provide Data Analytics and Business Intelligence Solutions Designed to Measure, Enhance and Secure the End-user Experience

We provide customizable services that leverage end-user real-time activity to develop trend analysis, and profile information to support personalized services for mobile end-users. These services provide enterprises the type of mobile technology enablement that is needed to deliver secure, reliable mobile interactions, while also building brand loyalty and creating clear value exchange with the enterprise's end-users. The contextual data that informs our business intelligence solutions includes current end-user network usage, geo-location and mobile identity verification. Specifically, our mobile identity services verify a broad set of end-user data and information, including subscriber identity, network, device and phone number. These data elements can be used to deliver services such as mobile payment authorizations and two-way messaging capabilities. Specific examples of some of our solutions are:

- We can identify a user of a social network who has landed in a foreign country but is not using data services. We can then offer the end-user a data roaming plan paid for and branded by the social network. This strategy enables the social network to reinforce its brand value with the end-user while facilitating the user's social network engagement when traveling abroad, at no cost to the end-user.
- We can provide a financial institution with the capability to send reward redemption offers for opted-in customers to fulfill by simply replying to a text message (reply-to-redeem). The solution allows end-users to check their point balances and to redeem eligible rewards by simply texting a dedicated code (text-to-redeem) which enhances the financial institutions customer loyalty program and drives better engagement with points redemption.

Provide Solutions to Enable MNOs to Measure and Manage the Subscriber Experience across Networks

We collect, correlate and analyze billions of end-user data records to provide MNOs with unique insights into subscriber behavior that allow them to identify new revenue opportunities and potential service issues in real-time. Our data analysis can identify network failures or individual subscriber conditions that are causing service disruptions and enable the MNOs to resolve the issue with minimal end-user impact. Additionally, our platform identifies long-term trends and issues in network performance that assist with network planning and partnership negotiations.

Industry Overview and Trends

We operate at the center of the global mobile ecosystem, which continues to grow rapidly as evidenced by the increasing number of mobile subscribers, devices and traffic. Concurrent with this growth, mobile is becoming the preferred medium for communication and other daily activities. For example, emails are often accessed on mobile devices rather than desktop computers, users access their social media accounts, view content and shop online using their mobile devices and use mobile wearables, such as watches and health monitors to monitor daily activities.

The introduction of new and diverse technologies, services and market participants has increased the complexity of providing a seamless and ubiquitous end user experience. Key contributors to this increasing complexity include the continued deployment of evolving LTE and Wi-Fi networks, the proliferation, increasing sophistication and diversity of mobile devices and their underlying operating systems and technologies and the emergence of OTTs and enterprises and their rapid introduction of innovative applications and services to the mobile ecosystem.

The increased complexity of the mobile ecosystem has created a growing demand for intelligence and analytical solutions. Business intelligence solutions derived from the processing of end user transaction data have become a key element in delivering superior business performance across a wide range of industries. Driving the growth of this market is end user demand for seamless, personalized mobile services that offer customized functionality to address their individual preferences. As a result, participants in the mobile ecosystem require business intelligence solutions that provide operational optimization, end user personalization, end user engagement and mobile identity.

Our customers continually face new and technical challenges as the mobile ecosystem rapidly grows in size, complexity and end user expectations. As a result, there is a significant and growing need for a trusted intermediary that can connect participants to provide end users with a seamless mobile experience.

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Our Solution and Competitive Strengths

Syniverse addresses the need of mobile ecosystem participants for a neutral and trusted intermediary. For over 25 years we have simplified the complexity of the mobile ecosystem by leveraging economies of scale to efficiently enable the secure, real-time processing of the billions of transactions required each day to enable a ubiquitous and seamless mobile experience. Every mobile ecosystem participant to which we connect increases the value of our services for all of our customers. We have the following key capabilities:

- Ability to operate across and translate between all network technology types, including 2G, 3G, 4G, LTE and Wi-Fi, device types such as smartphones, tablets and PCs, and business models introduced by new entrants to the mobile ecosystem.
- Market-leading proprietary technology applications and robust global networks with network availability exceeding 99.999%.
- Platform integration into and trusted deep relationships with approximately 1,000 MNOs and 500 OTTs and enterprises in nearly 200 countries.
- Ability to independently monitor and enforce complex contractual arrangements between our customers.
- Access to a unique portfolio of real-time data and the ability to produce analytical insights from this data enabling our customers to enhance their end-user experience.

We believe the following strengths provide competitive advantages that position us well to enhance our position at the center of the mobile ecosystem and to capitalize on the growth trends in our industry.

Industry Leader with Global Scale

We are the leading global provider of transaction processing and intelligence solutions across the mobile ecosystem. We are a primary connection point and a trusted neutral intermediary to approximately 1,500 MNOs, OTTs and enterprises, creating significant value for our customers and, ultimately, their end-users. We believe our geographic footprint, scope of operations, and established relationships with blue-chip customers make our business model and global scale difficult, time-intensive and costly to replicate. Our technology platforms are highly scalable, processing nearly two trillion billable transactions annually, and can easily support new services, new customers and transaction volume growth without incurring significant additional costs.

Operational Excellence Supported by Proprietary and Secure Technology Platforms

We have a proven track record of operational excellence. Our network operates with over 99.999% availability and all of our platforms have high reliability as a result of our investment in our technology infrastructure and platforms, system redundancy and automated recovery, security and the expertise of our highly skilled workforce. Our mission-critical services directly impact our customers' operational and financial performance and, as a result, we believe that the operational reliability of our technology platform is a critical competitive differentiator. Our proprietary and secure technology platforms, located across 17 countries on 4 continents, are situated in 14 data centers and 29 network access points, supporting our global IP backbone. Our state-of-the-art network and application monitoring centers ensure global connectivity and respond to service degradation notifications and other alarms, enhancing and maintaining our customers' ability to provide a seamless and ubiquitous end-user experience.

Broad and Differentiated Portfolio of Services

Our comprehensive suite of services is unmatched by any single competitor in the market. We provide approximately 60 mission-critical services that enable seamless mobile usage across disparate networks and technologies, enable enterprises to access their customers and employees, manage business-to-business transaction processing between and among our customers and their partners, and provide data analytics and intelligence. Our cloud-based solutions allow our customers to bring new services to market quickly with a low cost of service. Our comprehensive portfolio allows us to function as a one-stop shop for our customers and to offer customized solution suites that are unique in the marketplace.

Real-Time Data Analytics & Intelligence Capabilities

Our unique position at the center of the mobile ecosystem provides us with access to a unique portfolio of real-time data derived from the processing of end-user transaction information. With insight derived from end-users' information, behavior

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and locations, which we refer to as mobile context, MNOs can optimize the subscriber experience and OTTs and enterprises can enhance their end-user relationships with the deployment of new and personalized engagement capabilities. MNOs use our business intelligence tools to proactively resolve performance issues and utilize real-time subscriber information to provide customized service to their end-users. We are further developing these intelligence solutions to provide enterprises, including OTT customers, to utilize contextual data to achieve personalized and interactive engagement with customers and employees in the mobile environment. We believe that our unique position at the center of the mobile ecosystem as well as the substantial amount of real-time data we process on behalf of our customers positions us well to develop innovative business intelligence solutions, including identity, location and security services, to address the needs of our customers as they seek to provide seamless and personalized experiences for their end-users.

Uniquely Positioned to Drive Innovation in the Mobile Ecosystem

We believe that our expertise and experience in the mobile ecosystem, long-standing customer relationships and integrated position with MNOs uniquely positions us to provide innovative and relevant new services to a variety of customers in response to changing technologies, the needs of new and non-traditional market entrants as well as the ever-changing preferences of end-users. We have a history of investing in and developing new services that anticipate and respond to our customers’ needs as new technologies, standards, entrants and business models are introduced into the mobile ecosystem. Over the last six years, we have invested over $200 million in the development of new services and new features for our portfolio of existing services. We often develop services in collaboration with our customers, enabling us to mitigate the financial risk associated with our R&D investments. We believe our culture of innovation positions us well to capitalize on future growth opportunities. To support this effort, we have a talented workforce, including over 500 product developers and engineers who participate in, and often lead, industry groups responsible for developing new mobile technology standards. We are an active participant in the international wireless community as a member of GSMA and have been consistently recognized as an innovation leader, having received numerous awards, including Global Telecoms Business Innovation Awards, GSMA Global Mobile Awards and Total Telecom World Vendor Awards, among many others.

Longstanding Customer Relationships and Diverse Customer Base

We have provided services to our top 10 customers for an average of 18 years. The mission-critical nature and superior quality of our services have allowed us to maintain a customer contract renewal rate of 95% or higher over the past nine years. We have a diverse set of approximately 1,500 customers in nearly 200 countries. These customers include MNOs, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the United States and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide and 2 multinational hotel brands.

Experienced Management Team

Our executive management team has extensive customer and industry expertise, significant experience with emerging technologies and a proven track record of driving growth with an average of over 20 years of industry experience, and we continuously seek to augment our experienced leadership team with exceptional management talent. The team has fostered a strong culture focused on delivering superior value to our customers and shareholders, as demonstrated by our diverse customer base and expanded geographical diversity since 2009. We employ a disciplined acquisition strategy, having successfully executed over $1 billion of acquisitions since 2007, including our acquisitions of MACH in June 2013, which significantly expanded our presence in Europe, Asia and Africa, while also providing numerous cost saving and cross-selling opportunities, and Aicent in August 2014, which expanded our Asian footprint, and positioned us as a leader in the enablement of IPX and LTE roaming interconnectivity. Our successful integration of these businesses has enhanced our market position, expanded our capabilities and geographic reach, and resulted in substantial cost savings.

Business Strategy

We intend to execute the following strategies:

Grow and Globalize Our Business

We intend to leverage our existing technology and infrastructure, our portfolio of services and our market leading position and reputation to capitalize on robust mobile growth in the markets we serve, particularly in emerging markets, including China, India and countries in Latin America and Africa. In support of our growth initiatives, we intend to:

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- Build upon our extensive access to transaction data, mobile ecosystem expertise and deep trusted relationships with our existing customers to increase the number of services sold to them.
- Deepen our existing relationships with our international customers by cross-selling a more diverse set of services to our existing customers outside of North America.
- Build relationships with new customers by capitalizing on our globally recognized reputation for customer service, reliability and innovation.
- Further develop our international operations, including our regionalized sales force, network infrastructure and operational support capabilities.
- Partner with our enterprise customers as they expand their businesses into developing and emerging markets and seek to realize value from customer data generated across the global mobile ecosystem.

Continue to Develop Innovative Services

We will continue to invest substantial resources in the development of new services to address trends affecting the mobile ecosystem. For example, we have developed a cloud based mobile protection and revenue assurance offering that allows our customers to implement domestic and roaming fraud prevention services quickly and cost effectively. Similarly, we have developed a simplified interface for enterprise application developers that allows enterprises to easily integrate their services with our mobile communications infrastructure, such as our messaging platform, to accelerate the deployment of their services to mobile end users. We believe we will continue to successfully develop new, innovative services individually and through partnerships and joint initiatives with our customers. We will continue to focus on meeting our MNO and enterprise customers' growing needs for diverse intelligence and analytic solutions, leveraging our unique position at the center of the mobile ecosystem and the substantial amount of data we have access to and process on behalf of our customers. We have grown the average number of customers per service for our top 10 services from 106 in 2011 to over 200 in 2016.

Continue to Support New Entrants to the Mobile Ecosystem

We intend to capitalize on our deep industry and technical knowledge, leading market position and role as a centralized gateway to be the provider of choice for new and non-traditional entrants. The mobile market is undergoing significant business model innovation and evolution, as shown by the continued emergence of non-traditional service providers such as multi-service operators, MVNO and M2M service providers requiring integration into the mobile ecosystem. In addition, OTTs and enterprises view mobile as central to their strategies, and demand the ability to communicate and interact with their customers and employees on their mobile devices anywhere in the world. We will continue to provide and develop services that meet the unique needs of these new entrants.

Continue to Pursue Strategic Acquisitions and Partnerships

We intend to continue to follow a disciplined strategy of pursuing strategic acquisitions focused on companies with compatible business models that we believe will be accretive. We have historically used and expect to continue to use acquisitions to expand our service offerings for existing customers and gain access to new geographic markets. We have a strong track record as a disciplined acquirer that quickly and efficiently integrates acquired businesses. In June 2013, we acquired MACH, which significantly expanded our presence in Europe, Asia and Africa while also providing numerous cost saving and cross-selling opportunities. In August 2014, we acquired Aicent, which expanded our Asian footprint, and positioned us as a leader in the enablement of IPX and LTE roaming interconnectivity. In the second quarter of 2016, we acquired a noncontrolling interest in Vibes Media LLC, a scaled cloud-based mobile marketing software platform. We believe that these strategic partnerships will enable us to further enhance our end-to-end enterprise solutions.

Continue to Focus on Operational Excellence and Efficiency

We intend to maintain our high quality of service and reputation for reliability while continuing to focus on opportunities to optimize our operating efficiency and lower our cost structure through automation and cost management initiatives. Recent operational efficiency initiatives have included automation efforts designed to ensure higher customer satisfaction, improved resource management and refined product development processes. In March and December 2016, we implemented restructuring plans to realign costs and expenses with revenue trends across our portfolio, reducing costs associated with certain of our legacy products and services to allow for increased investment in our growth businesses. Our continued focus on operational excellence should continue to drive efficiency, effectiveness and quality of service for our customers' end-users.

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Employees

As of December 31, 2016, we had 2,347 full-time equivalent employees, with approximately 64% located outside the United States. Certain of our employees in various countries outside the United States are subject to laws providing representation rights to employees under collective bargaining agreements and/or on workers' councils. We believe that employee relations are positive.

Sales and Marketing

As of December 31, 2016, our sales and marketing organizations included 281 people who identify and address customer needs and concerns, deliver comprehensive services and offer a complete customer support system.

- Sales. Our sales team is geographically diverse and regionally focused. Sales executives, product specialists and client support personnel are organized geographically within regional offices responsible for customers in North America, Caribbean and Latin America, Asia Pacific and Europe, Middle East and Africa.
- Marketing. Our marketing organization is comprised of marketing and communications employees. This organization is responsible for consistent communications and global brand management as well as market planning and analysis and industry relations. This includes product marketing and competitive analysis, media relations, event planning, web marketing and marketing communications.
- Product Management. Working with the sales organization, product managers are responsible for managing the product's positioning throughout its life cycle as well as managing costs and pricing. These responsibilities include developing strategic product and market plans, specifying product requirements, planning development resources and managing product launches.

Technology and Operations

Technology

As of December 31, 2016, our technology group was comprised of 546 professionals. This group performs all functions associated with the design, development, testing, implementation and operational support of our services. The primary functions of the technology group include Product Development and Life Cycle, Operational Support Services, Technology Services and Innovation.

- Product Development and Life Cycle. Delivers new product development, enhancements and maintenance releases and develops integrated solutions that address customer needs.
- Operational Support Services. Provides 24 hours per day, seven days per week, 365 days per year operational product support to ensure a high level of service and system availability.
- Technology Services. Maintains the high quality of customer service through centralized testing, system/data base administration, configuration management, security and network engineering and operations.
- Innovation. Researches new technologies to identify innovative solutions, develops proof of concepts and launches new services all in support of the evolving needs of our customers.

Operations

As of December 31, 2016, we had 1,037 employees dedicated to managing internal operations and customer support functions. Key functions include:

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Customer Service, Documentation and Training. Provides “front-line” support for our global customers. Our Documentation and Training group publishes the technical documentation accompanying portfolio of services in multiple languages and also travels nationally and globally to provide strategic customer training.

- Operator Business Process Outsourcing. Provides flexible services designed with features for planning, reporting, monitoring and analyzing customer roaming agreements.
- Internal Operations Support. Manages internal hardware and software technology programs as well as the Local Area Network, internet, email and departmental servers for our employees. Other internal operations functions include information security, facilities management and disaster recovery.

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As of December 31, 2016, we had 173 employees dedicated to network provisioning, monitoring and support.

- Network Operations Center. We maintain a state-of-the-art Network Operations Center that actively monitors applications, network and connections to customers. The Network Operations Center provides support both domestically and globally 24 hours per day, seven days per week, 365 days per year. The Network Operations Center proactively identifies potential issues with our applications, operating system, network, switch connectivity and call processing. These issues are managed through resolution with customers in conjunction with Inter-Exchange Operators, Local Exchange Operators, field engineering, our internal product support and development teams and vendors.
- Network Services. Designs, develops and supports our signaling and IP networks. Employees within Network Services work closely with other functional departments and vendors to ensure that we are engineering and maintaining cost effective and reliable network services that meet customers' needs.

Competition

There is no single company that competes across all of the services we offer. We believe that the breadth of our services, global scale, and customer relationships will enable us to continue our market leadership. We face competition from several companies that provide similar offerings to some of our services in certain geographic markets. For Mobile Transaction Services, our competitors include regional providers of specific services, wholesale service divisions of incumbent network providers and, in limited cases, MNOs that create in-house solutions. For Enterprise & Intelligence Solutions, our competitors include enterprise database and application companies, specialized application integration consultants and, in some cases, MNOs.

While we maintain a leading position in most of the markets in which we operate, our future success will depend on our ability to enhance and expand our suite of services, provide reliable connectivity and services, strengthen and expand our geographic footprint and drive innovation that anticipates and responds to emerging customer needs and the growth and evolution of the mobile ecosystem.

Customers

We have a diverse set of customers consisting of approximately 1,500 customers in nearly 200 countries. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the United States and one of the largest social networking sites in China; and blue-chip enterprise customers including the top 3 credit card networks worldwide and 2 multinational hotel brands. Our customer base has remained stable over time, as we have been providing services to our top 10 customers for an average of 18 years. We believe these longstanding relationships, and the mission-critical nature and superior quality of our services, have allowed us to maintain a customer contract renewal rate of 95% or higher over the past nine years.

Our two largest customers, Verizon Wireless and AT&T Mobility, generated 17.7% and 10.1%, respectively, of total revenues for the year ended December 31, 2016. No other customer generated more than 10% of total revenues for the year ended December 31, 2016.

Litigation

There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of the Company's restricted subsidiaries, or against any of their properties or revenues that either individually or in the aggregate, could reasonably be expected to have a material adverse effect on our business, results of operation and financial condition.

Government Regulations

The majority of our services are not heavily regulated. In the United States we do not offer services that are deemed to be common carrier telecommunications services. However, certain services we offer in the United States are subject to limited regulation by the United States FCC. In particular, end-user revenues from selected services are used to determine our contribution to the FCC's Universal Service Fund. In addition, certain services we offer outside of the United States are also subject to regulation. Some of our financial clearing services require that we maintain a license as a money service business in the United Kingdom and follow certain "know your customer" and anti-money laundering regulations in the provision of these services. Finally, our number portability businesses in India and Singapore are provided under government issued licenses with specific

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terms and conditions. For example, in India our number portability license sets the price we can charge for our services. If we violate the terms of our licenses in India or Singapore we are subject to fine and could lose our ability to continue to offer these services.

Intellectual Property

We currently maintain approximately 225 registrations and 45 pending applications covering our service and trade marks in the United States and foreign countries; approximately 78 issued patents and 22 pending patent applications in the United States and foreign countries, 11 of which are jointly owned with Verizon Communications; and 60 U.S. Copyright Registrations. We also rely on trade secret and copyright laws as well as contractual arrangements to protect our trade secrets and copyrightable works.

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition or results of operations. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report on Form 10-K, including our audited consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. If these events were to occur, we may not be able to pay all or part of the interest or principal on our indebtedness, including the Senior Notes. Information contained in this section may be considered “forward-looking statements.” See “Special Note Regarding Forward-Looking Statements” for a discussion of certain qualifications regarding such statements.

Risks Related to Our Business

System failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to customer liability.

Our success depends on our ability to provide reliable services to our customers. Our operations could be interrupted or degraded by any damage to or failure of:

- our computer software or hardware, or our customers’ or suppliers’ computer software or hardware;
- our network, our customers’ networks or our suppliers’ networks; and
- our connections and outsourced service arrangements with third parties.

Our systems and operations are also vulnerable to damage or interruption from:

- power loss, transmission cable cuts and other telecommunications and utility failures;
- hurricanes, fires, earthquakes, floods and other natural disasters;
- a terrorist attack in the U.S. or in another country in which we operate;
- interruption of service arising from facility migrations, resulting from changes in business operations including acquisitions and planned data center migrations;
- computer viruses or software defects;
- loss or misuse of proprietary information or customer data that compromises security, confidentiality or integrity; and
- errors by our employees or third-party service providers.

From time to time in the ordinary course of our business, our network nodes and other systems experience temporary outages. As a means of ensuring continuity in the services we provide to customers, we have invested in system redundancies, proactive alarm monitoring and other back-up infrastructure, though we cannot assure you that we will be able to re-route our services over our back-up facilities and provide continuous service to customers in all circumstances without material degradation. Because many of our services play a mission-critical role for our customers, any damage to or failure of the infrastructure we rely on, including that of our customers and vendors, could disrupt or degrade the operation of our network and the provision of our services, result in the loss of current and potential customers and expose us to potential liability under our customer contracts.

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We do not control the networks over which many of our services are transmitted, and a failure in the operations of such networks could adversely affect our business.
Our platform is dependent on the reliability of the sophisticated and complex networks of others in the mobile ecosystem, as well as our ability to deliver services across such networks at prices that enable us to realize a profit. These networks could fail for a variety of reasons, including new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using the network, a general failure from natural disaster or a political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programs or engage in denial of service attacks or other similar activities could also attack mobile networks and the devices that run on those networks. If a network upon which we rely should fail for any reason, we would not be able to effectively provide our services to our customers using that network. This in turn could hurt our reputation and cause us to lose significant revenue.
Our reliance on third-party providers for communications software, hardware and infrastructure exposes us to a variety of risks we cannot control.
Our success depends on software, equipment, network connectivity and infrastructure hosting services supplied by our vendors and customers. We cannot assure you that we will be able to continue to purchase the necessary software, equipment and services from these vendors on acceptable terms or at all. If we are unable to maintain current purchasing terms or ensure service availability with these vendors and customers, we may lose customers during any disruption or degradation in services and experience an increase in costs in seeking alternative supplier services, migration of equipment or services or incur additional capital expenditure costs.
Our business also depends upon the capacity, reliability and security of the infrastructure owned and managed by third parties, including our vendors and customers, that is used to deliver our services. We have no control over the operation, quality or maintenance of a significant portion of that infrastructure and whether those third parties will upgrade or improve their software, equipment and services to meet our and our customers' evolving requirements. We depend on these companies to maintain the operational integrity of our services. If one or more of these companies is unable or unwilling to supply or expand its levels of service to us in the future, our operations could be severely impacted. In addition, rapid changes in the telecommunications industry have led to industry consolidation. This consolidation may cause the availability, pricing and quality of the services we use to vary and could lengthen the amount of time it takes to deliver the services that we use, in particular for those services for which we need access to mobile operators' networks in order to deliver.
Interruptions in the proper functioning of our information technology, or "IT" systems, including from cybersecurity threats, could damage our reputation, harm our operating results and result in significant liabilities.
Our IT systems are subject to security risks and we may incur increasing costs in an effort to minimize those risks. Our services require that we electronically receive, process, store and transmit customer information, which includes certain sensitive consumer and end-user data. As a result, the proper functioning of our IT systems is critical to the successful operation of our business. We believe the risk that a security breach could seriously harm our business is likely to increase as we expand our technology and network footprint. Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data (either directly or through our vendors and customers) and other electronic security breaches. Despite our security measures, our IT systems and infrastructure or those of our third parties may be vulnerable to such cyber incidents. The result of these incidents could include, but are not limited to, disrupted operations, misstated or misappropriated financial data, theft of our intellectual property or other confidential information (including of our customers, vendors and employees), liability for stolen assets or information, increased cyber security protection costs and reputational damage adversely affecting customer or investor confidence. In addition, if any information about our customers, including payment information, were the subject of a successful cybersecurity attack against us, we could be subject to litigation or other claims by the affected customers. We have incurred costs and may incur significant additional costs in order to implement the security measures we feel are appropriate to protect our IT systems. If our services are perceived as not being secure, our

strategy to be a leading provider of technology solutions to the wireless ecosystem may be adversely impacted.

Our information systems include proprietary systems developed and maintained by us and IT systems of third parties. Although our IT systems are protected through physical and software safeguards and remote processing capabilities exist, our IT systems or those of third parties whom we depend upon are still vulnerable to natural disasters, power losses, unauthorized

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access, telecommunication failures and other problems. If critical proprietary or third-party IT systems fail or are otherwise unavailable, including as a result of system upgrades and transitions, our ability to operate our business would be adversely affected.

The costs and difficulties of acquiring and integrating complementary businesses and technologies could impede our future growth, diminish our competitiveness and harm our operations.

As part of our growth strategy, from time to time, we consider selective acquisitions of complementary businesses. Future acquisitions could result in the incurrence of debt and contingent liabilities, which could harm our business, financial condition and results of operations. Risks we currently and will continue to face with respect to acquisitions include:

- greater than expected costs, management time and effort involved in identifying, completing and integrating acquisitions;
- potential disruption of our ongoing business and difficulty in maintaining our standards, controls, information systems and procedures;
- diversion of management's attention from other business concerns;
- entering into markets and acquiring technologies in areas in which we have little experience;
- acquiring intellectual property which may be subject to various challenges from others;
- the inability to successfully integrate the services and personnel of any acquisition into our operations;
- the inability to achieve expected synergies, business growth opportunities, cost savings and other benefits we anticipate;
- a need to incur debt, which may reduce our cash available for operations and other uses;
- incurrence of liabilities and claims arising out of acquired businesses; and
- unforeseen integration difficulties that may cause service disruptions.

If we do not adapt to rapid technological or other changes in the industries we serve, we could lose customers or market share.

Our industry is characterized by rapid technological change and changing customer demands, such as the evolution of LTE networks, the replacement of CDMA networks and the evolution of the OTT ecosystem that may bypass or compete with MNO networks for certain services, such as messaging. Our success depends on our ability to adapt to our rapidly changing market by continually improving the features, functionality, reliability and responsiveness of our existing services and by successfully developing, introducing and marketing new features, services and applications to meet changing customer needs. Significant technological changes or changes in the needs of our customers have in the past, and are likely to continue to in the future, make certain of our services obsolete, such as our CDMA services. In addition, technological and other changes may result in a shift in end-user preferences or a decline in reliance on the mobile ecosystem, including, but not limited to, further advances in web-based personal communication. We cannot assure you that we will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. Our failure to do so would impair our ability to compete, retain customers or maintain our financial performance. Our future revenues and profits will depend, in part, on our ability to sell to new market participants.

Our new services, such as our data analytics, business intelligence, mobile engagement, anti-fraud, policy and charging, IPX and A2P messaging solutions, may not be widely adopted by our current or targeted customers.

In order to continue to meet the rapidly evolving needs of our customers and their end-users, we must continue to develop new services that are responsive to those needs. In particular, we have recently begun to expand our offerings of data analytics, business intelligence, mobile engagement, anti-fraud, policy and charging, IPX and A2P messaging solutions to our customers. Our ability to realize the benefits of these and other new services depends, in part, on the adoption and utilization of such services and solutions by our customers, and we cannot be certain that existing or targeted customers will adopt such offerings in the near term or at all. If we are not successful in our efforts to develop and monetize new services, including data analytics and business intelligence solutions, our prospects, financial condition and results of operation would be materially adversely affected.

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We depend on a small number of customers for a significant portion of our revenues and the loss of any of our major customers would negatively impact our financial performance.
Our 10 largest customers for the years ended December 31, 2016 and 2015 represented approximately 51% and 52% of our reported revenues in the aggregate, respectively. We expect to continue to depend upon a small number of customers for a significant percentage of our revenues going forward. Since our major customers represent such a large part of our business, the loss of any of our major customers or any services provided to these customers would negatively impact our business. Any non-renewal of contracts with these customers could materially reduce our revenues.
Our failure to achieve or sustain desired pricing levels or to offset price reductions with increased transaction volumes, could impact our ability to maintain profitability or positive cash flow.
Competition and industry consolidation have resulted in pricing pressure in certain circumstances. In addition, regulatory or other market forces have lowered the retail prices our customers can charge for roaming services which has increased pricing pressure for our services that support roaming. We expect this pricing pressure to continue in the future. This pricing pressure could negatively impact the selling price of our services at the time of contract renewal or cause our customers to otherwise request pricing reductions or other concessions. For example, consolidation in the wireless services industry in the U.S. over the past several years has given some of our customers increased leverage in pricing negotiations. Our competitors or our customers' in-house solutions may also provide services at a lower cost, significantly increasing pricing pressures on us. While lower retail prices may lead to increased volumes as end users are more willing to use international roaming services, we may not be able to offset the effects of price reductions with volume increases or the introduction of new services.
Future consolidation among, or network buildouts by, our customers may cause us to lose transaction volume and reduce our prices, which would negatively impact our financial performance.
In the past, consolidation among our customers has at times caused us to lose transaction volume and to reduce prices. In the future, our transaction volume and pricing may decline for similar reasons. Such consolidation activities may take the form of business combinations, strategic partnerships, or other business arrangements between the operators. In addition, our customers have in the past, and may in the future, buildout their networks which could result in decreased transaction volumes as their home network expands.
We may not be able to expand our customer base to make up for any revenue declines if we lose customers or if our transaction volumes decline as a result of consolidation activities. Our attempts to diversify our customer base and reduce our reliance on particular customers may not be successful.
Most of our customer contracts do not provide for minimum payments at or near our historical levels of revenues from these customers.
Although some of our customer contracts require our customers to make minimum payments to us, these minimum payments are substantially less than the revenues that we have historically earned from these customers. While our contracts generally run for three years, the amount of revenue produced by the contract is not guaranteed. If our customers decide for any reason not to continue to purchase services from us at current levels or at current prices, or not to renew their contracts with us, our revenues would decline.
The market for our services is intensely competitive, including from our customers as they look to develop in-house alternatives to our services.
We compete in markets that are intensely competitive and rapidly changing. Increased competition could result in fewer customer orders, reduced pricing, reduced gross and operating margins and loss of market share, any of which could harm our business and results of operations. We face competition from large, well-funded providers of similar services, including existing communications, billing and technology companies. We are aware of major internet service providers, software developers and smaller entrepreneurial companies that are focusing significant resources on developing and marketing services that will compete with one or more of the services we offer. In addition, we believe that certain of our customers may choose to internally develop and deploy certain functionality currently provided by our services. In recent years, we have experienced a loss of revenue streams from certain of our services as some of our customers have decided to meet their needs for these services in-house or by directly connecting with others in the mobile ecosystem.

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We expect that competition for our services will remain intense in the near term and that our primary long-term competitors may not yet have entered the market. Certain of our current and potential competitors, including our customers, have significant financial, technical, marketing and other resources. Our competitors may be able to respond more quickly to new or emerging technologies and changes in end-user requirements than we can.

Our continued expansion into international markets is subject to uncertainties that could adversely affect our operating results.

Our growth strategy contemplates continued expansion of our operations into foreign jurisdictions. These international operations and business expansion plans are subject to numerous risks, including:

- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- fluctuations in currency exchange rates;
- foreign customers may have longer payment cycles than customers in the U.S., including in order to comply with local currency laws;
- U.S. and foreign import, export and related regulatory controls on trade;
- tax rates in some foreign countries may exceed those of the U.S. and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls, taxes upon repatriation or other restrictions;
- reputational harm or other adverse consequences due to our operations in jurisdictions subject to the OFAC laws and regulations. See “We currently conduct limited business operations and expect to continue such operations in countries targeted by U.S. and E.U. economic sanctions;”
- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- unexpected changes in regulatory requirements;
- the difficulties associated with managing a large organization spread throughout various countries, including recruiting and hiring adequate and competent personnel and maintaining our standards, controls, information systems and procedures;
- the risk that foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including for example a delay we experienced in receiving regulatory confirmation for the commencement of number portability services in India; and
- the potential difficulty in enforcing intellectual property rights in certain foreign countries.

For the year ended December 31, 2016, 43.0% of our total revenue was generated outside of the U.S. as compared to 42.2% for the year ended December 31, 2015. As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could result in higher costs or reduced revenues for our international operations.

Political instability in certain countries in which we operate could have an adverse impact on our business and operations.

We operate in nearly 200 countries across the globe, including in countries and regions subject to political unrest and instability. Internal unrest, acts of violence or strained relations between a foreign government and the U.S. or our company may adversely affect our operations. Such instability must be carefully considered by management when evaluating the level of current and future activity in such countries. These risks are beyond our control and could have a material adverse effect on our business.

Our international operations require us to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions.

Doing business on a worldwide basis requires us and our subsidiaries to comply with the laws and regulations of the U.S. government and various international jurisdictions, and our failure to successfully comply with these rules and regulations may expose us to liabilities. These laws and regulations apply to companies, individual directors, officers, employees and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the FCPA and the UK Bribery Act (the “UK Act”). The FCPA prohibits us from providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the company. As part of our

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business, we deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. The UK Act prohibits us from making payments to private citizens as well as government officials. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. As a result of the above activities, we are exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. We have established policies and procedures designed to assist us and our personnel to comply with applicable U.S. and international laws and regulations. However, there can be no assurance that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, and such a violation could adversely affect our reputation, business, financial condition and results of operations.

We currently conduct limited business operations and expect to continue such operations in countries targeted by United States and European Union economic sanctions.

OFAC enforces certain laws and regulations (“OFAC Sanctions”) that impose restrictions upon U.S. nationals, U.S. permanent residents, persons located in the U.S., or entities organized under the laws of a U.S. jurisdiction (collectively, “U.S. Persons”), upon business conducted in whole or in part in the U.S., and, in some instances, upon foreign entities owned or controlled by U.S. Persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of OFAC Sanctions (“U.S. Sanctions Targets”). U.S. Persons are also prohibited from facilitating such activities or transactions conducted by others. Similarly, the E.U. and its member nations enforce certain laws and regulations (“E.U. Sanctions”) that impose restrictions upon nationals of E.U. member states, persons located within E.U. member states, entities incorporated or constituted under the law of an E.U. member state, or business conducted in whole or in part in E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of E.U. Sanctions (“E.U. Sanctions Targets” and together with U.S. Sanctions Targets, “Sanctions Targets”). E.U. persons are also generally prohibited from activities that promote such activities or transactions conducted by others. Additionally, U.S. law authorizes the imposition of various disabilities (“U.S. Secondary Sanctions”) on non-U.S. companies that engage in certain specified types of business involving Iran or Cuba. We engage in limited business activities in countries that are Sanctions Targets, including Iran, Syria, Sudan and Cuba. U.S. sanctions against Sudan have been suspended until July 12, 2017, after which the sanctions will be permanently revoked if the U.S. government determines that Sudan has met certain preconditions. Our activities and investments in Iran, Syria, Sudan and Cuba in the aggregate accounted for approximately 0.2% of our consolidated revenues during the year ended December 31, 2016. We expect to continue to engage in these limited business activities in countries that are deemed Sanctions Targets over the foreseeable future. Although we believe that OFAC and E.U. Sanctions under their current terms do not prohibit our current activities, and that our current activities will not cause us to be subject to potential U.S. Secondary Sanctions under current U.S. law, our reputation may be adversely affected and investors may divest their investments in us as a result of internal investment policies or may decide for reputational reasons to divest such investments. In addition, the sanctions laws and regulations could be changed in ways that would require us to discontinue or limit our current activities involving Iran, Syria, Sudan or Cuba, or involving other countries, individuals or entities that are not currently designated as Sanctions Targets. We cannot assure you that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our securities.

We conduct business in international markets with complex and evolving tax rules, which subjects us to international tax compliance risks.

Some tax jurisdictions in which we operate have complex and subjective rules regarding the valuation of inter-company services, cross-border payments between affiliated companies and the related effects on the taxes to which we are subject, including income tax, value-added tax and transfer tax. From time to time, our foreign subsidiaries are subject to tax audits and may be required to pay additional taxes, interest or penalties should the taxing authority assert different interpretations, or different allocations or valuations of our services. There is a risk, if one or more taxing authorities significantly disagrees with our interpretations, allocations or valuations, that any additional taxes, interest or penalties which may result could be material and could reduce our income and cash flow from our international subsidiaries.

We may not be able to receive or retain licenses or authorizations that may be required for us to sell our services internationally.

The sales and marketing of our services internationally are subject to the U.S. Export Control regime and similar regulations in other countries. In the U.S., items of a commercial nature are generally subject to regulatory control by the U.S. Department of Commerce’s Bureau of Industry and Security and to Export Administration Regulations, and other

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international trade regulations may apply as well. In the future, regulatory authorities may require us to obtain export licenses or other authorizations to export our services abroad, depending upon the nature of items being exported, as well as the country to which the export is to be made. We cannot assure you that any of our applications for export licenses or other authorizations will be granted or approved. Furthermore, the export license/export authorization process is often time-consuming. Violation of export control regulations could subject us to fines and other penalties, such as losing the ability to export for a period of years, which would limit our revenue growth opportunities and significantly hinder our attempts to expand our business internationally.

Unfavorable general economic conditions in the United States or in other major global markets could negatively impact our financial performance.

Unfavorable general economic conditions may exist globally, or in one or more regions, due to a number of factors, including, but not limited to, the decreased availability of credit resulting from slower economic activity, concerns about inflation and deflation, volatility in energy costs, decreased consumer confidence, reduced corporate profits and capital spending. Currency fluctuations and adverse business conditions in some emerging markets have impacted profitability and credit availability for certain of our customers. In addition, geopolitical factors in the Middle East, Africa and Venezuela have created economic and political uncertainties that continue to impact worldwide markets. These conditions make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and they could cause further slow spending on our services. Furthermore, during challenging economic times such as recession or economic slowdown, our customers or vendors may face issues gaining timely access to sufficient credit, which could impair their ability to make timely payments or provide services to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our cash collections would be negatively impacted. Any future economic downturn may reduce our revenues or our percentage of revenue growth on a quarter-to-quarter basis. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, worldwide, or in the telecommunications industry. If the economy or the markets in which we operate do not improve from their current condition or if they deteriorate, our customers or potential customers could reduce or further delay their use of our services, which would adversely impact our revenues and ultimately our profitability. In addition, we may record additional charges related to the restructuring of our business and the impairment of our goodwill and other long-lived assets, and our business, financial condition and results of operations will likely be materially and adversely affected.

Demand for our services is driven primarily by wireless voice and data traffic. Changes in end-user usage patterns could be affected in any recession or economic downturn in the U.S. or any other country where we do business and could negatively impact the number of transactions processed and adversely affect our revenues and earnings.

Because some of our services are used to collect and store personal information of our customers' employees or customers, privacy concerns could result in additional costs and liability to us or inhibit sales of our services.

Personal privacy has become a significant issue in the U.S., European nations and in other countries where we offer our services. The regulatory framework for privacy issues worldwide is currently complex and evolving, and we believe it is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information. In the U.S., these include rules and regulations promulgated under the authority of the Federal Trade Commission and state breach notification laws. Internationally, many of the jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply, including the Data Protection Directive established in the E.U., and the Federal Data Protection Act recently passed in Germany.

Our services require that we electronically receive, process, store and transmit customer information, which includes certain sensitive consumer and end-user data. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business.

Our failure to generate the capital necessary to expand our operations and invest in new services could reduce our ability to compete and could harm our business.

We may need to raise additional funds in the future from debt or equity financing. We cannot assure you that additional financing will be available on terms favorable to us or at all. The terms of available financing may place limits on our financial and operating flexibility. In addition, the agreements governing our indebtedness contain financial and other restrictive covenants that limit our ability to incur indebtedness or obtain financing. See Note 8 to our consolidated financial statements for additional

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information regarding our debt and credit facilities. If adequate funds are not available on acceptable terms, or at all, we may be forced to reduce our operations or abandon expansion opportunities. Moreover, even if we are able to continue our operations, our failure to obtain additional financing could reduce our competitiveness as our competitors may provide better-maintained networks or offer an expanded range of services.

If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to:

- adequately fund our operations;
- enhance and expand the range of services we offer;
- maintain and expand our network;
- respond to competitive pressures and potential strategic opportunities, such as investments, acquisitions and international expansion;
- acquire or invest in complementary businesses, services or technologies;
- hire, train and retain key employees; or
- respond to unanticipated capital requirements.

Our failure to do any of these things could adversely affect our business, financial condition and operating results.

Regulations affecting our customers and us and future regulations to which they or we may become subject may harm our business.

Although our services have not been heavily regulated in the past, we are authorized by the FCC to offer certain of our services on an interstate and international basis. We operate our number portability operations in Singapore and India pursuant to licenses granted by these governments, and we are registered as a money service business in the United Kingdom in connection with our financial clearing business. Each of these authorizations subjects us to certain regulatory obligations.

In addition, the majority of our customers are MNOs and are subject to significant government regulation by various regulatory bodies, such as the FCC and European Commission. The abolition of retail roaming charges beginning June 15, 2017 in the E.U. as a result of actions taken by the European Commission will cap the price that carriers could charge one another for roaming minutes, which would lower the roaming revenues of our customers and could put downward pricing pressure on our data clearing services. Any change in current or future laws or regulations that negatively impact our customers could harm our business and results of operations. Several services that we offer also may be indirectly affected by regulations imposed upon the customers and end-users of those services. These regulations may increase our costs of operations and affect whether and in what form we are able to provide a given service at all.

We cannot predict when, or upon what terms and conditions, further regulation, or deregulation, might occur or the effects, adverse or otherwise, that such regulation may have on our business.

We depend on key personnel to manage our business effectively and may not be successful in attracting and retaining such personnel.

We depend on the performance of our executive management team and other key employees that have acquired specialized knowledge and skills with respect to our business and operations. Following changes at our executive management level recently, our future success depends on our newly hired executives to deliver on performance goals. Our success also depends on our ability to attract, integrate, train, retain and motivate other key employees and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad. Competition for key technical personnel in high-technology industries such as ours is intense and the costs associated with attracting and retaining key technical personnel are significant. The loss of the services of any of our executive management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

Failure to protect our intellectual property rights adequately may have a material adverse effect on our results of operations or our ability to compete.

We attempt to protect our intellectual property rights in the U.S. and in foreign countries through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and agreements preventing the unauthorized disclosure and use of our intellectual property. We cannot assure you that these protections will be adequate to prevent competitors from copying or reverse engineering our services, or independently developing and marketing services that are substantially

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equivalent to or superior to our own. Moreover, third parties may be able to successfully challenge, oppose, invalidate, render unenforceable or circumvent our patents, trademarks, copyrights and other intellectual property rights. Furthermore, we cannot provide assurance that any pending patent application filed by us will result in an issued patent or, if patents are issued to us, that those patents will provide meaningful protection against competitors or against competitive technologies. We may fail or be unable to obtain or maintain adequate protections for certain of our intellectual property in the U.S. or certain foreign countries. Further, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the U.S. because of the differences in foreign trademark, patent and other laws concerning proprietary rights. Such failure or inability to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

Monitoring and protecting our intellectual property rights can be challenging and costly. From time to time, we may be required to initiate litigation or other action to enforce our intellectual property rights or to establish their validity and enforceability. Such action could result in substantial cost and diversion of resources and management attention, and we cannot assure you that any such action will be successful.

If third parties claim that we are in violation of their intellectual property rights, it could have a negative impact on our results of operations and ability to compete.

We face the risk of claims that we have infringed or misappropriated the intellectual property rights of third parties. For example, significant litigation regarding patent rights exists in our industry. Our competitors in both the U.S. and foreign countries, many of which have substantially greater resources than we have and have made substantial investments in competing software and technologies, may have applied for or obtained, or may in the future apply for and obtain, patents or registered copyrights that will prevent, limit or otherwise interfere with our ability to make and sell our services. We have not conducted an independent review of patents or registered copyrights owned by third parties. The large number of patents, the rapid rate of new patent issuances, the complexities of the technology involved and uncertainty of litigation increase the risk of business assets and management’s attention being diverted to patent or other intellectual property litigation.

It is possible that third parties will make claims of infringement against us, or against our licensees or customers, in connection with their use of our technology. Any claims, even those without merit, could:

- be expensive and time-consuming to defend;
- adversely affect our relationships with our current or future customers;
- cause us to cease making, licensing, using or selling equipment or services that incorporate the challenged intellectual property;
- require us to redesign our equipment or services, if feasible;
- divert management’s attention and resources; and
- require us to enter into royalty or licensing agreements in order to obtain the right to use necessary intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement or misappropriation against us or one of our licensees or customers in connection with the use of our services could result in our being required to pay significant damages, enter into costly license or royalty agreements or stop the sale of certain services, any of which could have a negative impact on our business, results of operations and financial condition and harm our future prospects.

If third parties claim that our services infringe on their intellectual property rights, we may be required to indemnify our customers for any damages or costs they incur in connection with such claims.

We generally indemnify our customers with respect to claims that our services infringe upon the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the services they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our services. A successful claim or inability to obtain necessary licenses could have a negative impact on our business, results of operations and financial condition and harm our future prospects.

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Fluctuations in currency exchange rates may adversely affect our results of operations.

A significant part of our business consists of sales made to customers outside the U.S. During the year ended December 31, 2016, approximately 18% of the revenues we received from such sales were denominated in currencies other than the U.S. dollar. Additionally, portions of our operating expenses are incurred by our international operations and denominated in local currencies. We cannot assure you that adverse currency exchange rate fluctuations will not have a material impact in the future. In addition, our balance sheet reflects non U.S. dollar denominated assets and liabilities, including inter-company balances eliminated in consolidation, which can be adversely affected by fluctuations in currency exchange rates. Currently, we do not engage in currency hedging contracts.

Our financial results may be adversely affected if we have to impair our intangible assets or goodwill.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets, including goodwill. Goodwill and identifiable intangible assets, including capitalized software, net of amortization, together accounted for approximately 84.4% of the total assets on our balance sheet as of December 31, 2016. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. Under current accounting standards, we are able to amortize certain intangible assets over the useful life of the asset, while goodwill is not amortized. We currently evaluate, and will continue to evaluate, on a regular basis whether all or a portion of our goodwill or other intangible assets may be impaired. Under current accounting standards, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. Such a write-off could adversely affect our results of operations.

We are a party to a number of lawsuits that arise in the ordinary course of business and may become a party to others in the future.

We are a party to a number of lawsuits that arise in the ordinary course of business and may become a party to others in the future. The possibility of such litigation, and its timing, is in large part outside our control. While none of the current lawsuits in which we are involved are reasonably estimated to be material as of the date of this Annual Report on Form 10-K, it is possible that future litigation could arise, or developments could occur in existing litigation, that could have material adverse effects on us. See "Business-Litigation."

We may be unsuccessful in achieving our organic growth strategies, which could limit our revenue growth.

Our ability to generate organic growth will be affected by, among other factors, our ability to:

- expand the range of services we offer to customers to address their evolving needs;
- attract new customers;
- increase the number of services provided to existing customers; and
- achieve expected revenue from new customer contracts.

Many of the factors affecting our ability to generate organic growth may be beyond our control, and we cannot be certain that our strategies for achieving internal growth will occur or be successful.

If we fail to maintain effective internal controls over financial reporting at a reasonable assurance level, we may not be able to accurately report our financial results and may be required to restate previously published financial information.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our business and operating results could be harmed. The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as well as related rules and regulations implemented by the SEC, have required changes in the corporate governance practices and financial reporting standards for SEC reporting companies. These laws, rules and regulations, including compliance with Section 404 of Sarbanes-Oxley, have and may continue to increase our legal and financial compliance costs. The costs of compliance with these laws, rules and regulations may adversely affect our financial results. Moreover, we run the risk of non-compliance, which could adversely affect our financial condition or results of operations.

Our ability to successfully implement our business plan and comply with Sarbanes-Oxley requires us to be able to prepare timely and accurate financial statements. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal

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control over financial reporting is effective. Moreover, we cannot be certain that these measures would ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we were to conclude that our internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements.

We are controlled by Carlyle, whose interests in our business may be different than yours.

As of February 28, 2017, investment funds affiliated with Carlyle owned 99.0% of the common stock of our indirect parent, Syniverse Corporation, and are able to control our affairs. Carlyle also controls the election of directors, the appointment of management, the entry into mergers, sales of substantially all our assets and other extraordinary transactions. The directors so elected have authority, subject to the terms of our debt, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. If we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Carlyle and certain of its affiliates as equity holders might conflict with the interests of holders of our indebtedness. In addition, Carlyle is in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers. Carlyle may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial health, reduce our profitability, limit our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations with respect to our indebtedness.

We have a significant amount of indebtedness. As of December 31, 2016, the aggregate amount of our indebtedness (excluding capital lease obligations), net of original issue discount and deferred financing costs, was $1,995.4 million (with approximately $150.0 million of unused commitments under our Revolving Credit Facility) on a consolidated basis, of which approximately $1,527.3 million is secured. The aggregate principal amount of our indebtedness as of December 31, 2016 is $2,029.3 million, of which $1,554.3 million is secured.

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

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other purposes. During the year ended December 31, 2016, interest and other payments on our indebtedness totaled $108.9 million, which accounted for approximately 44.5% of net cash provided by operating activities excluding interest payments. Based on our outstanding indebtedness at December 31, 2016, after giving effect to the Exchange Offer, we expect to incur annual interest expense of $107.1 million in 2017 and $106.9 million in 2018, which is approximately 43.7% and 43.6%, respectively, of our fiscal 2016 net cash provided by operating activities excluding interest payments. We currently expect to make a principal payment of approximately $1.9 million in March 2017, as required pursuant to the excess cash flow provision of our Senior Credit Facility (as defined below). We are not required to make any other principal payments on our indebtedness until 2018, however we may do so at our election;
- increase our vulnerability to and limit our flexibility in planning for, or reacting to, a potential downturn in general economic conditions or in one or more of our businesses;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- expose us to the risk of increased interest rates as borrowings under the Senior Credit Facility are subject to variable rates of interest;
- expose us to additional risks related to currency exchange rates and repatriation of funds;
- place us at a competitive disadvantage compared to certain of our competitors who have less debt, including during times of adverse economic and industry conditions;

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- limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes; and
- limit our ability to refinance outstanding indebtedness on commercially reasonable terms or at all.

In addition, the agreements governing our indebtedness contain affirmative and negative 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 substantially all of our indebtedness. See Note 8 to our consolidated financial statements for additional information regarding our debt and credit facilities.

Despite current indebtedness levels, we and our subsidiaries may incur additional indebtedness. This could further exacerbate the risks associated with our substantial financial leverage.

We and our subsidiaries may incur significant additional indebtedness in the future under the agreements governing our indebtedness. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of thresholds, qualifications and exceptions, and the additional indebtedness incurred, and distributions paid, in compliance with these restrictions could be substantial. Additionally, these restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, including obligations under lease arrangements that are currently recorded as operating leases even if operating leases were to be treated as debt under U.S. GAAP.

In addition, if new debt is added to our or our subsidiaries' debt levels, the related risks that we now face as a result of our leverage would intensify.

Restrictive covenants in the agreements governing our indebtedness contain restrictions and limitations that could impact our ability to pursue our business strategies.

On December 22, 2010, Syniverse Holdings, Inc. issued $475.0 million Syniverse Notes. On January 11, 2017, Syniverse Foreign Holdings Corporation ("SFHC"), a wholly-owned subsidiary of Syniverse Holdings, Inc., completed its offer to exchange (the "Exchange Offer") the Company's outstanding 9.125% Senior Notes due 2019 (the "Syniverse Notes") for new senior unsecured notes issued by SFHC bearing interest at 9.125% per annum that will mature on January 15, 2022 (the "SFHC Notes" and, together with the Syniverse Notes, the "Senior Notes"). Pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes, and a like amount of Syniverse Notes were cancelled.

The indentures governing the Senior Notes and the credit agreement governing our senior credit facility (the "Senior Credit Facility") limit our ability, and the terms of any future indebtedness may limit our ability, among other things, to:

- incur or guarantee additional indebtedness;
- issue disqualified and preferred stock;
- make certain investments;
- pay dividends or make distributions on our capital stock, including SFHC's ability to pay dividends or make distributions to Syniverse Holdings, Inc. or its subsidiaries;
- sell assets, including capital stock of restricted subsidiaries;
- agree to payment restrictions affecting our restricted subsidiaries;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates;
- incur liens; and
- designate any of our subsidiaries as unrestricted subsidiaries.

The restrictions contained in the agreements governing our indebtedness could also limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or otherwise restrict our activities or business plans.

Our failure to comply with these covenants and restrictions could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness. Following an event of default, the lenders under

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the Revolving Credit Facility will also have the right to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under the Senior Credit Facility will also have the right to proceed against the collateral that secures those borrowings. If the indebtedness under our Senior Credit Facility, the Syniverse Notes and the SFHC Notes were to be accelerated, it could cause us to become bankrupt or insolvent.

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

Our ability to make cash payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate significant operating cash flow in the future. This, to a significant extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available in an amount sufficient to enable us to pay our indebtedness when due or to fund our other liquidity needs. In such circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness, including the Senior Credit Facility and the Senior Notes, 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. Such actions, if necessary, may not be effected on commercially reasonable terms or at all. Our indebtedness will restrict our ability to sell assets and use the proceeds from such sales.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants and limitations in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable. If we are unable to repay indebtedness, lenders having secured obligations, such as the lenders under the Senior Credit Facility, could proceed against the collateral securing such secured obligations. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

We do not expect to generate the necessary cash flow to repay our long-term indebtedness in its entirety by the maturity date and such repayment in full is dependent upon the ability to refinance our debt.

Our ability to implement our strategic growth objectives is dependent on a combination of generating sufficient cash flow from operations and the availability of external financing. From time to time, we will likely need to access the long-term and short-term capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including, but not limited to: (1) our financial performance, (2) our credit ratings or absence of such ratings, (3) the liquidity of the overall capital markets, including but not limited to potential investors for a prospective financing, (4) the overall state of the economy, and (5) the prospects for our Company and the industry in which we compete.

Any downgrades from credit rating agencies such as Moody’s or Standard & Poor’s may adversely impact our ability to obtain external financing or the terms of such financing. In December 2016, Moody’s lowered our corporate credit rating to Caa1 from B3, our Syniverse Notes debt rating to Caa3 from Caa2 and our secured debt rating to B3 from B2 and Standard & Poor’s lowered our secured debt rating to B from B+.

The majority of our long-term indebtedness matures in 2019. However, in the event that more than $50.0 million of the Syniverse Notes remain outstanding as October 16, 2018, our indebtedness under the Senior Credit Facility will mature on that date. We generally do not expect to generate the necessary cash flow to repay our long-term indebtedness in its entirety by the maturity date and such repayment in full is dependent upon the ability to refinance our Senior Credit Facility on reasonable terms. There can be no assurance that we will have access to the capital markets on terms acceptable to us, or at all.

Our revolving credit facility is scheduled to terminate in April 2017 and is subject to restrictions that could limit its availability as a source of liquidity.

Our Senior Credit Facility includes a $150.0 million revolving credit facility (the “Revolving Credit Facility”), which is scheduled to terminate on April 23, 2017. In order to borrow under the Revolving Credit Facility, our net senior secured leverage ratio may not be greater than 5.00 to 1.00 as of the end of the most recent fiscal quarter, on a pro forma basis after giving effect to that borrowing. As of December 31, 2016, we would not have been able to draw on our unused commitments under the Revolving Credit Facility. Without access to the Revolving Credit Facility, cash on hand and cash flow from our operations will be our primary source of liquidity.

The right of holders of our Senior Notes to receive payments on the Senior Notes is effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets securing that indebtedness. Further, the guarantees of the Senior Notes are effectively subordinated to all our guarantors' existing and future secured indebtedness.

The Senior Notes are not secured by any of our or our subsidiaries' assets. Holders of our secured indebtedness and the secured indebtedness of the guarantors could have claims that are prior to the claims of holders of the Senior Notes to the extent of the value of the assets securing that other indebtedness. Notably, we and certain of our subsidiaries, including the guarantors, are parties to our Senior Credit Facility, which is secured by liens on a substantial portion of our assets and the assets of the guarantors. The Senior Notes are effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have a prior claim to those of our assets that constitute their collateral. Holders of the Senior Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Senior Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Senior Notes. As a result, holders of the Senior Notes may receive less, ratably, than holders of secured indebtedness.

As of December 31, 2016, the aggregate amount of Syniverse's secured indebtedness (excluding capital lease obligations), net of original issue discount and deferred financing costs, was approximately $1,527.3 million, and we had $150.0 million of unused commitments under our Revolving Credit Facility. We are permitted to incur substantial additional indebtedness, including secured debt, in the future under the terms of the indentures governing the Senior Notes.

Claims of noteholders are effectively subordinated to claims of creditors of all of our non-guarantor subsidiaries.

The Senior Notes are guaranteed on a senior basis by our existing and future wholly owned domestic restricted subsidiaries that are guarantors of our Senior Credit Facility. Our non-guarantor subsidiaries (including SFHC and its subsidiaries) held approximately $567.3 million, or 17.5%, of our total assets and $83.2 million, or 3.6%, of our total liabilities as of December 31, 2016 and accounted for approximately $171.1 million, or 21.9%, of our revenues for the year ended December 31, 2016 (all amounts presented exclude intercompany balances). In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indentures and the Senior Credit Facility, and any subsidiary so designated will not be a guarantor of the Senior Notes or the Senior Credit Facility.

Our non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Senior Notes (other than SFHC, solely with respect to the SFHC Notes), or to make any funds available therefore, whether by dividends, loans, distributions or other payments. Any right that we or the subsidiary guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of noteholders to realize proceeds from the sale of any of those subsidiaries' assets, are effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of debt of those subsidiaries. In addition, the indentures governing the Senior Notes and the Senior Credit Facility permit non-guarantor subsidiaries to incur significant additional indebtedness.

The trading price of the Senior Notes may be volatile and can be directly affected by many factors, including our credit rating.

The trading price of the Senior Notes could be subject to significant fluctuation in response to, among other factors, changes in our operating results, interest rates, the market for non-investment grade securities, general economic conditions and securities analysts' recommendations, if any, regarding our securities.

Credit rating agencies continually revise their ratings for companies they follow, including us. Any ratings downgrade could adversely affect the trading price of the Senior Notes, or the trading markets for the Senior Notes. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future and any fluctuation may impact the trading price of the Senior Notes.

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We and SFHC are holding companies with no operations and may not have access to sufficient cash to fund all of our operations and expenses, including to make payments on our indebtedness.

We are a holding company and have limited direct operations. Our operations are conducted almost entirely through our subsidiaries. As a result, our ability to generate cash to meet our debt service obligations is highly dependent on the earnings and the receipt of funds from our subsidiaries via dividends or inter-company loans and such dividends may be restricted by law or the instruments governing our indebtedness, including the indenture governing the SFHC Notes or other agreements of our subsidiaries.

SFHC is a holding company and has limited direct operations. SFHC's operations are conducted almost entirely through its subsidiaries. As a result, SFHC's ability to generate cash to meet its debt service obligations is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or inter-company loans and such dividends may be restricted by law or other agreements of its subsidiaries.

SFHC will need to repatriate cash held by its foreign subsidiaries in order for Syniverse to service its indebtedness.

SFHC expects to need to repatriate cash held by its foreign subsidiaries in order for Syniverse to make principal and interest payments on its indebtedness, including the Senior Credit Facility and the Senior Notes. The indenture governing the SFHC Notes will allow SFHC to make certain restricted payments to Syniverse at any time that SFHC is in compliance with the fixed charge coverage ratio of 1.50:1.00 or the escrow reserve account (as described in the indenture governing the SFHC Notes) contains an amount equal to the aggregate interest payments to be made on the SFHC Notes in the subsequent six months. Any repatriated cash will not be available to SFHC to make principal and interest payments on the SFHC Notes.

The lenders under our Senior Credit Facility have the discretion to release the guarantors under our Senior Credit Facility in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the Senior Notes.

While any obligations under our Senior Credit Facility remain outstanding, any guarantee of the Senior Notes may be released without action by, or consent of, any holder of the Senior Notes or the trustee under the indentures governing the Senior Notes, at the discretion of lenders under our Senior Credit Facility, if such guarantor is no longer a guarantor of obligations under our Senior Credit Facility or any other indebtedness. The lenders under our Senior Credit Facility will have the discretion to release the guarantees under our Senior Credit Facility in a variety of circumstances. Holders of the Senior Notes will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the Senior Notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of noteholders.

We may not be able to satisfy our obligations to holders of the Senior Notes upon a change of control.

Upon the occurrence of a "change of control," as defined in the indentures governing the Senior Notes, each holder of Senior Notes has the right to require us to purchase the notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest. Our failure to purchase, or give notice of purchase of, the Senior Notes would be a default under each of the indentures, which would in turn be a default under the credit agreements governing our Senior Credit Facility. In addition, a change of control may constitute an event of default under our Senior Credit Facility. A default under our Senior Credit Facility would result in an event of default under the indentures governing the Senior Notes if the lenders accelerate the debt under our Senior Credit Facility.

If a change of control occurs, we may not have enough assets to satisfy all obligations under our Senior Credit Facility and the indentures related to our Senior Notes. Upon the occurrence of a change of control we could seek to refinance the indebtedness under our Senior Credit Facility and the Senior Notes or obtain a waiver from the lenders or holders of the Senior Notes. There is no assurance, however, that we would be able to obtain a waiver or refinance our indebtedness on commercially reasonable terms, if at all. No assurances can be given that any court would enforce the change of control provisions in the indentures governing the Senior Notes as written for the benefit of the holders, or as to how these change of control provisions would be impacted were we to become a debtor in a bankruptcy case.

The Syniverse Notes are structurally subordinated to the SFHC Notes with respect to SFHC and its subsidiaries.

SFHC and its direct and indirect subsidiaries are not guarantors of the Syniverse Notes and have no obligation, contingent or otherwise, to pay any amount due pursuant to the Syniverse Notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments. As a result, the Syniverse Notes are structurally subordinated to the claims of creditors of SFHC and its subsidiaries, including holders of the SFHC Notes.

ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in a 198,750 square foot leased office space in Tampa, Florida. The lease term for the headquarters facility ends on January 31, 2027. At our option, we have the right to renew the lease for two additional periods of seven years each. The headquarters facility is a multi-purpose facility that supports our corporate administrative, North American sales, technology and operations functions. We occupy 15,749 square feet of office space in Campbell, California, which supports our messaging technology and operations functions. In May 2014, we entered into a ten-year lease for 19,928 square feet of office space in Tampa, Florida. This facility primarily supports our administrative functions.

We lease several offices for our Asia Pacific operations including 14,404 square feet in Hong Kong, China and a facility totaling 21,351 square feet in Beijing, China. In January 2014, we entered into a lease for 80,784 square feet of office space in Bangalore, India. This facility primarily supports our technology and operations functions.

In Europe, we have leases for office space as follows: 31,064 square feet in Contern, Luxembourg, a facility totaling 20,782 square feet in Russelsheim, Germany and 7,338 square feet in London, England. These facilities support technology, operations, administrative and customer service functions.

In addition to three sales offices in the Caribbean and Latin America region, we lease 28,966 square feet in San Jose, Costa Rica, which serves as a customer service center supporting our global operations.

In addition, we have a secure physical network infrastructure, consisting of 14 data centers and 29 network access points worldwide which are primarily facilitated through co-location leases.

We consider our facilities and equipment suitable and adequate for our business as currently conducted.

ITEM 3. LEGAL PROCEEDINGS
We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

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PART II

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

Market for Common Stock

As of the date of this Annual Report on Form 10-K, there is one record holder of our common stock, and there is no public market for our common stock.

Dividend Policy

Future determination as to the payment of cash or stock dividends on our common stock to our only stockholder, Buccaneer Holdings, LLC, will depend upon our results of operations, financial condition, capital requirements, restrictions contained in our Senior Credit Facility, limitations contained in the indenture governing the Senior Notes, and such other factors as our Board of Directors considers appropriate.

For additional information, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” and Note 8 “Debt and Credit Facilities” to the consolidated financial statements included herein.

Equity Compensation Plan Information

As of December 31, 2016, we did not have any compensation plans under which our equity securities were authorized for issuance. See Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” for information regarding the compensation plans under which equity securities of our indirect parent company, Syniverse Corporation, are authorized for issuance.

Recent Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

The Company does not have any class of equity securities registered under Section 12 of the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA

The table below sets forth our selected historical consolidated financial information. The selected historical consolidated balance sheet data as of December 31, 2016, 2015, 2014, 2013 and 2012 and the selected historical consolidated statements of operations data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 have been derived from our consolidated financial statements.

The selected financial data set forth below is not necessarily indicative of the results of our future operations and should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere herein.

	Year Ended December 31,				
(in thousands)	2016	2015	2014	2013	2012
Statement of Operations Data (1):					
Revenues	$781,892	$861,475	$916,295	$858,961	$743,874
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	355,394	389,163	378,052	320,796	275,301
Sales and marketing	70,803	76,693	77,670	74,995	68,549
General and administrative	114,550	135,812	140,450	129,354	103,311
Depreciation and amortization (2)	208,130	215,167	237,577	216,198	177,320
Employee termination benefits (3)	869	948	9,140	5,939	1,198
Restructuring (4)	25,220	387	17,826	483	1,163
Acquisitions (5)(6)	—	111	1,974	21,632	14,684
Other operating income (7)	(5,499)	—	—	—	—
	769,467	818,281	862,689	769,397	641,526
Operating income	12,425	43,194	53,606	89,564	102,348
Other income (expense), net:					
Interest expense, net (8)	(122,837)	(122,726)	(122,383)	(124,970)	(107,914)
Debt extinguishment costs	—	—	—	(2,802)	(6,458)
Equity (loss) income in investees	(466)	36	35	422	—
Other, net	2,901	(1,093)	(2,651)	(6,837)	3,940
	(120,402)	(123,783)	(124,999)	(134,187)	(110,432)
Loss before benefit from income taxes	(107,977)	(80,589)	(71,393)	(44,623)	(8,084)
Benefit from income taxes	(42,807)	(31,277)	(25,093)	(4,328)	(7,889)
Net loss from continuing operations	(65,170)	(49,312)	(46,300)	(40,295)	(195)
Loss from discontinued operations, net of tax	—	—	(688)	(5,092)	—
Net loss	(65,170)	(49,312)	(46,988)	(45,387)	(195)
Net income attributable to noncontrolling interest	2,013	1,279	1,015	1,144	3,046
Net loss attributable to Syniverse Holdings, Inc.	$(67,183)	$(50,591)	$(48,003)	$(46,531)	$(3,241)
Balance Sheet Data (at end of period):					
Total assets (9)(10)	$3,240,100	$3,406,340	$3,505,206	$3,609,100	$2,913,259
Total debt and capital lease obligations (9)	$2,020,169	$2,050,330	$2,029,641	$1,998,310	$1,367,701

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(1) Results include the following acquisitions in the respective periods subsequent to the acquisition date: Aicent acquisition completed in August 2014 and the MACH acquisition completed in June 2013.

(2) Depreciation and amortization excludes accretion of debt discount and amortization of deferred finance costs, which are both included in Interest expense within the Statement of Operations Data.

(3) Employee termination benefits represents costs related to severance and other employee related costs that are unrelated to a restructuring plan. See Note 11 to our consolidated financial statements for additional information regarding Employee termination benefits.

(4) Restructuring represents costs related to certain exit activities such as involuntary termination costs and contract termination costs. See Note 11 to our consolidated financial statements for additional information regarding Restructuring.

(5) The years ended December 31, 2015 and 2014 reflects costs associated with the acquisition of Aicent and includes professional services costs, such as legal, tax, audit and transaction advisory costs.

(6) The years ended December 31, 2013 and 2012 reflect costs associated with the acquisition of MACH and includes professional services costs, such as legal, tax, audit and transaction advisory costs.

(7) The year ended December 31, 2016 reflects a gain related to a one-time transfer of certain data center equipment from a vendor to Syniverse at no cost.

(8) The years ended December 31, 2014, 2013 and 2012 reflect a reclassification of Interest income into the Interest expense, net line item in our consolidated statements of operations to conform to the current year presentation. The reclassification had no effect on our reported results of operations.

(9) The years ended December 31, 2014, 2013 and 2012 reflect a reclassification of deferred financing costs from Prepaid and other current assets and Deferred costs, net into the Long-term debt, net of original issue discount and deferred financing costs line item in the consolidated balance sheets to conform with ASU 2015-03.

(10) The year ended December 31, 2014 reflect a reclassification of the current portion of Deferred tax assets and Deferred tax liabilities to long-term Deferred tax assets and long-term Deferred tax liabilities in the consolidated balance sheets to conform with ASU 2015-17.

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

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. It should be read in conjunction with "Selected Financial Data," and our consolidated financial statements and related notes in this Annual Report on form 10-K. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this Annual Report on form 10-K. See "Special Note Regarding Forward-Looking Statements."

Business

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries, enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end-user traffic, clearing of billing records and settlement of payments. We also offer a unique portfolio of intelligent policy and charging tools that enable our customers to use the real-time data generated by these transactions to deliver customized services and choices to their end users. Our portfolio of mission-critical services enables our customers to connect to the mobile ecosystem, optimize their businesses and enhance and personalize the mobile experience for their end-users. We process over 4 billion billable transactions daily and settle over $16 billion annually between our customers.

We are the leader in LTE roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users have come to expect from 4G and other advanced mobile network technologies, including VoLTE. Our IPX network currently directly connects to nearly half of the global mobile population. We believe our global footprint and operational scale are unmatched in our industry. As a trusted partner with over 25 years of experience and a history of innovation, we believe we are well positioned to solve the technical, operational and financial complexities of the mobile ecosystem.

Our diverse customer base includes a broad range of participants in the mobile ecosystem, including approximately 1,000 MNOs and 500 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide and 2 multinational hotel brands.

The mobile experience is a critical and pervasive component of modern life and has become increasingly complex. Mobile devices have evolved from basic cellular phones to include smartphones, tablets, wearables and other connected devices that people now use to conduct an expanding set of activities in real-time, such as streaming videos, posting social media updates, working and shopping. As a result, today's mobile experience requires seamless and ubiquitous connectivity and coordination between MNOs, OTTs and enterprises across disparate and rapidly evolving networks, devices and applications. The failure to integrate any of these elements can disrupt service, resulting in frustrated end-users, erosion of our customers' brands and loss of revenue by our customers. Our proprietary services bridge these technological and operational complexities.

Syniverse provides approximately 60 mission-critical services to manage the real-time exchange of information and traffic across the mobile ecosystem, enhance our customers' brands and provide valuable intelligence about end-users.

Our customers demand, and we deliver, high quality service as evidenced by our over 99.999% network availability. Our comprehensive suite of Mobile Transaction Services and Enterprise & Intelligence Solutions includes the services described below.

Mobile Transaction Services: Transaction-based services that are designed to support the long-term success of our MNO customers. Through Mobile Transaction Services, we:

- Clear, process and exchange end-user billing records.
- Process and settle payments between participants in the mobile ecosystem.
- Activate, authenticate and authorize end-user mobile activities.
- Manage the worldwide routing and delivery of text (SMS), multimedia (MMS) and next generation messaging.
- Provide data transport services over our global IP data network regardless of technology protocol.

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- Provide intelligent policy and clearing tools that enable our customers to use real-time data for improved end-user experience.
- Provide mobile protection tools to prevent fraudulent activity on operator networks and identify problem areas in the end to end billing cycle.

Enterprise & Intelligence Solutions: Services that bridge OTTs and enterprises with MNOs and incorporate our real-time intelligence capabilities to enable all of our customers to serve their end-users. Through Enterprise & Intelligence Solutions, we:

- Connect enterprises to the mobile ecosystem to allow them to reliably reach and interact with their customers and employees via mobile devices.
- Bridge OTTs to the mobile ecosystem allowing OTT end-users to seamlessly interact with traditional mobile end-users.
- Enable enterprises to rapidly execute and optimize their mobile communications initiatives.
- Provide data analytics and business intelligence solutions designed to measure, enhance and secure the end-user experience for our enterprise and OTT customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

Executive Overview

Financial Highlights

Revenues decreased $79.6 million, or 9.2%, to $781.9 million for the year ended December 31, 2016, from $861.5 million for the same period in 2015. Operating income decreased $30.8 million to $12.4 million for the year ended December 31, 2016 from $43.2 million for the same period in 2015. Net loss increased $15.9 million to $65.2 million for the year ended December 31, 2016 from $49.3 million for the same period in 2015. Adjusted EBITDA decreased $16.8 million, or 5.7%, to $275.5 million for the year ended December 31, 2016 from $292.3 million for the same period in 2015. See “Non-GAAP Financial Measures” below for a reconciliation of Net loss to Adjusted EBITDA.

Business Developments

Following the completion of the Mach and Aicent integrations in early 2016, we took several actions to enhance the Company’s operations and better position it for growth. In March and December 2016, we implemented restructuring plans to realign costs and expenses with revenue trends across our portfolio, reducing costs associated with certain of our legacy products and services to allow for increased investment in our growth businesses. Our Cost of Operations, Sales and Marketing Expense and General and Administrative Expense for the year ended December 31, 2016 were nearly $61 million lower than the year ended December 31, 2015, as a result of lower headcount, network, infrastructure and operational costs. In addition to rationalizing costs, we believe that these actions have resulted in operational efficiencies, improvements to customer experience and allowed for increased investments to meet our growth objectives. During 2016, we augmented our management team with a number of new additions, particularly in executive leadership roles. Under new leadership, we have implemented changes to our sales, go-to-market and technology functions in an effort to further improve our ability to deliver services and solutions to our existing and prospective customers.

On January 11, 2017, Syniverse Foreign Holdings Corporation (“SFHC”), a wholly-owned subsidiary of Syniverse Holdings, Inc., completed its offer to exchange (the “Exchange Offer”) the Company’s outstanding 9.125% Senior Notes due 2019 (the “Syniverse Notes”) for new senior unsecured notes issued by SFHC bearing interest at 9.125% per annum that will mature on January 15, 2022 (the “SFHC Notes” and, together with the Syniverse Notes, the “Senior Notes”). According to the information and exchange agent for the Exchange Offer, 91.26% of the outstanding principal amount of the Syniverse Notes was tendered. Pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes, and a like amount of Syniverse Notes were canceled.

Factors and Trends Affecting Our Results of Operations

Our results of operations have been, and we expect them to continue to be, affected by the following factors, which may cause our future results of operations to differ from our historical results of operations discussed under "Results of Operations" below:

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- rapid technological change in the industries we serve, including the increasing demand for seamless and ubiquitous connectivity, personalized mobile services and the proliferation of new and increasingly complex mobile devices, which could lead to growth in our potential customer base, increased opportunities to provide new services to our customers and increased transaction volumes. We may also increase investment in our business in order to develop new technologies and services to effectively serve our customers in light of these developments. In addition, our failure or inability to respond to these developments through the provision of new or updated services or otherwise could have a negative effect on our ability to grow or retain our customer base and on our transaction volumes;
- the rate at which new entrants to the mobile ecosystem adopt our services in order to connect to other mobile participants which will affect the extent to which new entrants potentially seek to utilize our services, which will affect growth in transaction volumes and revenue;
- downward pressure on the prices we charge for our services from our existing customers as we enter into contract renewals, which could have a negative impact on our revenues and margin;
- the extent to which our customers buildout or expand their own networks, which could have a negative impact on transaction volume from those customers and on our revenue;
- costs associated with our international operations, including integration of acquired international operations, compliance with applicable foreign regulations and fluctuations in foreign currency exchange rates may differ from historical experience and our projections, which could impact our earnings;
- the rate of growth associated with our expanded international operations and geographic reach, which may lead to an increase in our number of customer and transaction volumes and would affect our future revenue growth;
- our ability to execute on currently pending and future cost savings initiatives, including efficient resource allocation, management realignment and other activities;
- the extent to which current or future customers develop in-house solutions to provide analogous services or seek alternative providers of our services, which could reduce the number of services we provide their customers and our overall termination volumes which would have a negative impact on our revenue;
- consolidation in the mobile industry which may result in reduced transaction volumes, and, as a result, have a negative impact on our revenue;
- the extent to which increasingly complex requirements and changes in the regulatory landscape drive the need for enhancements to our existing services and infrastructure, the development of new compliance oriented services and the design and implementation of internal control procedures and processes, any of which may increase operational costs and burdens which could reduce our operating margins. Our ability to adapt to these new requirements and provide compliant services also could improve our competitive position and generally drive growth in demand for our services, which would drive growth in our revenue; and
- the abolition of retail roaming charges beginning June 15, 2017 in the E.U. as a result of actions taken by the European Commission will affect our MNO customers' roaming charges and increase downward pressure on the prices we charge for our data clearing services. A decrease in roaming charges may also lead to an increase in the number of roaming transactions, as the cost to end-users for such transactions would be reduced, and such an increase could drive growth in the number of transactions we process, which could positively affect our revenue.

Revenues

Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered or delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. The majority of our revenues are derived from transaction-based charges under long-term contracts, typically with three-year terms. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract as we negotiate new agreements or renewals.

A majority of the services and solutions we offer to our customers are provided through applications, connectivity and technology platforms owned and operated by us.

We derive revenues primarily from transaction-based and monthly recurring fees paid to us by our customers for various types of mobile services. A majority of our revenues were generated by transaction-based fees. These fees are based upon the number of records or transactions processed or the size of data records processed or both, and includes tier-based pricing and additional fees for volume above an agreed-upon threshold. Monthly recurring fees are based upon contractual provisions that require set, predictable payments each month. Due to the nature of our services, any single end-user call, data session or message often generates multiple transactions and payments from multiple customers. For all of our transaction-based services, we recognize revenues at the time the transactions are processed. We also recognize fixed fees as revenues on a monthly basis as the related services are performed. We defer revenues and related incremental customer-specific costs for customer implementations and recognize such revenues and related costs on a straight-line basis over the life of the initial customer contract.

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Certain of our customer contracts include bundled services and are therefore accounted for as multiple-element arrangements. We evaluate multiple-element arrangements to determine whether the deliverables included in the arrangement represent separate units of accounting. We allocate the arrangement consideration among the separate units of accounting using the relative selling price method. Then, we apply the applicable revenue recognition criteria in ASC 605 to each of the separate units of accounting to determine the appropriate period and pattern of recognition.

Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative, depreciation and amortization, employee termination benefits, restructuring and acquisitions expense.

- Cost of operations includes data processing costs, network costs, variable costs, such as revenue share service provider arrangements and message termination fees, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges. Variable costs are paid to third party providers and are direct costs that fluctuate either as a percentage of revenue or by the number of transactions processed.
- Sales and marketing includes personnel costs, advertising and website costs, trade show costs and related marketing costs.
- General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to those functions. Our research and development expenses, consisting primarily of personnel costs, relate to technology creation, enhancement and maintenance of new and existing services.
- Depreciation and amortization relate primarily to our property and equipment, capitalized software and identifiable intangibles including our SS7 network, computer equipment, infrastructure facilities related to information management and other identifiable intangible assets recorded as a result of purchase accounting.
- Employee termination benefits represents costs related to severance and other employee related costs that are unrelated to a restructuring plan.
- Restructuring represents costs related to certain exit activities such as involuntary termination costs and contract termination costs.
- Acquisition includes professional services costs, such as legal, tax, audit and transaction advisory costs related to the Aicent Acquisition.

Operating Segments

We currently operate as a single operating segment, as our Chief Executive Officer reviews financial information on the basis of our consolidated financial results for the purposes of making resource allocation decisions.

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Results of Operations

Comparison of results of operations for the year ended December 31, 2016 with the year ended December 31, 2015

(in thousands)	Year ended December 31, 2016	% of Revenues	Year ended December 31, 2015	% of Revenues	2016 compared to 2015 $ change	% change
Revenues:						
Mobile Transaction Services	$649,948	83.1 %	$731,496	84.9 %	$(81,548)	(11.1)%
Enterprise & Intelligence Solutions	131,944	16.9 %	129,979	15.1 %	1,965	1.5 %
Revenues	781,892	100.0 %	861,475	100.0 %	(79,583)	(9.2)%
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	355,394	45.5 %	389,163	45.2 %	(33,769)	(8.7)%
Sales and marketing	70,803	9.1 %	76,693	8.9 %	(5,890)	(7.7)%
General and administrative	114,550	14.7 %	135,812	15.8 %	(21,262)	(15.7)%
Depreciation and amortization	208,130	26.6 %	215,167	25.0 %	(7,037)	(3.3)%
Employee termination benefits	869	0.1 %	948	0.1 %	(79)	(8.3)%
Restructuring	25,220	3.2 %	387	— %	24,833	6,416.8 %
Acquisition	—	— %	111	— %	(111)	(100.0)%
Other operating income	(5,499)	(0.7)%	—	— %	(5,499)	— %
	769,467	98.4 %	818,281	95.0 %	(48,814)	(6.0)%
Operating income	12,425	1.6 %	43,194	5.0 %	(30,769)	(71.2)%
Other income (expense), net:						
Interest expense, net	(122,837)	(15.7)%	(122,726)	(14.2)%	(111)	0.1 %
Equity (loss) income in investees	(466)	(0.1)%	36	— %	(502)	(1,394.4)%
Other, net	2,901	0.4 %	(1,093)	(0.1)%	3,994	(365.4)%
	(120,402)	(15.4)%	(123,783)	(14.4)%	3,381	(2.7)%
Loss before benefit from income taxes	(107,977)	(13.8)%	(80,589)	(9.4)%	(27,388)	34.0 %
Benefit from income taxes	(42,807)	(5.5)%	(31,277)	(3.6)%	(11,530)	36.9 %
Net loss	$(65,170)	(8.3)%	$(49,312)	(5.7)%	$(15,858)	32.2 %

Revenues

Revenues decreased $79.6 million, or 9.2%, to $781.9 million for the year ended December 31, 2016 from $861.5 million for the same period in 2015. Foreign currency translation contributed $2.2 million to the decline in revenue.

Revenue from Mobile Transaction Services decreased $81.5 million, or 11.1%, to $649.9 million for the year ended December 31, 2016 from $731.5 million for the same period in 2015. Foreign currency translation contributed $1.9 million to the decline in revenue. The balance of the decline was primarily attributable to declines in our clearing and settlement services driven by volume reductions across our CDMA portfolio of $34.3 million and competitive pricing pressure partially offset by volume increases across our GSM clearing and settlement suite of $10.0 million. Also contributing to the reduction were declines in our messaging and data optimization services totaling $20.7 million as a result of the loss of a large MVNO customer in the third quarter of 2015 and declines in our signaling services of $10.4 million, primarily related to volume reductions in CDMA partially offset by volume growth in GSM/LTE. The remaining declines were the result of discontinued services related to end-of-life Blackberry technology that came with the Aicent acquisition as well as management’s decision to rationalize certain lower margin non-strategic services. These declines were substantially offset by growth within our IPX, fraud and policy and charging solutions.

Revenue from Enterprise & Intelligence Solutions increased $2.0 million, or 1.5%, to $131.9 million for the year ended December 31, 2016 from $130.0 million for the same period in 2015. The increase was driven by a combination of volume growth in our A2P messaging services and organic growth in our mobile engagement revenues as more enterprise customers adopt and implement mobile marketing strategies, partially offset by declines in mobile intelligence services provided to certain mobile operators.

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Costs and Expenses

Costs and expenses decreased $48.8 million to $769.5 million for the year ended December 31, 2016 from $818.3 million for the same period in 2015. Included in costs and expenses for the year ended December 31, 2016 was a $25.2 million charge related to the implementation of the March 2016 and December 2016 restructuring plans. Total headcount costs for the year ended December 31, 2016 were not significantly impacted by the December 2016 restructuring plan given timing of the plan. Foreign currency translation contributed $4.9 million to the decline due primarily to the strengthening of the U.S. dollar.

Cost of operations decreased $33.8 million to $355.4 million for the year ended December 31, 2016 from $389.2 million for the same period in 2015. The table below summarizes our cost of operations by category:

	Year ended December 31,		2016 compared to 2015	
(in thousands)	2016	2015	$ change	% change
Cost of operations:				
Headcount and related costs	$97,115	$108,205	$(11,090)	(10.2)%
Variable costs	119,898	111,880	8,018	7.2 %
Data processing, hosting and support costs	77,592	92,425	(14,833)	(16.0)%
Network costs	45,600	62,585	(16,985)	(27.1)%
Other operating related costs	15,189	14,068	1,121	8.0 %
Cost of operations	$355,394	$389,163	$(33,769)	(8.7)%

The decrease in headcount and related costs for the year ended December 31, 2016 was driven by a reduction in headcount resulting from the March 2016 restructuring plan.

Variable costs increased $8.0 million for the year ended December 31, 2016 compared to the prior year period. The increase in variable costs was primarily due to volume growth in our messaging services, partially offset by a one-time message termination expense in 2015. Other elements of Cost of Operations for the year ended December 31, 2016 were generally lower as a result of lower volume related costs, reductions in data center costs and lower network circuit costs as a result of our cost savings initiatives.

As a percentage of revenues, cost of operations was 45.5% and 45.2% for the years ended December 31, 2016 and 2015, respectively.

Sales and marketing expense decreased $5.9 million to $70.8 million for the year ended December 31, 2016 from $76.7 million for the same period in 2015. The decrease in sales and marketing expense was primarily due to lower headcount related costs and share-based and variable compensation resulting from the March 2016 restructuring plan and reductions in other discretionary expenses as a result of our cost savings initiatives. As a percentage of revenues, sales and marketing expense was 9.1% and 8.9% for the years ended December 31, 2016 and 2015, respectively.

General and administrative expense decreased $21.3 million to $114.6 million for the year ended December 31, 2016 from $135.8 million for the same period in 2015. The decrease in general and administrative expense was primarily due to lower headcount related costs resulting from the March 2016 restructuring plan, a reduction in professional services costs and other discretionary expenses as a result of our cost saving initiatives, partially offset by an increase in share-based and variable compensation. As a percentage of revenues, general and administrative expense was 14.7% and 15.8% for the years ended December 31, 2016 and 2015, respectively.

Depreciation and amortization expense decreased $7.0 million to $208.1 million for the year ended December 31, 2016 from $215.2 million for the same period in 2015. The decrease was driven by $8.1 million of lower amortization of intangible assets resulting from our pattern of consumption amortization method for customer related intangibles acquired in the Carlyle and MACH acquisitions and $3.3 million of lower depreciation of property and equipment primarily driven by lower capital expenditures, partially offset by $4.3 million of higher amortization of capitalized software.

Restructuring expense was $25.2 million for the year ended December 31, 2016 compared to $0.4 million for the same period in 2015. The increase was primarily driven by severance costs and costs related to the exit of certain data centers related to the March 2016 and December 2016 restructuring plans. See Note 11 to our consolidated financial statements for additional details regarding our restructuring plans.

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Other operating income includes a gain of $5.5 million as a result of a one-time transfer of certain data center equipment to Syniverse at no cost during 2016.

Other Income (Expense), net

Other, net increased $4.0 million to a $2.9 million gain for the year ended December 31, 2016 from a $1.1 million loss for the same period in 2015. The increase was primarily due to the weakening of the pound sterling and the Euro value in 2016.

Benefit from Income Taxes

We recorded an income tax benefit of $42.8 million for the year ended December 31, 2016 compared to a benefit of $31.3 million for the same period in 2015. During the years ended December 31, 2016 and 2015, the effective tax rate was a benefit of 39.6% and 38.8%, respectively. The change in our effective tax rate was chiefly attributable to (i) the impact of certain permanent items and (ii) the relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions.

Comparison of results of continuing operations for the year ended December 31, 2015 with the year ended December 31, 2014

	Year ended December 31,	% of	Year ended December 31,	% of	2015 compared to 2014	
(in thousands)	2015	Revenues	2014	Revenues	$ change	% change
Revenues:						
Mobile Transaction Services	$731,496	84.9 %	$782,116	85.4 %	$(50,620)	(6.5)%
Enterprise & Intelligence Solutions	129,979	15.1 %	134,179	14.6 %	(4,200)	(3.1)%
Revenues	861,475	100.0 %	916,295	100.0 %	(54,820)	(6.0)%
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	389,163	45.2 %	378,052	41.3 %	11,111	2.9 %
Sales and marketing	76,693	8.9 %	77,670	8.5 %	(977)	(1.3)%
General and administrative	135,812	15.8 %	140,450	15.3 %	(4,638)	(3.3)%
Depreciation and amortization	215,167	25.0 %	237,577	25.9 %	(22,410)	(9.4)%
Employee termination benefits	948	0.1 %	9,140	1.0 %	(8,192)	(89.6)%
Restructuring	387	— %	17,826	1.9 %	(17,439)	(97.8)%
Acquisition	111	— %	1,974	0.2 %	(1,863)	(94.4)%
	818,281	95.0 %	862,689	94.1 %	(44,408)	(5.1)%
Operating income	43,194	5.0 %	53,606	5.9 %	(10,412)	(19.4)%
Other income (expense), net:						
Interest expense, net	(122,726)	(14.2)%	(122,383)	(13.4)%	(343)	0.3 %
Equity income in investee	36	— %	35	— %	1	2.9 %
Other, net	(1,093)	(0.1)%	(2,651)	(0.3)%	1,558	(58.8)%
	(123,783)	(14.4)%	(124,999)	(13.6)%	1,216	(1.0)%
Loss before benefit from income taxes	(80,589)	(9.4)%	(71,393)	(7.8)%	(9,196)	12.9 %
Benefit from income taxes	(31,277)	(3.6)%	(25,093)	(2.7)%	(6,184)	24.6 %
Net loss from continuing operations	$(49,312)	(5.7)%	$(46,300)	(5.1)%	$(3,012)	6.5 %

Revenues

Revenues decreased $54.8 million, or 6.0%, to $861.5 million for the year ended December 31, 2015 from $916.3 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which contributed $29.7 million of incremental revenues for the year ended December 31, 2015, revenues declined $84.5 million. Foreign currency translation contributed $28.7 million to the decline in revenue.

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Revenue from Mobile Transaction Services decreased $50.6 million, or 6.5%, to $731.5 million for the year ended December 31, 2015 from $782.1 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which contributed $26.8 million of incremental revenues during the year ended December 31, 2015, revenues declined $77.4 million. Foreign currency translation contributed $25.0 million to the decline in revenue. The remainder of the decline was primarily attributable to declines in our clearing and settlement services driven by a combination of volume and rate reductions across our CDMA portfolio of $43.1 million and competitive pricing pressure, partially offset by volume increases across our GSM clearing and settlement suite of $8.8 million and the impact of a legacy messaging service that went end-of-life in May 2014 of $11.7 million. These declines were partially offset by continued volume growth within our advanced network interoperability services, including $17.5 million of growth in IPX, database services and policy and charging solutions.

Revenue from Enterprise & Intelligence Solutions decreased $4.2 million, or 3.1%, to $130.0 million for the year ended December 31, 2015 from $134.2 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which contributed $2.9 million of incremental revenues during the year ended December 31, 2015, revenues declined $7.1 million. Foreign currency translation contributed $3.7 million to the decline in revenue. The remaining decline was primarily driven by volume declines resulting from a shift away from certain lower margin wholesale messaging customers and an enhanced focus on higher margin services within our enterprise messaging suite of services. These declines in wholesale messaging volumes were substantially offset by organic growth in our higher margin enterprise messaging services, mobile engagement and business messaging services.

Costs and Expenses

Costs and expenses decreased $44.4 million to $818.3 million for the year ended December 31, 2015 from $862.7 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which added $34.2 million of incremental costs and expenses for the year ended December 31, 2015 (including $9.1 million of depreciation and amortization), costs and expenses declined $78.6 million. Foreign currency translation contributed $18.2 million to the decline due primarily to the strengthening of the U.S. dollar against the Euro.

Cost of operations increased $11.1 million to $389.2 million for the year ended December 31, 2015 from $378.1 million for the same period in 2014. The table below summarizes our cost of operations by category:

	Year ended December 31,		2015 compared to 2014	
(in thousands)	2015	2014	$ change	% change
Cost of Operations:				
Headcount and related costs	$108,205	$99,687	$8,518	8.5 %
Variable costs	111,880	110,793	1,087	1.0 %
Data processing, hosting and support costs	92,425	96,608	(4,183)	(4.3)%
Network costs	62,585	55,838	6,747	12.1 %
Other operating related costs	14,068	15,126	(1,058)	(7.0)%
Cost of Operations	$389,163	$378,052	$11,111	2.9 %

The increase in headcount and related costs for the year ended December 31, 2015 was driven by a $3.0 million increase in headcount related costs resulting primarily from the workforce acquired in the Aicent Acquisition and an increase in performance-based compensation.

The increase in variable costs for the year ended December 31, 2015 was due primarily to the Aicent Acquisition which contributed $6.8 million of incremental variable costs during the year ended December 31, 2015. In addition, we incurred $6.0 million of message termination fees related to a contract we entered into during the fourth quarter of 2014 with a European wholesale enterprise messaging customer, primarily to provide wholesale messaging delivery services. We began providing services in December 2014, and messaging volumes became meaningful in the first quarter of 2015. During the first quarter of 2015, we learned that the United Kingdom (“UK”) Secretary of State for Business, Innovation and Skills initiated liquidation proceedings against the customer in the public interest arising out of an investigation into the customer’s affairs. A liquidator was duly appointed to dissolve the customer company, resulting in it terminating all business activities. As a result of this action, we determined that collectibility of the revenue earned from this customer was no longer reasonably assured and were therefore unable to record approximately $7.0 million of revenue for services provided to the customer. To date, we have not received any payment for services provided to this customer. We are taking all commercially reasonable actions (legal and otherwise) and are cooperating with UK authorities to pursue financial recovery. However, there can be no assurance that any recovery will be achieved. This incremental cost was isolated to the three months ended March 31, 2015 and will not impact future periods. Excluding the impact of the incremental message termination fees and the Aicent Acquisition, variable costs decreased $11.7 million for the year ended December 31, 2015 due primarily to organic volume declines in our lower margin enterprise messaging services. Variable costs as a percentage of operating costs were 18.6% for the years ended December 31, 2015 and 2014.

Data processing, hosting and support costs for the year ended December 31, 2015 decreased $4.2 million compared to the same period in 2014. Excluding the impact of the Aicent Acquisition, which added $1.4 million of incremental data processing costs during the year ended December 31, 2015, data processing, hosting and support costs decreased $5.6 million due primarily to lower software maintenance costs.

The increase in network costs for the year ended December 31, 2015 was primarily driven by additional costs of $8.8 million resulting from the Aicent Acquisition, partially offset by cost savings initiatives.

As a percentage of revenues, cost of operations increased to 45.2% for the year ended December 31, 2015 from 41.3% during the same period in 2014.

Sales and marketing expense decreased $1.0 million to $76.7 million for the year ended December 31, 2015 from $77.7 million for the same period in 2014. The Aicent Acquisition contributed $1.9 million of incremental costs during the year ended December 31, 2015, primarily due to headcount related costs for the acquired sales force employees. Excluding the impact of the Aicent Acquisition, sales and marketing expense decreased $2.9 million due primarily to a reduction in headcount resulting from our October 2014 restructuring plan as well as other cost savings initiatives, partially offset by higher performance and stock-based compensation. As a percentage of revenues, sales and marketing expense increased to 8.9% for the year ended December 31, 2015 from 8.5% for the same period in 2014.

General and administrative expense decreased $4.6 million to $135.8 million for the year ended December 31, 2015 from $140.5 million for the same period in 2014. The Aicent Acquisition contributed $2.9 million of incremental costs primarily due to headcount related costs for the acquired employees. Excluding the impact of the Aicent Acquisition, general and administrative expense decreased $7.5 million due primarily to lower headcount related costs resulting from our October 2014 restructuring plan and a reduction in professional services costs, partially offset by higher performance and stock-based compensation. As a percentage of revenues, general and administrative expense increased to 15.8% for the year ended December 31, 2015, from 15.3% for the same period in 2014.

Depreciation and amortization expense decreased $22.4 million to $215.2 million for the year ended December 31, 2015 from $237.6 million for the same period in 2014. The decrease was driven by $25.6 million lower amortization of intangible assets, including capitalized software, resulting from our pattern of consumption amortization method for customer related intangibles valued in the MACH Acquisition and foreign currency impact of the decline in the Euro value, partially offset by an increase of $3.2 million of depreciation of property and equipment primarily driven by assets acquired under capital leases in the latter part of 2014 and during the year ended December 31, 2015.

Employee termination benefits expense was $0.9 million for the year ended December 31, 2015 compared to $9.1 million for the same period in 2014. The decrease was driven primarily by severance and other transition costs associated with the departure of the Company’s former Chief Executive Officer in September 2014 and cost saving initiatives in 2014, including synergies resulting from the integration of the MACH Acquisition.

Restructuring expense was $0.4 million for the year ended December 31, 2015 compared to $17.8 million for the same period in 2014. The decrease was driven by severance costs related to the October 2014 restructuring plan. See Note 11 to our consolidated financial statements for additional details regarding our restructuring plans.

Acquisition expense was $0.1 million and $2.0 million for the years ended December 31, 2015 and 2014, respectively. Acquisitions expense consisted primarily of professional services costs including legal, tax, audit and transaction advisory costs related to the Aicent Acquisition in 2014.

Other Income (Expense), net

Other, net was a loss of $1.1 million, which includes a $3.8 million out-of-period foreign currency transaction gain, for the year ended December 31, 2015 compared to a loss of $2.7 million for the same period in 2014. The increase was primarily due to the foreign currency impact of the decline in the Euro value.

Benefit from Income Taxes

We recorded an income tax benefit of $31.3 million for the year ended December 31, 2015 compared to a benefit of $25.1 million for the same period in 2014. During the years ended December 31, 2015 and 2014, the effective tax rate was a benefit of 38.8% and 35.1%, respectively. The change in our effective tax rate was chiefly attributable to (i) the impact of certain discrete items and (ii) the relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions.

Liquidity and Capital Resources

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations is highly dependent on the earnings and the receipt of funds from our subsidiaries via dividends or intercompany loans.

Our primary source of liquidity is expected to be cash flow from operations and we believe that we have sufficient liquidity to meet currently anticipated business needs, including short and long-term capital expenditures and working capital requirements. In addition, we believe that our liquidity is sufficient to fund our debt repayment obligations. Our ability to make payments on our indebtedness will depend on our ability to generate cash flow from operating activities in the future. Our indebtedness requires us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes. Annually, as required pursuant to the Excess Cash Flow provision of the Credit Agreement (as defined below), we are required to make a mandatory principal payment on our Senior Credit Facilities equal to 50% of the Excess Cash Flow as defined in the Credit Agreement and determined as of December of each year. Historically, we have been successful in obtaining financing, although the marketplace for such financing may become restricted depending on a variety of economic and other factors. As of December 31, 2016 approximately 35% of our cash and cash equivalents were held by our foreign subsidiaries. Our Revolving Credit Facility requires that we meet a specified maximum net secured leverage ratio to receive extensions of credit under the facility. Our Revolving Credit Facility is scheduled to terminate in April 2017 and is subject to restrictions that limit its availability as a source of liquidity.

We may from time to time seek to prepay, repurchase or otherwise retire or extend our debt or debt securities and/or take other steps to reduce our debt or otherwise improve our financial position. These actions may include open market debt repurchases, privately negotiated repurchases, other retirements of outstanding debt, and/or opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired or refinanced, if any, will depend on market conditions and prices, our cash position, contractual restrictions, including compliance with debt covenants and other considerations. Our affiliates may also purchase our debt or debt securities from time to time, through open market purchases or other transactions. In such cases, our debt may not be retired, in which case we would continue to pay interest in accordance with the terms of the debt, and we would continue to reflect the debt as outstanding in our consolidated financial statements.

We believe that our cash on hand, together with cash flow from operations, will be sufficient to meet our cash requirements for the next twelve months. To the extent we require supplemental funding for our operating activities, we may need access to the debt and equity markets; however, there can be no assurances such funding will be available on acceptable terms or at all.

Cash Flow

Cash and cash equivalents were $136.2 million at December 31, 2016 as compared to $166.6 million at December 31, 2015. The following table summarizes the activity within our consolidated statements of cash flows.

	Year ended December 31,	
(in thousands)	2016	2015
Net cash provided by operating activities	$136,118	$161,838
Net cash used in investing activities	(102,966)	(66,592)
Net cash used in financing activities	(60,669)	(20,395)
Effect of exchange rate changes on cash	(2,890)	2,383
Net (decrease) increase in cash	$(30,407)	$77,234

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Net cash provided by operating activities was $136.1 million for the year ended December 31, 2016, as compared to $161.8 million for the same period in 2015. The decrease was primarily due to:

- decreased net income adjusted for non-cash items of $36.5 million primarily due to lower operating income as compared to the same period in 2015.

The decrease was partially offset by:

- increased cash provided by working capital of $10.8 million primarily due to a decrease in accounts receivable and other accruals, partially offset by an increase in the payment of annual performance-based compensation and timing of payments to vendors.

Net cash used in investing activities was $103.0 million for the year ended December 31, 2016, as compared to $66.6 million for the same period in 2015. The increase was driven by:

- cash used for our investment in Vibes of $40.5 million; and

- a decrease in proceeds from divestitures of $2.2 million.

The increase was partially offset by:

- decreased capital expenditures of $5.3 million primarily due to reduction in investments in integration activities, partially offset by an increase in infrastructure investments primarily related to modernizing our network and our data center migration.

Net cash used in financing activities was $60.7 million for the year ended December 31, 2016, as compared to $20.4 million for the same period in 2015. The increase was due to:

- increase in debt repayments of $26.2 million during 2016 as compared to 2015;

- increased payments on capital lease obligations of $6.7 million in 2016 as compared to 2015; and

- distributions to Syniverse Corporation of $6.5 million in 2016 due to share repurchases in connection with share-based compensation as compared to contributions from Syniverse Corporation of $0.8 million in 2015.

Debt and Credit Facilities
Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the “Credit Agreement”) with Buccaneer LLC (as successor by merger to Buccaneer), Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a senior credit facility (the “Senior Credit Facility”) consisting of (i) a $950.0 million term loan facility (the “Initial Term Loans”); and (ii) a $150.0 million revolving credit facility (the “Revolving Credit Facility”) for the making of revolving loans, swing line loans and issuance of letters of credit.
On June 28, 2013 the Company borrowed $700.0 million of incremental term loans (the "Tranche B Term Loans"), pursuant to the Incremental Amendment to the Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the Escrow Term Loans, a portion of which were used to fund the MACH Acquisition.
On September 23, 2013, the Company entered into the Second Amendment to its Credit Agreement. Under the Second Amendment, the rate at which the Initial Term Loans under the Credit Agreement bear interest was amended

to reduce (i) the margin for Eurodollar rate loans from 3.75% to 3.00%, (ii) the margin for base rate loans from 2.75% to 2.00%, (iii) the Eurodollar rate floor from 1.25% to 1.00% and (iv) the base rate floor from 2.25% to 2.00%.

On April 15, 2016, we made principal payments of approximately $36.2 million toward the Initial Term Loans and Tranche B Term Loans pursuant to the Excess Cash Flow provision of the Credit Agreement. Commencing on December 31,

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2018, our Initial Term Loans and Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at the final maturity.

We currently expect to make a principal payment of approximately $1.9 million in March 2017 as required pursuant to the Excess Cash Flow provision of the Credit Agreement. We are not required to make any other principal payments on our indebtedness until December 2018; however, we may do so at our election.

Subject to specified conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the Initial Term Loans, the Tranche B Term Loans or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the Senior Credit Facility) by an amount as will not cause the net senior secured leverage ratio after giving effect to the incurrence of such additional amount to exceed 4.0:1.0 (calculated by treating any unsecured debt incurred in reliance on this ratio as if it were secured).

The Initial Term Loans and the Tranche B Loans (collectively the “Term Loan Facilities”) will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facilities or (iii) the date the loans under the Term Loan Facilities are declared due and payable in connection with an event of default; provided that (a) in the event that more than $50.0 million of the Syniverse Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Syniverse Notes (the “First Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the First Springing Maturity Date and (b) in the event that more than $50.0 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the “Second Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the earlier of the Second Springing Maturity Date and April 23, 2019.

The Revolving Credit Facility will mature at the earlier of (i) April 23, 2017 and (ii) the date of termination in whole of the commitments under the Revolving Credit Facility, the letter of credit sublimit, and the swing line facility under the Credit Agreement.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations or restrictions on (i) the Company’s ability to incur debt, grant liens, enter into fundamental corporate transactions, pay subsidiary distributions, enter into transactions with affiliates, make further negative pledges, sell or otherwise transfer assets, make certain payments, investments or acquisitions, repay certain indebtedness in the event of a change of control, and amend certain debt documents and (ii) the activities engaged in by Buccaneer LLC. The negative covenants are subject to customary exceptions.

There are no financial covenants included in the Credit Agreement other than a springing maximum net senior secured leverage ratio of 5.00:1.00, which will be tested only for the benefit of the revolving lenders and only (i) when, at the end of each fiscal quarter, the aggregate amount of any revolving loans, any swing line loans or any letter of credit obligations (excluding letter of credit obligations not in excess of $10.0 million and any letters of credit which are cash collateralized to at least 105.0% of their maximum stated amount) outstanding exceeds 25.0% of all commitments under the Revolving Credit Facility and (ii) upon an extension of credit under the Revolving Credit Facility in the form of the making of a revolving loan or a swing line loan, or the issuance of a letter of credit.

As of December 31, 2016, we were in compliance with all of the covenants contained in the Senior Credit Facility, to the extent such covenants were required to be tested as of December 31, 2016.

As of December 31, 2016, the carrying amount of our outstanding indebtedness under the Initial Term Loans and Tranche B Term Loans, excluding original issue discount and deferred financing costs, was $891.1 million and $663.2 million, respectively. At December 31, 2016, the applicable interest rate was 4.00% on these Term Loan Facilities based on the Eurodollar rate loan option.

The unused commitment under the Revolving Credit Facility was $150.0 million at December 31, 2016.

9.125% senior unsecured notes due 2019

On December 22, 2010, we issued $475.0 million of Syniverse Notes. Interest on the notes is paid on January 15 and July 15 of each year.

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The Syniverse Notes are guaranteed on a senior basis by the Subsidiary Guarantors. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Syniverse Notes, and any subsidiary so designated will not be a guarantor of the notes. The right of noteholders to receive payment on the Syniverse Notes is effectively subordinated to the rights of our existing and future secured creditors.

The Syniverse Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

We incurred financing fees of $20.4 million in connection with the issuance of the Syniverse Notes which have been amortized over the term of the notes using the effective interest method.

Following the Exchange Offer, $105.5 million aggregate principal amount of the Syniverse Notes were outstanding.

Senior Notes Exchange Offer

On January 11, 2017, pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes, and a like amount of Syniverse Notes were canceled.

The SFHC Notes are guaranteed on a senior basis by Syniverse and the Subsidiary Guarantors that guarantee the Syniverse Notes. The right of noteholders to receive payment on the SFHC Notes is effectively subordinated to the rights of any future secured creditors of SFHC.

The SFHC Notes contain customary negative covenants including, but not limited to, restrictions on SFHC's, our and our restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends (including SFHC's ability to pay dividends or make distributions to Syniverse or our subsidiaries unless SFHC is in compliance with the fixed charge coverage ratio of 1.50:1.00 or the escrow reserve account contains an amount more than the aggregate interest payments to be made on the SFHC Notes in the subsequent six months), sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

Non-GAAP Financial Measures

Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA are not presentations made in accordance with U.S. GAAP. Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA should not be considered as alternatives to net loss, operating income, revenues or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or operating cash flows or liquidity. We believe that Adjusted EBITDA and Free Cash Flow are measures commonly used by investors to evaluate our performance and that of our competitors. We further believe that the disclosure of Adjusted EBITDA and Free Cash Flow is useful to investors, as these non-GAAP measures form the basis of how our executive team and Board of Directors evaluate our performance. By disclosing these non-GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, some of the means by which our management team operates and evaluates our Company and facilitates comparisons of the current period's results with those of prior periods.
In addition, these non-GAAP measures may not be comparable to other similarly titled measures of other companies in our industry or otherwise. Because of these limitations, Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our

business. We attempt to compensate for these limitations by relying primarily upon our U.S. GAAP results and using Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA as supplemental information only.

Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under U.S. GAAP. For example, some of the limitations of Adjusted EBITDA are as follows:

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- excludes certain tax payments or the cash requirements necessary to service interest or principal payments on our debt that may represent a reduction in cash available to us;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect cash outlays for future contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense on our debt.

Adjusted EBITDA is determined by adding the following items to net loss from continuing operations: other expense, net, excluding the impact of equity income in investees; benefit from income taxes; depreciation and amortization; employee termination benefits; restructuring; non-cash stock-based compensation, acquisition expense; other operating income; business development, integration and other expenses; and the Carlyle annual management fee including related expenses.

We believe that Adjusted EBITDA is a useful financial metric to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business. We rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our management team in connection with our executive compensation and bonus plans. We also review Adjusted EBITDA to compare our current operating results with prior periods and with the operating results of other companies in our industry. In addition, we utilize Adjusted EBITDA as an assessment of our overall liquidity and our ability to meet our debt service obligations. Adjusted EBITDA is also a measure calculated in accordance with our Credit Agreement and used under the indentures governing the Syniverse Notes and the SFHC Notes; however, the credit agreement governing our Senior Credit Facility and the indentures governing the Syniverse Notes and the SFHC Notes permit us to make certain additional adjustments, such as projected cost savings, unusual or non-recurring charges, and pro forma EBITDA and anticipated synergies from acquisitions, which are not reflected in the Adjusted EBITDA data presented herein.

Reconciliation of Non-GAAP Measures to GAAP

A reconciliation of Syniverse Holdings, Inc. net loss from continuing operations, the closest GAAP measure, to Adjusted EBITDA is presented in the following table:

	Year ended December 31,		
(in thousands)	2016	2015	2014
Reconciliation to Adjusted EBITDA			
Net loss from continuing operations	$(65,170)	$(49,312)	$(46,300)
Equity income in investees	91	36	35
Other expense, net	120,402	123,783	124,999
Benefit from income taxes	(42,807)	(31,277)	(25,093)
Depreciation and amortization	208,130	215,167	237,577
Employee termination benefits (a)	869	948	9,140
Restructuring (b)	25,220	387	17,826
Non-cash stock-based compensation (c)	17,070	17,262	8,574
Acquisition (d)	—	111	1,974
Other Operating Income (e)	(5,499)	—	—
Business development, integration and other expenses (f)	14,147	12,108	16,055
Consulting fee and related expenses (g)	3,061	3,079	3,086
Adjusted EBITDA	$275,514	$292,292	$347,873

(a) Reflects employee termination benefits expense which represents severance and other employee related costs that are unrelated to a restructuring plan.

(b) Reflects restructuring expense which represents costs related to certain exit activities such as involuntary termination costs and contract termination costs associated with a restructuring plan.

(c) Reflects non-cash expenses related to equity compensation awards.

(d)

Reflects expenses associated with the Aicent acquisition, including professional services costs, such as legal, tax, audit and transaction advisory costs.

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(e) Reflects a one-time transfer of certain data center equipment to Syniverse at no cost.
(f) Reflects items associated with business development activities; integration activities, such as incremental contractor, travel and marketing costs; CEO transition costs; and other expenses such as certain advisory services, employee retention costs and certain data center migration costs.
(g) Reflects management fees paid to Carlyle and related expenses pursuant to a consulting agreement with Carlyle.

Free Cash Flow is determined by adding the result of net cash provided by operating activities adjusted for loss from discontinued operations, net of tax, working capital adjustment related to discontinued operations and acquisition expense less capital expenditures (excluding capital expenditures related to assets held for sale).
We believe that Free Cash Flow is a useful financial metric to assess our ability to pursue opportunities to enhance our growth. We also use Free Cash Flow as a measure to review and evaluate the operating performance of our management team in connection with our executive compensation and bonus plans. Additionally, we believe this is a useful metric for investors to assess our ability to repay debt.
A reconciliation of Syniverse Holdings, Inc. net cash provided by operating activities, the closest GAAP measure, to Free Cash Flow is presented in the following table:

	Year ended December 31,		
(in thousands)	2016	2015	2014
Reconciliation to Free Cash Flow			
Net cash provided by operating activities	$136,118	$161,838	$168,011
Loss from discontinued operations, net of tax	—	—	688
Working capital adjustment related to discontinued operations	—	—	(688)
Acquisition	—	111	1,974
Capital expenditures	(62,887)	(68,220)	(91,758)
Free Cash Flow	$73,231	$93,729	$78,227

SFHC Adjusted EBITDA is determined by adding the following items to SFHC net income: depreciation, restructuring and other expenses, non-cash stock-based compensation, business development, integration and other one-time expenses. SFHC Adjusted EBITDA is a measure used under the indenture that governs the SFHC Notes.

A reconciliation of SFHC net income, the closest GAAP measure, to SFHC Adjusted EBITDA is presented in the following table:

	Year ended December 31,
(in thousands)	2016
Reconciliation to SFHC Adjusted EBITDA	
SFHC net income	$ 39,499
Equity income in investees	91
Other expense, net	1,085
Benefit from income taxes	(10,839)
Depreciation and amortization	36,790
Employee termination benefits (a)	49
Restructuring (b)	5,900
Non-cash stock-based compensation (c)	1,266
Business development, integration and other expenses (d)	1,397
SFHC Adjusted EBITDA	$ 75,238

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(a) Reflects employee termination benefits expense which represents severance and other employee related costs that are unrelated to a restructuring plan.
(b) Reflects restructuring expense which represents costs related to certain exit activities such as involuntary termination costs and contract termination costs associated with a restructuring plan.
(c) Reflects non-cash expenses related to equity compensation awards.
(d) Reflects items associated with business development activities; integration activities, such as incremental contractor, travel and marketing costs; and other expenses such as certain advisory services, employee retention costs and certain data center migration costs.

Off-Balance Sheet Arrangements

We provide financial settlement services to MNOs to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other MNOs. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately $297.9 million and $321.0 million as of December 31, 2016 and 2015, respectively.

We have also used off-balance sheet financing in recent years primarily in the form of operating leases for facility space and equipment and we expect to continue these practices. We do not use any other type of joint venture or special purpose entities that would create off-balance sheet financing. We believe that our decision to lease office space is similar to that used by many other companies of our size. We intend to continue to enter into operating leases for facilities and equipment as these leases expire or additional capacity is required.

Contractual Obligations

The following table set forth the schedule of future payments under certain existing contracts, including debt agreements, as of December 31, 2016.

		Payments Due by Period			
(in thousands)		Less Than 1	1 to 3	3 to 5	More Than 5
Contractual Obligations	Total	Year	Years	Years	Years
Long-term debt obligations including interest (1)(2)	$2,290,788	$108,981	$2,181,807	$—	$ —
Operating lease obligations (3)	52,414	8,765	12,297	9,375	21,977
Purchase and contractual obligations (4)	40,584	22,369	15,098	3,117	—
Capital lease obligations including interest (5)	25,724	17,073	8,309	337	5
Pension obligation (6)	13,617	182	437	501	12,497
Contractual Obligations (7)	$2,423,127	$157,370	$2,217,948	$13,330	$ 34,479

(1) Based on an assumed interest rate on the Senior Credit Facility of 4.04% based on the current Eurodollar rate loan option and the 9.125% interest rate on the Senior Notes.
(2) On January 11, 2017, pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes that will mature on January 15, 2022 and a like amount of Syniverse Notes that would have matured on January 15, 2019 were cancelled.
(3) Reflects estimated office space and property and equipment operating lease payments based on contractual rates.
(4) Reflects purchase and contractual obligations for property and equipment, software licenses and services.
(5) Reflects capital lease obligations for certain software licenses and computer equipment.
(6) Reflects estimated obligations from a noncontributory, defined benefit retirement plan associated with one of our foreign subsidiaries.
(7) The timing of cash outflows related to liabilities for uncertain tax positions, and the interest thereon, cannot be estimated and, therefore, has not been included in the table. See Note 12 to our consolidated financial statements for additional information regarding the liabilities for uncertain tax positions.

Effect of Inflation

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had a material effect on our results of operations during the years ended December 31, 2016, 2015 or 2014.

Critical Accounting Policies and Estimates

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

During the year ended December 31, 2016, we did not adopt or change the application of any critical accounting policies from the year ended December 31, 2015 that have had a material impact on our financial statements.

Revenue Recognition

We recognize revenue in accordance with ASC 605 - Revenue Recognition. Our revenues are generated through the sale of Mobile Transaction Services and Enterprise & Intelligence Solutions to mobile operators and enterprise customers throughout the world. The majority of our revenues are generated by transaction-based fees, including a per-transaction fee, tier-based pricing and additional fees for volume above an agreed upon threshold, primarily through long-term contracts typically averaging three years in duration. We also generate revenues through monthly recurring charges and customer implementation services.

For all of our transaction-based services, we recognize revenues at the time the transactions are processed. We recognize fixed fees as revenues on a monthly basis as the related services are performed. We defer revenues and related incremental customer-specific costs for customer implementations and recognize them on a straight-line basis over the life of the initial customer agreements.

See Note 2 to our consolidated financial statements for a detailed discussion of our service offerings and revenue recognition.

Impairment of Long-Lived Assets

We evaluate our long-lived assets, including property and equipment, capitalized software and intangible assets with finite lives for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. We also evaluate the useful life of our assets each reporting period and modify our annual depreciation and/or amortization expense if it is determined that the useful life of an asset or group of assets is different than originally estimated.

If an impairment indicator exists, we perform a comparison of the carrying amount of the assets to the estimated undiscounted future cash flows for the asset or group of assets. An impairment loss is recognized if the carrying amount of a long-lived asset exceeds its fair value. Expected future cash flows are based on management’s best estimate, utilizing reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, asset impairment charges may be required. Management evaluates overall industry and company-specific circumstances and conditions to identify indicators of impairment. We did not record any impairment losses on long-lived assets for the years ended December 31, 2016, 2015 or 2014.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually, or more frequently if indicators of impairment arise. When evaluating goodwill and indefinite-lived intangible assets for impairment, the Company may first perform an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible assets is less than its carrying amount. This qualitative assessment is commonly referred to as a "step zero" approach. Qualitative factors include, but are not limited to, macro-economic conditions, market and industry conditions, competitive environment, operational stability and the overall financial performance of our reporting unit including cost factors and budgeted-to-actual revenue results. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the fair value of a reporting unit or indefinite-lived intangible assets is less than its carrying value, the Company performs a two-step impairment test.

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For the annual impairment test as of October 1, 2016, 2015 and 2014, we bypassed the step zero approach and evaluated our goodwill and indefinite-lived intangible assets using the two-step impairment test. While still considering many of the qualitative factors listed above, the first step under this method is to compare the fair value of our reporting unit to its carrying amount, including goodwill. If the carrying amount exceeds the fair value, we would then compare the implied fair value of the reporting unit's goodwill or indefinite-lived intangible assets with the carrying amount of that goodwill or indefinite-lived intangible assets. An impairment loss would be recognized to the extent that the carrying amount of the reporting unit's goodwill or indefinite-lived intangible assets exceeds its implied fair value. Estimates are based on reasonable and supportable assumptions and projections. See Common Stock Valuation below for further information regarding approaches used. If actual market conditions are less favorable than those projected by management, an impairment loss may be required to be recognized.

In connection with our annual goodwill impairment analysis at October 1, 2016, the fair value of our reporting unit was not substantially in excess of its carrying value. In the future, our reporting unit may be at risk of impairment due to lower operating results caused by volume declines in our CDMA portfolio as well as pricing pressure across many of our other services and other market factors. A goodwill impairment charge would not affect our adjusted EBITDA or free cash flows. We did not record any impairment loss of goodwill or indefinite-lived intangible assets for the periods ending December 31, 2016, 2015 or 2014. Management continuously evaluates overall industry and company-specific circumstances and conditions as necessary.

Income Taxes

We are subject to income taxes in the United States as well as in several foreign jurisdictions. The determination of our provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We believe our tax return positions are fully supportable; however, we establish liabilities for material tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. Issues raised by a tax authority may be finally resolved at an amount different than the related liability. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these liabilities are adjusted through the provision for income taxes in the period of change.

Judgment will be required to determine whether or not some portion or all of our deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, these deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made. Our deferred tax assets as of December 31, 2016 include net accumulated foreign net operating losses ("NOLs") of $174.3 million, net accumulated U.S. federal NOLs of $59.0 million and net accumulated state NOLs of $11.6 million. The foreign NOLs remain available indefinitely to offset future taxable income in specific jurisdictions subject to applicable tax laws and regulations. U.S. federal and state NOLs in specific jurisdictions will expire if not utilized between tax years 2017 and 2036. We continue to maintain a valuation allowance for deferred tax assets primarily associated with certain foreign NOLs. The deferred tax assets also include federal and state tax credit carry forwards of $4.5 million and $1.3 million respectively at December 31, 2016. The federal credits will expire if not utilized between tax years between 2022 and 2036. The majority of the state credits have an indefinite carryforward period. We have determined that it is more likely than not that we will realize the benefit of our net deferred tax assets for which we have not established a valuation allowance. The total amount of valuation allowance on our deferred tax assets was $100.7 million at December 31, 2016. Our assessment of the recoverability of these deferred tax assets is based, in part, on our projections of future business performance and of the reversal of existing deferred tax liabilities. If future business performance fails to meet projections, we may determine that some or all of these deferred tax assets will not be realized. In the event of such a determination, we would record a valuation allowance for the amount deemed unrecoverable with a corresponding charge to the provision for income taxes.

Stock-Based Compensation

Our stock-based compensation expense is estimated at the grant date based on an award's fair value as calculated by the Black-Scholes option-pricing model for stock options and share price for restricted stock, and is recognized as expense over the requisite service period. The Black-Scholes model requires various subjective assumptions including expected volatility and option life. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. In addition, we estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly. See Note 10 to our consolidated financial statements for additional information regarding our stock-based compensation.

Common Stock Valuation

In the absence of a public trading market, our Compensation Committee of the Board of Directors, with input from management, determined a reasonable estimate of the then-current fair value of our common stock for purposes of determining fair value of our stock options on the date of grant. We determined the fair value of our common stock utilizing methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately-Held-Company Equity Securities Issued as Compensation." Our approach considered contemporaneous common stock valuations in determining the equity value of our parent using a weighted combination of various methodologies, each of which can be categorized under either of the following two valuation approaches: the income approach and the market approach. In addition, we exercised judgment in evaluating and assessing the foregoing based on several factors including: (i) the nature and history of our business; (ii) our current and historical operating performance; (iii) our expected future operating performance; (iv) our financial condition at the grant date; (v) the lack of marketability of our common stock; (vi) the value of companies we consider peers based on a number of factors, including, but not limited to, similarity to us with respect to industry, business model, stage of growth, intangible value, company size, geographic diversification, profitability, financial risk and other factors; (vii) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of our company given prevailing market conditions; (viii) industry information such as market size and growth; and (ix) macroeconomic conditions.

Income approach

The income approach estimates the value of our company based on expected future cash flows discounted to a present value rate of return commensurate with the risks associated with the cash flows ("DCF method"). The cash flows utilized in the DCF method are based on our most recent long-range forecast. The discount rate is intended to reflect the risks inherent in the future cash flows of the Company. Because the cash flows are projected over a limited number of years, it is also necessary under the income approach to compute a terminal value as of the last period for which discrete cash flows are projected. This terminal value capitalizes the future cash flows beyond the projection period and is determined by taking the projected results for the final year of the projection and applying a terminal exit multiple. This amount is then discounted to its present value using a discount rate to arrive at the present value of the terminal value. The discounted projected cash flows and terminal value are totaled to arrive at an indicated aggregate equity value under the income approach. In applying the income approach, we derived the discount rate from an analysis of the cost of capital of our comparable industry peer companies as of each valuation date and adjusted it to reflect the risks inherent in our business cash flows. A 11.0% discount rate was used in our valuations for the year ended December 31, 2016. We derived the terminal exit multiple from an analysis of the EBITDA multiples of our comparable industry peer companies as of each valuation date. We then used the implied long-term growth rate of our Company to assess the reasonableness of the selected terminal exit multiple.

Market approach

The market approach incorporates various methodologies to estimate the equity value of a company and includes the GPC method which utilizes market multiples of comparable companies that are publicly traded and the GMAC method which utilizes multiples achieved in comparable industry mergers and acquisition transactions if such transactions are relevant to our industry and timely relative to our valuation dates. During the year ended December 31, 2016, we performed a valuation of our common stock as of October 1. We did not use the GMAC approach in the October 1 valuation as the implied multiples were not indicative of future performance.

When considering which companies to include in our comparable industry peer companies, we mainly focused on U.S.-based publicly traded companies in the industry in which we operate and selected comparable industry peer companies and transactions on the basis of operational and economic similarity to our business at the time of the valuation. The selection of our comparable industry peer companies requires us to make judgments as to the comparability of these companies to us. We considered a number of factors including the business in which the peer company is engaged, business size, market share, revenue model, development stage and historical operating results. We then analyzed the business and financial profiles of the peer companies for relative similarities to us and, based on this assessment, we selected our comparable industry peer companies. The selection of our comparable peer companies has not significantly changed over time as we continue evaluating whether the selected companies remain comparable to us and considering recent initial public offerings and sale transactions. Based on these considerations, we believe the comparable peer companies are a representative group for purposes of selecting sales and EBITDA multiples in the performance of contemporaneous valuations.

For each valuation during the years ended December 31, 2016 and 2015, we equally weighted the income and market approaches. We believe an equal weighting of the two methods is appropriate as it utilizes both management's expectations of future results and an estimate of the market's valuation of companies similar to us. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, the amount and timing of expected future cash flows, as well as the relevant comparable company revenue and earnings multiples for the market approach.

Once we determine our enterprise value, we allocate this value between the fair value of debt, including capital lease obligations, and common stock at the valuation date. The residual enterprise value, after allocation of value to debt, is further reduced by the fair value of outstanding stock options and restricted stock at the valuation date. The remaining value is then prescribed to our outstanding common stock in order to arrive at a per share value.

Recently Issued Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-06, Simplifying the Test for Goodwill Impairment, which is included in ASC Topic 350. ASU 2017-06 simplifies the subsequent measurement of goodwill by requiring impairment charges to be based on Step 1 of the goodwill impairment test. The update is effective for the Company beginning January 1, 2020. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses, which is included in the ASC in Topic 326. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The update will replace the incurred loss approach with an expected credit loss model. It also would require entities to present unrealized losses from available-for-sale debt securities as allowances rather than as a reduction in the amortized cost of the securities. The update is effective for the Company beginning January 1, 2020. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, which is included in the ASC in Topic 842. ASU 2016-02 is intended to improve financial reporting related to leasing transactions. ASU 2016-02 requires recognition of lease assets and lease liabilities by lessees for most leases. The effect on the statement of comprehensive income and the statement of cash flows is largely unchanged from current GAAP. The update is effective for the Company beginning January 1, 2019. Early adoption is permitted. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606. ASU 2014-09 was issued as a converged guidance with the IASB on recognizing revenue in contracts with customers and is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach to the recognition of revenue. The update includes a five-step framework with applicable guidance, which supersedes existing revenue recognition guidance. This update is effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early application of the standard is permitted. We currently anticipate adopting the standard effective January 1, 2018, using the full retrospective method such that each prior reporting period reflects the new standard. However, we are continuing to evaluate the impact of the standard, and our adoption method is subject to change. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Market Risk

We have exposure to fluctuations in interest rates on our Senior Credit Facility. Our Senior Credit Facility is subject to variable interest rates dependent upon the Eurodollar rate floor. Under the Senior Credit Facility, the Eurodollar rate floor was 1.00% and the base rate floor was 2.00% as of December 31, 2016. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of December 31, 2016 and 2015, a one-eighth percent change in assumed interest rates on our Senior Credit Facility would result in $1.9 million and $2.0 million of additional interest expense, respectively.

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Foreign Currency Market Risk

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

A 10% change in average foreign currency rates against the U.S. dollar during the year ended December 31, 2016 would have increased or decreased our revenues and net loss by approximately $14.4 million and $4.7 million, respectively, and approximately $16.7 million and $4.2 million during the year ended December 31, 2015, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are included as a separate section of this Annual Report on Form 10-K. See Item 15. for an index to the consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of December 31, 2016. Based on the evaluation, as of December 31, 2016, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules13a-15(f) or 15d-15(f). 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. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only with proper authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our 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.

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Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, our management has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2016 based on the criteria established in a report entitled Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of December 31, 2016.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of members of our Board of Directors (the "Board" or "Directors") and executive officers and the positions they held with us as of February 28, 2017:

Name	Age	Position(s)
Stephen C. Gray	58	President and Chief Executive Officer; and Director
Robert F. Reich	57	Executive Vice President and Chief Financial Officer
Timothy Moss	50	Executive Vice President and Chief Operating Officer
David H. Ratner	47	Executive Vice President and Chief Product Officer
Jeffrey M. White	45	Group Vice President, Global Sales
Laura E. Binion	60	Senior Vice President and General Counsel
Mary P. Clark	50	Senior Vice President, Chief Marketing Officer and Chief of Staff
John T. McRae	47	Group Vice President and General Manager
Michael J. O'Brien	51	Senior Vice President, Corporate Development and Strategy
Norris Powell	52	Senior Vice President and Chief Human Resources Officer
Chris Rivera	47	Senior Vice President and Chief Technology Officer
James A. Attwood, Jr.	58	Chairman of our Board of Directors
Tony G. Holcombe	61	Vice Chairman of our Board of Directors
Kristen Ankerbrandt	38	Director
Kevin L. Beebe	57	Director
Laura Desmond	51	Director
Julius Genachowski	54	Director
Mark J. Johnson	43	Director
Daniel S. Mead	63	Director
Raymond A. Ranelli	69	Director

Stephen C. Gray was elected as a director of the Company in January 2011, was named interim President and Chief Executive Officer in August 2014 and named President and Chief Executive Officer in February 2015. He is the founder of Gray Venture Partners, LLC and serves as Chairman of ImOn Communications, LLC, Security Coverage, Inc., HH Ventures, LLC (d/b/a, ReadyMobile, LLC) and Involta, LLC. Prior to being named as our President and Chief Executive Officer, Mr. Gray was also an Operating Executive to Carlyle. Mr. Gray currently serves as a director of CommScope, Inc., which is a Carlyle portfolio company, and until October 2010 served as a director of Hawaiian Telecom Communications, Inc. Previously Mr. Gray served in leadership positions at McLeod USA, MCI Communications Corp. and Telecom USA. Mr. Gray earned a bachelor's degree in business administration from the University of Tennessee. We believe Mr. Gray's current and prior service on numerous boards in the telecommunications industry, his experience as a senior executive officer of several companies and his current role as Chief Executive Officer of the Company qualifies him to serve on our Board of Directors.

Robert F. Reich became our Executive Vice President and Chief Financial Officer in April 2015, and oversees all aspects of financial operations, including corporate accounting, financial analysis and reporting, tax, risk management, treasury, internal audit and investor relations. Mr. Reich has over 25 years of financial management experience and has held a number of senior positions with leading private equity sponsored and public companies. Prior to joining the Company, Mr. Reich was Senior Vice President and Chief Financial Officer from 2008 to 2015 for Hawaiian Telecom Communications, Inc., an incumbent local exchange carrier serving the Hawaiian Islands. Mr. Reich has served in numerous financial leadership positions, including roles with McLeodUSA, Inc., Wisconsin Central Transportation and Deloitte and Touche. Mr. Reich is a certified public accountant.

Timothy Moss joined the Company in June 2016 and currently serves as our Executive Vice President and Chief Operating Officer, a role he assumed in January 2017. Mr. Moss served as President, Service Provider Group and Global Strategy from May 2016 until January 2017. Before joining the Company, Mr. Moss served as Founder and

CEO of IMG Venture Group from January 2015 to June 2016. Prior to that, Mr. Moss was Senior Vice President, Head of Engagement Practices, North

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America, at Ericsson from July 2010 to January 2015. From 2001 to 2010, Mr. Moss was founder and CEO for Integrity Management group. Mr. Moss holds a bachelor's degree in political science from Texas A&M University.

David H. Ratner joined the Company in January 2016 and currently serves as our Executive Vice President and Chief Product Officer, a role he assumed in January 2017. Mr. Ratner served as President, Enterprise Solutions from March 2016 until January 2017. Prior to joining the Company, Mr. Ratner served as Chief Executive Officer and President of Openwave Messaging, a multi-channel messaging, security and identity management service provider, from July 2012 to April 2014 and as Chief Operating Officer of SEVEN Networks, a provider of software products for mobile traffic management and optimization, from May 2008 to August 2011. Mr. Ratner has also held senior executive positions at several other companies including Carrier Access, Openwave Systems and Software.Com. Mr. Ratner holds bachelor's degrees in computer science and mathematics from Cornell University and a master's degree and a doctoral degree in computer science from the University of California in Los Angeles.

Jeffrey M. White joined the Company in August 2016 and serves as our Group Vice President, Global Sales. Prior to joining the Company, from 2014 to 2015, Mr. White served as Chief Revenue Officer for Extreme Networks. From 1997 to September 2014, Mr. White held various senior positions at Cisco Systems, including most recently President of India from 2012 to 2014 and Senior Vice President Service Provider for Asia Pacific from 2009 to 2012. Mr. White holds a bachelor of science in business administration from the University of Phoenix, in Phoenix, Arizona and a master of business administration, international business from the University of Texas at Dallas, Dallas, Texas.

Laura E. Binion became our Senior Vice President and General Counsel in June 2008. Prior to joining the Company, Ms. Binion served as Executive Vice President and General Counsel of CheckFree Corporation, a position she held from 2001 to 2007. From 1986 to 2001, Ms. Binion held various positions in the legal departments of Verizon Wireless (or its predecessor companies-Contel Corporation, Contel Cellular, GTE Corporation and GTE Wireless), including General Counsel of Contel Cellular from 1991 to 1995 and Vice President and General Counsel of GTE Wireless from 1997 to 2000. Prior to joining Contel Corporation in 1986, Ms. Binion was an associate at the law firms of Parker, Hudson, Rainer, Dobbs & Kelly and Kutak, Rock & Huie. Ms. Binion earned both a bachelor's degree in political science and a juris doctor degree from the University of Georgia.

Mary P. Clark joined the Company in June 2009 and currently serves as our Senior Vice President, Chief Marketing Officer and Chief of Staff, a position she has held since January 2017. Ms. Clark served as Senior Vice President and Chief Marketing Officer from March 2014 to January 2017. Prior to March 2014, Ms. Clark served as Senior Vice President, Roaming from January 2011 to March 2014 and as Vice President of Clearing and Settlement from June 2009 to January 2011. Prior to joining the Company, Ms. Clark served as General Manager, Americas of MACH Cibernet from May 2007 to January 2008, as Vice President, Global Financial Settlement of Cibernet from March 2003 to May 2007 and as Vice President, Operations, of Cibernet when it was a subsidiary of CTIA-The Wireless Association from December 1995 to March 2003. Ms. Clark earned her bachelor's degree in communications from the University of Delaware.

John T. McRae joined the Company in January 2011 and currently serves as Group Vice President and General Manager, a role he assumed in July 2016. Prior to becoming Group Vice President and General Manager, Mr. McRae served as Chief Information Officer, Senior Vice President and General Manager of Enterprise & Intelligence Solutions and Senior Vice President of Global Customer Operations. Prior to joining the Company, Mr. McRae was the Chief Executive Officer of NCI Nationwide Credit, a global provider of customer relationship and accounts receivable management services. Mr. McRae has also held senior operations and consulting positions at several other companies including Emdeon and Deloitte Consulting. Mr. McRae holds a bachelor's degree in finance and accounting from the University of Michigan, Dearborn, and a master's degree in business administration in operation and management from Case Western Reserve University.

Michael J. O'Brien joined the Company in 1999 and currently serves as its Senior Vice President, Corporate Development and Strategy, a role he assumed in August 2016. Prior to August 2016, Mr. O'Brien served as Senior Vice President and General Manager, Risk Management from March 2016 to August 2016; as Senior Vice President, Business Development from January 2014 to March 2016 and April 2007 to July 2011; as Senior Vice President, Strategic Market Initiatives from June 2011 to January 2014; and as Vice President Marketing from November 2000 to April 2007. Prior to joining the Company, Mr. O'Brien held various positions in operations and product management at GTE TSI, GTE Mobinet and GE Logisticom. Mr. O’Brien received a bachelor of science in computer science from the University of Virginia, School of Engineering and Applied Science.

Norris Powell joined the Company in January 2017 and serves as its Senior Vice President and Chief Human Resources Officer. Before joining the Company, from 2015 to 2017, Mr. Powell served as Vice President of Human Resources at CSM

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Bakery Solutions. From 2008 to 2014, Mr. Powell held various positions at B/E Aerospace, Inc., including Corporate Vice President, Human Resources and Vice President, Human Resources, Commercial Aircraft Segment. Mr. Powell has also held senior human resource positions at Acergy Group and ALSTOM Power, Inc. Mr. Powell earned his university degree in human resources development from DeMontfort University in Leicester, England.

Chris Rivera joined the Company in July 2016 and serves as our Senior Vice President and Chief Technology Officer. Prior to joining the Company, from November 1999 to June 2016, Mr. Rivera served in a variety of senior roles at Cisco Systems, including Managing Director, Chief Technology Officer, Americas Mobile and Web Providers; Senior Director, Product Line Management, Routing Technology Group; and Director, Product Line Management, Optical Networking. Prior to Cisco, from July 1999 to November 1999, Mr. Rivera was a Product Manager at Cerent Corporation (acquired by Cisco Systems in November 1999) and a Marketing Manager at DSC Communications (acquired by Alcatel in 1998) from April 1997 to July 1999. Mr. Rivera began his career as an Operations and Electronic Systems Officer in the U.S. Navy, for which he served from May 1992 to April 1997 and last held the rank of Lieutenant. Mr. Rivera has a bachelor’s degree from the U.S. Naval Academy and completed coursework at the University of California at San Diego.

James A. Attwood, Jr. became a director of the Company in January 2011 and serves as the Chairman of our Board of Directors. He is a managing director of Carlyle, a company he joined in 2000 and currently serves as the head of Carlyle’s Telecommunications, Media and Technology team. Prior to joining Carlyle, Mr. Attwood served as Executive Vice President for Strategy, Development and Planning at Verizon Communications, Inc. from 1996 to 2000. At Verizon (and GTE prior to that) Mr. Attwood was responsible for the oversight of all strategic planning, alliances, ventures, corporate strategy, development and M&A activities. Prior to joining GTE, Mr. Attwood served as an investment banker at Goldman, Sachs & Co. for 11 years, working in both the New York and Tokyo offices. Mr. Attwood graduated summa cum laude from Yale University in 1980 with a bachelor’s degree in applied mathematics and a master’s degree in statistics. In 1985, he received both a juris doctor degree and a master’s degree in business administration from Harvard University. Mr. Attwood serves as a member of the boards of directors of CoreSite Realty, Getty Images and The Nielsen Company. We believe Mr. Attwood’s previous experiences in the telecommunications industry and his current responsibilities at Carlyle, our largest shareholder, qualifies him to serve on our Board of Directors.

Tony G. Holcombe has served as a member of our Board of Directors since 2003 and served as President and Chief Executive Officer of the Company from January 2006 until his retirement from management of the Company, effective July 1, 2011. Mr. Holcombe continues to serve as the Vice Chairman of our Board of Directors. From December 2003 to November 2005, Mr. Holcombe served in various executive positions at Web MD, including as President of its Emdeon Business Services segment (formerly known as WebMD Business Services) and as President of WebMD. From 2002 to 2003, Mr. Holcombe was Chief Executive Officer of Valutec Card Solutions. From 1997 to 2002, Mr. Holcombe served in various executive positions at Ceridian Corporation and its subsidiaries, including Executive Vice President of Ceridian Corporation. Prior to joining Ceridian Corporation, from 1994 to 1997, Mr. Holcombe was President and Chief Executive Officer of National Processing, Inc. Mr. Holcombe serves on the board of directors of the Numerex Corporation. Mr. Holcombe holds a bachelor’s degree from Georgia State University. We believe Mr. Holcombe’s previous experience as Chief Executive Officer of the Company and his knowledge of the mobile telecommunications industry qualifies him to serve on our Board of Directors.

Kristen Ankerbrandt became a director of the Company in October 2014. She is a Principal in the U.S. Buyout Fund at The Carlyle Group focused on global investment opportunities in the telecommunications, media and technology sectors. Prior to that, Ms. Ankerbrandt held positions at Goldman, Sachs & Co. in the telecommunications and media investment banking group, private equity firm Bruckmann, Rosser, Sherrill & Co. and Amazon. Ms. Ankerbrandt received a bachelor’s degree in economics from Columbia University and a master’s degree in business administration from the Harvard Business School. We believe Ms. Ankerbrandt’s previous experience in the telecommunications market as well as her current responsibilities at Carlyle, our largest shareholder, qualifies her to serve on our Board of Directors.

Kevin L. Beebe was elected as a director of the Company in January 2011. He has served since November 2007 as the President and Chief Executive Officer of 2BPartners, LLC, a partnership that provides strategic and operational advice to private equity clients and private and public companies. From 1998 to 2007, Mr. Beebe was Group President of Operations at Alltel Corporation, a telecommunications services company. Prior to joining Alltel, Mr. Beebe served as Executive Vice President of Operations at 360° Communications Co., a wireless communications company, from 1996 to 1998. Mr. Beebe also held numerous positions of increasing responsibility at Sprint Corporation, including Vice President of Operations, from 1984 to 1995. Mr. Beebe graduated with honors from Kutztown University in 1981 with a bachelor’s degree in economics and received a master’s degree in economics from Bowling Green University in 1982. Mr. Beebe serves as a member of the board of directors of Nextel International, SBA Communications, Logix Communications and Skyworks Solutions and is a founding partner of Astra Capital

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Management, a private equity firm. We believe Mr. Beebe's previous experience in and knowledge of the mobile telecommunications industry, including his experience as a senior officer of several of the Company's largest customers, qualifies him to serve on our Board of Directors.

Laura Desmond was elected as a director of the Company in February 2017. She was most recently the Chief Revenue Officer of Publicis Groupe, a group of global marketing communication and business transformation companies from December 2015 to December 2016. From 2008 to 2015, Ms. Desmond was the Global Chief Executive Officer of Starcom MediaVest Group ("SMG"), a global marketing and media services company which is part of the Publicis Groupe. Prior to 2008 Ms. Desmond served as Chief Executive Officer of SMG - Americas, Chief Executive Officer of MediaVest and Chief Executive Officer of SMG's Latin America group. Ms. Desmond earned a bachelor of business administration degree in marketing from the University of Iowa. Ms. Desmond is on the Board of Directors of Adobe Corporation and serves as an advisory board member to Madison Wells Media and Uptake Technologies, Inc. We believe Ms. Desmond's leadership and experience in helping oversee the marketing and media strategy of some of the world's biggest brands will provide insight for the Company's strategy and qualifies her to serve on our Board of Directors.

Julius Genachowski was elected as a director of the Company in April 2014. He is a Managing Director in the U.S. Buyout Fund at The Carlyle Group where he focuses on acquisitions and growth investments in global technology, media and telecom, including Internet and mobile. Prior to joining The Carlyle Group, Mr. Genachowski was the Chairman of the FCC from 2009 to 2013. Under Mr. Genachowski's leadership, the FCC took major actions to extend broadband access, accelerate the roll out of advanced mobile networks, free-up spectrum for wireless communications, preserve a vibrant Internet and media landscape, foster competition and enhance public safety communications. Mr. Genachowski also extended the FCC's international engagement, visiting more than 20 countries, leading U.S. delegations and working on agreements involving global Internet policy, technology, spectrum, national security, cybersecurity and privacy. Prior to his FCC appointment, Mr. Genachowski worked for more than a decade in the private sector. As a senior executive and member of the Office of the Chairman, Mr. Genachowski helped build IAC/InterActiveCorp, which owned and operated multiple Internet and media businesses, including Expedia, Ticketmaster and USA Network. Mr. Genachowski has taught a joint class at Harvard's Business and Law Schools, and served as a Senior Fellow at the Aspen Institute. Mr. Genachowski has been a board member and advisor to several public and private companies, a Special Adviser at investment firm General Atlantic, on the staff of the Congressional Select Committee on the Iran-Contra Affair and a law clerk to United States Supreme Court Justice David Souter. Mr. Genachowski currently serves as a member of the board of directors of Sonos, Inc., Mastercard Incorporated, Sprint Corporation and Asia Satellite Telecommunications Company Limited (AsiaSat). Mr. Genachowski is a graduate of Columbia College and Harvard Law School. We believe Mr. Genachowski's vast experience in the telecommunications industry, including his service as Chairman of the FCC and his current responsibilities at Carlyle, qualifies him to serve on our Board of Directors.

Mark J. Johnson became a director of the Company in January 2011. He is the co-founder and serves as Managing Partner at Astra Capital Management, a private equity firm that primarily invests in communications and technology sectors. Prior to founding Astra Capital Management, Mr. Johnson was a Managing Director in the U.S. Buyout Fund at Carlyle where he was responsible for sourcing, executing and managing leveraged buyouts and growth equity investments in the communications sector globally. Prior to joining Carlyle, Mr. Johnson was a member of the private equity team at the Blackstone Group where he executed private equity investments in an array of industries.

Mr. Johnson has also worked at JH Whitney & Co., Level (3) Communications and Merrill Lynch. Mr. Johnson served as a member of the Obama '08 Telecommunications, Media & Technology Policy Group and both the Technology, Innovation and Government Reform (TIGR) and Commodity Futures Trading Commission Agency Review transition teams. Mr. Johnson is a graduate of Princeton University and received a master's degree in business administration from the Harvard Business School. Mr. Johnson has served as a member of the board of directors of Insight Communications, TRW Automotive Holdings and the governing board of St. Albans School. We believe Mr. Johnson's experience in the private equity market, including his previous experience at Carlyle, our largest shareholder, qualifies him to serve on our Board of Directors.

Daniel S. Mead became a director of the Company in November 2016. From October 2010 to July 2015, Mr. Mead served as CEO and President of Verizon Wireless. From October 2009 to October 2010, Mr. Mead served as the Chief Operating Officer and Executive Vice President of Verizon Wireless. Mr. Mead was one of the founding senior executives of Verizon Wireless in July 2000. He held leadership roles in various telecommunications functions during his 37-year career at Verizon and its predecessor companies. Mr. Mead served as the Chairman of CTIA—The Wireless Association until December 31, 2014. Mr. Mead also served as a member of the board of directors of Cellular Telecommunications & Internet Association and Vodafone Omnitel. Mr. Mead has a bachelor's degree in quantitative business analysis and finance from Pennsylvania State University and a master's degree in business administration from Pennsylvania State University. Mr. Mead also currently serves on the Board of Trustees at Pennsylvania State Univer

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sity and is chairman of it's Finance and Capital Planning Committee. We believe Mr. Mead's vast experience in the telecommunications industry qualifies him to serve on our Board of Directors.

Raymond A. Ranelli was elected as a director of the Company in January 2011. From 1981 to 2003, Mr. Ranelli was a partner at PricewaterhouseCoopers where he held several positions including Audit Partner, Transaction Services Partner, Managing Partner of the Washington D.C. Regional Offices and Vice Chairman and Global Leader of the Financial Advisory Services practice with operations in twenty countries. Mr. Ranelli serves as a member of the board of directors of K2M, Inc., and various private companies. Mr. Ranelli holds a bachelor's degree in accounting from Virginia Commonwealth University. We believe Mr. Ranelli's expertise in accounting and prior service on audit committees of other companies qualifies him to serve on our Board of Directors.

Governance Matters

Selection of Directors

The Company has one shareholder who elected the initial eight members of the Board after the purchase by The Carlyle Group of the Company's parent in 2011. Recently the Board enlarged the size of the Board and elected two additional directors. The shareholder and Board have selected Directors who have skills, experience and backgrounds that are relevant to the key strategic and operational issues that impact the Company. Directors are typically selected based upon their character, track record of accomplishment in leadership roles, as well as their professional and corporate expertise, skills and experience. There are no procedures pursuant to which anyone other than the shareholder may recommend nominees to the Company's Board.

Independence of Directors

Although the shares of the Company's stock are not publicly traded on any exchange, the Board continues to use the listing standards of the NYSE to determine whether or not the members of the Board are independent. Under these standards, the Board has determined that Messrs. Attwood, Johnson, Genachowski, and Gray and Ms. Ankerbrandt are not independent directors.

Board Committees

The Board of Directors has established three standing committees-the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

The Audit Committee is comprised of Messrs. Raymond Ranelli (Chairman), Mark J. Johnson and Daniel S. Mead and Ms. Kristen Ankerbrandt. Mr. Ranelli is an "audit committee financial expert" as defined by Item 407 of Regulation S-K promulgated by the SEC and all members of the Audit Committee are "financially literate" as that term is used under the applicable rules of the NYSE. Mr. Ranelli and Mr. Mead are independent in accordance with the guidelines and the applicable rules of the NYSE.

The Compensation Committee is comprised of Messrs. James A. Attwood, Jr. (Chairman), Kevin L. Beebe, and Julius Genachowski and Ms. Laura Desmond. None of the members of the Compensation Committee was an officer or employee of the Company in 2016 or any time prior thereto. During 2016, none of the members of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. None of our executive officers served as a member of the board or compensation committee of any other company whose executive officer(s) served as a member of our Board of Directors or our Compensation Committee.

The Nominating and Corporate Governance Committee is comprised of Messrs. Kevin Beebe (Chairman), James A. Attwood, Jr., Tony G. Holcombe and Daniel S. Mead.

Code of Ethics

We have adopted a code of ethics that applies to all of our employees, officers and directors, including our chief executive officer, chief financial officer and other principal executive and senior financial officers. A copy of our Code of Business Conduct, which we believe addresses the code of ethics standards included in Item 406 of Regulation S-K, is available on our website www.syniverse.com, under the heading "Company", "About Syniverse", "Code of Business Conduct" free of charge.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis ("CD&A")

Compensation Philosophy and Objectives

The Company's compensation program for its executive officers is designed to motivate executives to achieve the business objectives of the Company, to reward them for their achievements and to attract and retain executive officers who contribute to the long-term success of the Company. The Company believes that its compensation program links performance to both annual and long-term goals and objectives.

Our philosophy for allocating between currently paid and long-term compensation is to provide adequate base compensation to attract and retain personnel, while offering additional incentives to achieve short-term and longer-term financial performance goals and to maximize long-term value for our shareholders. Our policy provides us the flexibility to allocate between short-term and long-term compensation and between cash and equity-based compensation. We provide cash compensation in the form of a base salary to meet competitive salary norms. In addition, we provide annual cash bonuses which reward executive performance against short-term goals. Finally, stock option and restrictive stock awards align executive pay with long-term gains in shareholder value and long-term financial performance results.

The primary objectives of our compensation program are:

- to attract and retain the best possible executive talent;
- to achieve accountability for performance by linking annual cash incentive compensation to the achievement of measurable performance objectives; and
- to align executive officers' incentives with increases in shareholder value and the achievement of corporate objectives.

The compensation of our named executive officers ("NEOs") is determined by the Compensation Committee, which considers the following factors in making its determination:

- performance against corporate objectives for the year;
- value of an individual's unique skills and capabilities to support our objectives;
- contribution as a member of the executive management team; and
- relevant market data for comparable positions in comparable companies.

Our NEOs for 2016 are Mr. Stephen C. Gray, our President and Chief Executive Officer; Mr. Robert F. Reich, our Executive Vice President and Chief Financial Officer; Mr. Timothy Moss, our Executive Vice President and Chief Operating Officer; Mr. David H. Ratner, our Executive Vice President and Chief Product Officer; and Mr. Jeffrey M. White, our Group Vice President, Global Sales.

Oversight of Compensation Program

The Compensation Committee of our Board of Directors administers the compensation policies for the Company's executive officers and directors. The Compensation Committee is also responsible for approving the equity compensation of executive officers under the Company's long-term equity incentive plan. The Compensation Committee reviewed and approved all components of compensation of our NEOs, including salary, bonus, and long-term equity incentive compensation, the dollar value to the executive and cost to the Company of all perquisites and other personal benefits, and under several potential severance and change-in-control scenarios. The Compensation Committee reviews and approves the compensation of our NEOs with input from our Chief Executive Officer for executive officers other than himself. The Chief Executive Officer and Chief Human Resources Officer develop and recommend appropriate performance measures and targets for individual compensation levels and compile the competitive benchmark data as described below. The Chief Executive Officer and Chief Human Resources Officer do not participate in the discussions or decisions regarding their own compensation.

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Determining Executive Compensation

Review of Competitive Practice. In making compensation decisions with respect to the total compensation opportunity provided to the NEOs, the Compensation Committee considered a number of factors, including the competitive market for executives and compensation levels provided by comparable companies to similarly situated executives and sought to provide compensation that is competitive in the marketplace and aligned with our performance. The Compensation Committee reviewed comparable data for base salary, bonus and long-term compensation and target compensation for executive officers, seeking to ensure that the compensation packages of its executives were competitive in the marketplace. The Compensation Committee believes that competitive compensation packages allow the Company to recruit highly qualified and experienced executive talent from comparable or larger-sized organizations and allows the Company to recruit and retain executives around the world as necessary for its global operations.

Review of Broader Market Data. As part of the compensation review, the Company reviewed the compensation packages of the Company's executives to those provided in market published survey data for comparably-sized organizations. Data sources used in this analysis included 2016 executive compensation surveys published by Mercer, Hay and Aon Radford. Market values were derived from reported pay levels for comparable positions at companies within the telecommunications, technology, and broader market sectors with revenues generally falling within a range of 75% to 125% of the Company's revenues. Published survey sources did not provide a listing of participating organizations within the above-referenced revenue range and industries. We refer to this broader market published survey data as the Broader Market Data. In determining compensation in 2016, neither the Company nor the Compensation Committee engaged with compensation consultants.

Executive Compensation Programs

In 2016, our executive officer compensation consisted of four components:

- base salary;
- annual incentive compensation;
- other one-time signing or re-location bonuses; and
- long-term equity incentive compensation.

Each of these components is discussed in more detail below.

Base Salary. We provide a base salary to attract and retain executive officers and provide them with a fixed and predictable income stream that compensates them for their services during the year. Mr. Ratner was named President, Enterprise Solutions in January 2016 and his base salary was set at $400,000. In June 2016, Mr. Moss was named President, Service Provider Group and Global Strategy and his base salary was set at $460,000. In August 2016, Mr. White was named Group Vice President, Global Sales and his base salary was set at $360,000. The roles and titles for Messrs. Ratner and Moss were changed in early 2017 to Executive Vice President and Chief Product Officer and Executive Vice President and Chief Operating Officer, respectively, but these changes did not impact their salaries. Mr. Reich's base salary was $400,000 in 2016 and was increased to $420,000 in February 2017. Mr. Gray's base salary was set at $750,000 in 2015 and was unchanged in 2016. The Compensation Committee believes all of these salaries are market competitive, based on the Broader Market Data.

Annual Incentive Compensation. The purpose of the annual incentive plan is to focus executives and other management employees on key goals in support of our annual business plan and reinforce a results-oriented management culture by providing opportunities to earn cash incentive awards based on the financial results of the Company. For each individual, the annual incentive is calculated by using a combination of factors, including individual annual percentage award opportunities, corporate financial measurements and weightings, performance goals, and in the discretion of the Compensation Committee, an individual performance adjustment based on each individual's job performance and contribution during the year. Each of these factors is discussed below.

First, each eligible employee, including each NEO, is assigned a target annual incentive award opportunity which is reflected as a percentage of his or her base salary. In January 2016, the target annual award opportunity for Mr. Ratner was set at 75% of his base salary. In June 2016, the target annual award opportunity for Mr. Moss was set at 80% of his base salary. In August 2016, the target annual award opportunity for Mr. White was set at 70% of his base salary. The target annual award opportunity for Mr. Reich was 75% in 2016 and was increased to 80% in February 2017. Mr.

Gray's target annual award opportunity was 100% of his base salary in 2015 and was unchanged in 2016. The Compensation Committee believes all of the target annual incentive award opportunities are market competitive, based on the Broader Market Data.

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Second, the Compensation Committee chooses corporate financial measures that it believes are important indications of how well the Company is performing and on which it wants our executives to focus each year. The Compensation Committee assigns each corporate financial measure a weighting indicating how important a particular measure will be in calculating the annual incentive awards. For 2016, the Compensation Committee selected the following measures and weightings for determining annual incentive awards for corporate executives.

Financial Measure	Weighting
Syniverse Consolidated Revenues	35%
Syniverse Consolidated Adjusted EBITDA*	35%
Syniverse Consolidated Free Cash Flow*	15%
Syniverse New Business Revenue	15%

The Compensation Committee chose the financial measures because it believes they provide a balanced, comprehensive measurement of the Company's overall financial performance, and focus executives and other plan participants on profitable growth.

Third, the Compensation Committee establishes a threshold, a target and a superior performance goal for each financial measure. Calculations between the threshold and the superior goals are linear (which means they are determined using straight-line interpolation). The goals established by the Compensation Committee in February 2016 for corporate executives, including each of our NEOs, were as follows:

Financial Measure	Threshold	Target	Superior
Syniverse Consolidated Revenues	$764 million	$791 million	$805 million
Syniverse Consolidated Adjusted EBITDA*	$270 million	$285 million	$293 million
Syniverse Consolidated Free Cash Flow*	$62 million	$70 million	$76 million
Syniverse New Business Revenue	$61 million	$70 million	$76 million

* For purposes of determining whether these targets were achieved, Adjusted EBITDA and Free Cash Flow are considered non GAAP financial measures. See "Non-GAAP Financial Measures" included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein for a reconciliation of these non GAAP financial measures to the most directly comparable financial measure presented in accordance with GAAP and the reasons management believes the presentation of these non GAAP financial measures provide useful information.

For all NEOs, if the Company's financial performance reaches the threshold goal, then the percentage of the annual incentive cash award attributable to that financial measure is calculated at 50% of the target annual incentive award opportunity. If the Company's financial performance reaches the target goal, the percentage is 100% and if the Company's financial performance reaches the superior goal, the percentage is 150% of the target award opportunity.

	Threshold	Target	Superior
Stephen C. Gray	50.00%	100.00%	150.00%
Robert F. Reich	37.50%	75.00%	112.50%
Timothy Moss	40.00%	80.00%	120.00%
David H. Ratner	37.50%	75.00%	112.50%
Jeffrey M. White	35.00%	70.00%	105.00%

Finally, the Compensation Committee increases or decreases annual incentive awards based on each executive's individual job performance. In 2016 percentage increases or decreases for annual bonuses paid to NEOs ranged from a 10% decrease to a 20% increase of the originally calculated amounts based on each NEOs individual job performance.

In 2016, the Company achieved successful financial results as compared to several of the annual incentive plan performance goals. Revenues were above the threshold goal but slightly below the target goal and as calculated on a linear basis resulted in an 86% payout factor for this financial measurement. Adjusted EBITDA was also above the threshold and lower than the target goal and calculated on a linear basis resulted in a 68% payout factor for this financial measurement. Free Cash Flow

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exceeded the target goal but was below the superior goal and resulted in a 127% payout factor based on a linear calculation. New Business Revenue was below the threshold goal so the payout factor associated with this measurement was 0%. When the weightings of 35%, 35%, 15% and 15% are applied to the payout factors for Revenue, Adjusted EBITDA, Free Cash Flow and New Business Revenue, respectively, the overall payout factor for the corporate annual incentive plan was 73%. Revenues, Adjusted EBITDA, Free Cash Flow and New Business Revenue were all adjusted for foreign exchange impact in determining the payout factors associated with each measurement. Based on the overall Company performance, each individual's annual target percentage and each individual's job performance, the Compensation Committee of the Board of Directors approved the bonuses in the table below for the fiscal year 2016 for each NEO.

	2016 Annual Incentive Plan Award	% of Base Salary
Stephen C. Gray	$602,250	80.30%
Robert F. Reich	$262,800	65.70%
Timothy Moss (1)(2)	$184,000	40.00%
David H. Ratner (1)	$186,330	46.58%
Jeffrey M. White (1)	$66,346	18.42%

(1) The bonuses for Messrs. Moss, Ratner and White were pro-rated based on the time they were employed by the Company during 2016.
(2) Pursuant to his contract, Mr. Moss was entitled to have his bonus calculated based upon a payout factor of 100% regardless of the Company's financial performance in 2016.

Other One-Time Bonuses. From time to time in connection with the initial employment of an executive the Company will pay the executive a one-time signing or re-location bonus. The purpose of this type of bonus is to attract the most talented executive available for an open position and to reimburse the executive for his or her relocation expenses associated with accepting a new position. In 2016, Mr. Moss received a relocation bonus of $150,000 which is subject to pro rata repayment if he is terminated for cause or he resigns without good reason (as such terms are defined in his employment agreement) prior to June 20, 2017. In 2016, Mr. White received a signing bonus of $80,000 which is subject to pro rata repayment if he is terminated for cause or he resigns without good reason prior to August 22, 2017.

Long-Term Equity Incentive Plan. In April 2011, our parent adopted the 2011 Plan. Under the 2011 Plan, directors, employees and consultants of the Company and its subsidiaries may be granted options to purchase common stock, may be granted restricted stock units or may be granted restricted shares of our parent's common stock. The purposes of the 2011 Plan are (i) to further the growth, development and financial success of the Company by providing additional incentives to employees, consultants and directors who are given responsibility for the management or administration of the Company's business affairs; and (ii) to enable the Company to obtain and retain the services of the type of professional, technical and managerial employees, consultants and directors considered essential to the long-range success of our parent, in both cases by providing these individuals with an opportunity to become owners of the common stock of the Company thereby allowing them to benefit directly from our growth, development and financial success. The Compensation Committee believes the 2011 Plan accomplishes these purposes by fostering a partnership between shareholders and management to promote a corporate culture in which managers' act and think as shareholders in evaluating strategic and day-to-day decisions and by providing managers with the opportunity to share in the value creation of the Company.

2016 Equity Awards. In March 2016, in connection with his commencement of service as our President, Enterprise Solutions, the Compensation Committee granted Mr. Ratner 90,000 restricted stock units that vest over a 3 year period based on continuous service (40% after the first year, 35% after the second year and 25% after the third year) and 360,000 stock options that vest ratably over a 4 year period based on continuous service.

In June 2016, in connection with his commencement of service as our President, Service Provider Group and Global Strategy, the Compensation Committee granted Mr. Moss 100,000 restricted stock units that vest over a 3 year period based on continuous service (50% after 18 months and 50% after the third year) and 500,000 stock options that vest ratably over a 4 year period based on continuous service.

In October 2016, in connection with his commencement of service as our Group Vice President Global Sales, the Compensation Committee granted Mr. White 75,000 restricted stock units that vest over a 3 year period based on continuous

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service (50% after 18 months and 50% after the third year) and 250,000 stock options that vest ratably over a 4 year period based on continuous service.

In November 2016, the Compensation Committee decided to issue new equity awards to certain executives and key employees. The equity awards granted in 2016 were restricted stock units that vest over a 3 year period based on continuous service in two equal 18 month increments. The Compensation Committee believes that the restricted stock units are in line with market practices and appropriately incentivizes its executives to profitably grow the Company. As a part of the November 2016 equity grant, the Compensation Committee granted Mr. Reich 30,000 restricted stock units. The Compensation Committee believes all of the 2016 equity awards are market competitive, based on the Broader Market Data.

Historical Equity Awards. In December 2014, the Board granted 350,000 stock options to Mr. Gray in connection with his commencement of service as our Interim Chief Executive Officer. The stock options vested ratably over a 2 year term based on continuous service.

In February 2015, in connection with his commencement of service as our President and Chief Executive Officer, the Compensation Committee granted Mr. Gray 700,000 restricted stock units that vest over a 3 year period based on continuous service (40% after the first year, 35% after the second year and 25% after the third year) and 1,500,000 stock options that vest ratably over a 4 year period based on continuous service.

In April 2015, in connection with his commencement of service as our Chief Financial Officer, the Compensation Committee granted Mr. Reich 500,000 stock options that vest ratably over a 5 year period based on continuous service and Company performance. In May 2015, Mr. Reich's stock option agreement was amended to cancel 140,000 options and to change the vesting with respect to the remaining 360,000 options so that they vest ratably over a four year period based on continuous service. In May 2015, the Compensation Committee also granted Mr. Reich 90,000 restricted stock units that vest over a 3 year period based on continuous service (40% after the first year, 35% after the second year and 25% after the third year). Mr. Reich's stock option agreement was amended to align his awards with awards granted to other executives in May 2015, as described below.

Other Compensation. We do not currently provide a defined benefit pension plan, deferred compensation program, post-retirement health coverage, or similar benefits for our executives. In 2016 Messrs. Gray, Reich, Moss, Ratner and White were eligible to participate, during the term of their employment, in the employee benefit plans provided to all U.S. employees, which included the following:

- a 401(k) plan, pursuant to which participants received a 2% core contribution and a 3% company match assuming they contribute at least 4% to the plan, up to the federal limit, for the period from January to May 2016 and a 5% company match assuming they contribute at least 8% to the plan, up to the federal limit, for the period from June to December 2016;
- health, dental and insurance plans; all employees, including executives, pay a portion of premiums due for health coverage; and
- basic employee life insurance and accidental death and dismemberment coverage equal to one times annual base salary, up to a maximum of $1,000,000, as well as short-term disability coverage at no cost to the employee.

The U.S.-based NEOs also received enhanced long-term disability insurance benefits in the amount of 66.67% of monthly covered earnings up to a maximum of $25,000 per month, which is generally payable until age 65 or for specified shorter periods after age 65. In addition, pursuant to the terms of his employment agreement, Mr. Gray is entitled to use of a private jet for his travel to the Company's headquarters in Tampa, Florida and domestic business outside Tampa.

Employment and Termination Agreements

Our parent entered into employment agreements with Mr. Gray in February 2015, with Mr. Reich in April 2015, with Mr. Ratner in January 2016 and with Mr. Moss in June 2016 upon their acceptance of employment. Mr. White does not have an employment agreement but is entitled to certain severance benefits pursuant to a letter agreement with the Company.

The Compensation Committee believes the employment agreements are appropriate because they help the Company retain these talented executives.

For a description of the material terms of the employment agreements, the severance benefits available under such agreements, and the severance benefits available pursuant to the letter agreements, see the “Material Terms of Employment

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Agreements" following "Grants of Plan-Based Awards," and "Potential Payments Upon Termination of Employment or Change in Control."

Compensation Committee Report

The members of the Company's Compensation Committee reviewed and discussed the above CD&A with management of the Company and, based on that review and discussion, recommended to the Board that the CD&A be included in this Annual Report on Form 10-K.

By the Company's Compensation Committee
James A. Attwood, Jr. (Chairman)
Kevin L. Beebe
Julius Genachowski

Compensation Committee Interlocks and Insider Participation

As of December 31, 2016, the Compensation Committee consisted of Messrs. James A. Attwood, Jr. (Chairman), Kevin L. Beebe and Julius Genachowski. None of the members of our Compensation Committee was an officer or employee of the Company in 2016 or any time prior thereto or had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. None of our executive officers served as a member of the board or compensation committee of any other company whose executive officer(s) served as a member of our Board of Directors or our Compensation Committee.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($) (6)	Stock Awards ($) (7)	Option Awards ($) (7)	Non Equity Incentive Plan Compensation ($) (8)	All Other Compensation ($)(9)	Total ($)
Stephen C. Gray (1) President, Chief Executive Officer and Director	2016	779,577	—	—	—	602,250	271,733	1,653,560
	2015	769,585	1,300,000	7,875,000	7,470,150	499,500	267,745	18,181,980
	2014	229,846	—	—	1,750,875	—	2,677	1,983,398
Robert F. Reich (2) Executive Vice President and Chief Financial Officer	2016	401,806	—	300,000	—	262,800	11,792	976,398
	2015	304,615	160,000	1,012,500	1,665,360(10)	133,200	11,650	3,287,325
Timothy Moss (3) Executive Vice President and Chief Operating Officer	2016	248,302	150,000	1,000,000	1,620,909	184,000	10,350	3,213,561
David H. Ratner (4) Executive Vice President and Chief Product Officer	2016	380,606	—	900,000	1,185,026	186,330	9,173	2,661,135
Jeffrey M. White (5) Group Vice President Global Sales	2016	131,753	80,000	750,000	803,864	66,346	2,492	1,834,455

(1) Mr. Gray became our Interim President and Chief Executive Officer on August 26, 2014, and our President and Chief Executive Officer on February 25, 2015.
(2) Mr. Reich became our Executive Vice President and Chief Financial Officer on April 1, 2015.
(3)

Mr. Moss became our President, Service Provider Group and Global Strategy on June 20, 2016, and our Executive Vice President and Chief Operating Officer on January 13, 2017.

(4) Mr. Ratner became our President, Enterprise Solutions on January 21, 2016, and our Executive Vice President and Chief Product Officer on January 13, 2017.

(5) Mr. White became our Group Vice President Global Sales on August 22, 2016.

(6) For Mr. Gray, reflects his signing bonus of $1,300,000. For Mr. Reich, reflects his relocation bonus of $160,000. For Mr. Moss, reflects his relocation bonus of $150,000. For Mr. White, reflects his signing bonus of $80,000.

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(7) Reflects the grant date fair value of restricted stock unit and option awards granted in the applicable year, determined in accordance with the accounting guidance for share-based compensation under ASC Topic 718. The assumptions used in the calculation of the grant date fair values of the restricted stock unit and option awards are included in Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K.

(8) Reflects the annual non-equity incentive bonuses earned during the applicable year.

(9) The amounts for 2016 reflect the 401(k) Core and Company Match contributions for Messrs. Gray, Reich and Ratner and represents 401(k) Company Match for Messrs. Moss and White. In addition, for Mr. Gray All Other Compensation includes $257,253 of aggregate incremental cost for commuter use of the Company's fractional ownership aircraft. The aggregate incremental cost is calculated based on our estimated variable operating costs, which include the fuel, maintenance, landing fees, trip-related hangar/parking costs and other smaller variable costs.

(10) Reflects the grant date fair value of Mr. Reich's option awards ($1,299,321) and the incremental fair value related to the modification of his option awards as of the modification date ($366,039), as described in the Compensation Discussion and Analysis.

2016 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock Units(#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Mr. Gray		375,000	750,000	1,125,000				
Mr. Reich		150,000	300,000	450,000				
	11/3/2016				30,000			300,000
Mr. Moss		184,000	368,000	552,000				
	6/20/2016				100,000			1,000,000
	6/20/2016					500,000	10.00	1,620,909
Mr. Ratner		150,000	300,000	450,000				
	3/9/2016				90,000			900,000
	3/9/2016					360,000	10.00	1,185,026
Mr. White		126,000	252,000	378,000				
	10/4/2016				75,000			750,000
	10/4/2016					250,000	10.00	803,864

(1) Represents potential threshold, target and maximum payout opportunities under the annual incentive plan excluding individual performance qualifiers. Actual amounts earned under the annual incentive plan are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation table.

(2) Reflects restricted stock units with service-based vesting requirements.

(3) Reflects option awards with service-based vesting requirements.

(4) The price is the fair value of Syniverse Corporation's common stock on the grant date.

(5) Reflects the grant date fair value of the option and restricted stock unit awards, determined in accordance with ASC Topic 718. The assumptions used in the calculation of the grant date fair values of the restricted stock unit and option awards are included in Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K.

Material Terms of Employment Agreements

Each of the employment agreements with Messrs. Gray, Reich, Moss and Ratner has an initial term of three years, and each of these agreements automatically extend for additional one-year periods unless either party gives prior notice of non-renewal. The initial terms of these employment agreements expire on February 25, 2018, April 1, 2018, January 21, 2019 and June 20, 2019 for Messrs. Gray, Reich, Ratner and Moss, respectively. The agreements provide for a base salary and target annual incentive opportunity discussed above in the Compensation Discussion & Analysis. Additionally, Mr. Gray is also entitled to use of a private jet for his travel to the Company's headquarters in Tampa, Florida and domestic business outside Tampa. Additionally, pursuant to his employment agreement, Mr. Moss was entitled to a re-location bonus in an amount equal to $150,000 which is subject to pro rata repayment if he is terminated for cause or he resigns without good reason (as such terms are defined in his employment agreement) prior to June 20, 2017. The employment agreements also specify the payments and benefits to

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which such executives are entitled upon a termination of employment for specified reasons. For more information on the severance benefits provided in the employment agreements, including the definition of a change in control, cause and good reason, and the estimated value of benefits to the NEOs under the employment agreements applicable to them upon a change in control or the termination of their employment as of December 31, 2016, see "Executive Compensation - Potential Payments Upon Termination of Employment or Change in Control."

Mr. White does not have employment agreement with the Company but is entitled to certain severance benefits pursuant to a letter agreement with the Company.

Outstanding Equity Awards at 2016 Fiscal Year End

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (6)
Mr. Gray	30,000	—	—	10.00	4/6/2021		
	350,000	—	—	11.25	12/12/2024		
	375,000	1,125,000 (1)	—	11.25	2/25/2025		
						420,000 (7)	4,200,000
Mr. Reich	90,000	270,000 (2)	—	11.25	4/1/2025		
						84,000 (8)(9)	840,000
Mr. Moss	—	500,000 (3)	—	10.00	6/20/2026		
						100,000 (10)	1,000,000
Mr. Ratner	—	360,000 (4)	—	10.00	3/9/2026		
						90,000 (11)	900,000
Mr. White	—	250,000 (5)	—	10.00	10/4/2026		
						75,000 (12)	750,000

(1) 375,000 options vest on each February 25, 2017, February 25, 2018, February 25, 2019, provided that the executive remains in continuous service on each applicable vesting date.

(2) 90,000 options vest on each April 1, 2017, April 1, 2018, April 1, 2019, provided that the executive remains in continuous service on each applicable vesting date.

(3) 125,000 options vest on each June 20, 2017, June 20, 2018, June 20, 2019, June 20, 2020, provided that the executive remains in continuous service on each applicable vesting date.

(4) 90,000 options vest on each March 9, 2017, March 9, 2018, March 9, 2019, March 9, 2020, provided that the executive remains in continuous service on each applicable vesting date.

(5) 62,500 options vest on each of October 4, 2017, October 4, 2018, October 4, 2019, October 4, 2020, provided that the executive remains in continuous service on each applicable vesting date.

(6) Based on fair market value of Syniverse Corporation common stock of $10.00 as of December 31, 2016.

(7) 245,000 shares vest on February 25, 2017 and 175,000 shares vest on February 25, 2018, provided that the executive remains in continued service through each applicable vesting date.

(8) 31,500 shares vest on April 1, 2017 and 22,500 shares vest on April 1, 2018, provided that the executive remains in continued service through each applicable vesting date.

(9) 15,000 shares vest on May 3, 2018 and November 3, 2019, provided that the executive remains in continued service through the vesting date.

(10) 50,000 shares vest on December 20, 2017 and June 20, 2019, provided that the executive remains in continued service through each applicable vesting date.

(11) 36,000 shares vest on March 9, 2017, 31,500 shares vest on March 9, 2018 and 22,500 shares vest on March 9, 2019, provided that the executive remains in continued service through each applicable vesting date.

(12) 37,500 shares vest on April 4, 2018 and October 4, 2019, provided that the executive remains in continued service through each applicable vesting date.

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2016 Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Mr. Gray	—	—	280,000	2,800,000
Mr. Reich	—	—	36,000	360,000
Mr. Moss	—	—	—	—
Mr. Ratner	—	—	—	—
Mr. White	—	—	—	—

Potential Payments Upon Termination of Employment or Change in Control

Messrs. Gray, Reich, Moss and Ratner

The employment agreements with Messrs. Gray, Reich, Moss and Ratner specify the payments and benefits to which each are entitled upon a termination of employment for specified reasons. Pursuant to their employment agreements, each executive will be entitled to receive severance benefits if (i) the executive’s employment is terminated by the Company without cause, (ii) the executive resigns for good reason, (iii) the executive’s employment terminates by reason of the Company’s non-renewal of the agreement, (iv) the executive’s employment terminates by reason of his death or disability (other than with respect to Mr. Gray), or (v) the executive’s employment is terminated purportedly for cause but without following the specified procedures for such a termination in the agreement. In each such case, the executive will be entitled to the following benefits: (i) a severance payment equal to one times his then-current base salary, payable in installments over one year; (ii) an amount equal to his target bonus for the then-current fiscal year, payable at such time as the bonus would have been paid absent the executive’s termination of employment; and (iii) payment of the employee-portion of any COBRA premiums for 12 months. In addition, depending upon the date of termination, a portion of the stock options and restricted stock units (RSUs) granted to Messrs. Gray, Reich, Moss or Ratner, to the extent not already vested, will become vested as described below.

A portion of Mr. Gray’s stock options and RSUs granted in 2015 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on February 26, 2016 and ending on February 25, 2017, 50% of the stock option will become vested and exercisable and 75% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on February 26, 2017 and ending on February 25, 2018, 75% of the stock option will become vested and exercisable and 100% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on February 26, 2018 and ending on February 25, 2019, 100% of the stock option will become vested and exercisable; and
- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the stock option will become vested and exercisable and all of the RSUs will automatically become vested.

A portion of Mr. Reich’s stock options and RSUs granted in 2015 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on April 2, 2016 and ending on April 1, 2017, 50% of the stock option will become vested and exercisable and 75% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on April 2, 2017 and ending on April 1, 2018, 75% of the stock option will become vested and exercisable and 100% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on April 2, 2018 and ending on April 1, 2019, 100% of the stock option will become vested and exercisable; and

- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the stock option will become vested and exercisable and all of the RSUs will automatically become vested.

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A portion of Mr. Reich's RSUs granted in 2016 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on November 2, 2016 and ending on May 2, 2018, 50% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on May 3, 2018 and ending on November 2, 2019, 100% of the RSUs will automatically become vested; and
- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the RSUs will automatically become vested.

A portion of Mr. Moss' stock options granted in 2016 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on June 20, 2016 and ending on June 20, 2017, 25% of the stock option will become vested and exercisable;
- if the date of termination occurs during the period beginning on June 21, 2017 and ending on June 20, 2018, 50% of the stock option will become vested and exercisable;
- if the date of termination occurs during the period beginning on June 21, 2018 and ending on June 20, 2019, 75% of the stock option will become vested and exercisable;
- if the date of termination occurs during the period beginning on June 21, 2019 and ending on June 20, 2020, 100% of the stock option will become vested and exercisable; and
- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the stock option will become vested and exercisable and all of the RSUs will automatically become vested.

A portion of Mr. Moss' RSUs granted in 2016 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on June 20, 2016 and ending on December 20, 2017, 50% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on December 21, 2017 and ending on June 20, 2019, 100% of the RSUs will automatically become vested; and
- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the RSUs will automatically become vested.

A portion of Mr. Ratner's stock options and RSUs granted in 2016 to the extent not already vested, will become vested, based upon the date of termination, as follows:

- if the date of termination occurs during the period beginning on March 9, 2016 and ending on March 8, 2017, 25% of the stock option will become vested and exercisable and 40% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on March 9, 2017 and ending on March 8, 2018, 50% of the stock option will become vested and exercisable and 75% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on March 9, 2018 and ending on March 8, 2019, 75% of the stock option will become vested and exercisable and 100% of the RSUs will automatically become vested;
- if the date of termination occurs during the period beginning on March 9, 2019 and ending on March 8, 2020, 100% of the stock option will become vested and exercisable; and
- if the date of termination occurs during the 180-day period prior to a change in control of the Company, all of the stock option will become vested and exercisable and all of the RSUs will automatically become vested.

For purposes of Messrs. Gray, Reich, Moss and Ratner's employment agreements, "Cause" generally means the commission of a felony or crime involving moral turpitude or the commission of fraud; conduct tending to bring substantial public disgrace or disrepute on the Company; substantial and repeated failure to perform duties; gross negligence or willful misconduct with respect to the Company; or breach of the executive's covenants regarding confidentiality, noncompetition, nonsolicitation and/or nondisparagement. "Good Reason" generally means: assigning the executive duties which, in the aggregate, represent a material diminution in executive's title, authority or responsibilities; reducing the base salary or target bonus of the executive; materially reducing the benefits the executive receives other than as a reduction in benefits generally

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applicable to senior executives of the Company; in connection with a change in control prior to an initial public offering, the failure of the acquiring entity to assume the employment agreement; or, other than with respect to Mr. Gray, requiring the executive to relocate outside of a 50 mile radius from the executive's current employment location. In addition, Messrs. Gray, Reich, Moss and Ratner's employment agreements provide that the executives' unvested stock options and RSUs will become immediately vested upon a change in control, provided that the executive is employed by us on the date of the change in control. For purposes of Messrs. Gray, Reich, Moss and Ratner's employment agreements, "Change in Control" generally means any transaction or series of transactions pursuant to which any person or group other than Carlyle in the aggregate acquire(s) (a) beneficial ownership of equity securities of our parent possessing the voting power to elect a majority of the Board of Directors (whether by merger, consolidation, reorganization, combination, sale or transfer of our parent's equity, securityholder or voting agreement, proxy, power of attorney or otherwise), or (b) all or substantially all of our parent's assets determined on a consolidated basis.

Pursuant to their employment agreements each of Messrs. Gray, Reich, Moss and Ratner have agreed to limitations on his ability to disclose any of the Company's confidential information, and acknowledged that all inventions relating to his employment belong to the Company. Messrs. Gray, Reich, Moss and Ratner have also agreed not to compete with us anywhere in the world or to solicit our employees for a period of one year following the termination of his employment with the Company.

Mr. White

Pursuant to a letter agreement with the Company, if Mr. White's employment is terminated by the Company without cause, Mr. White will be entitled to a severance payment equal to one times his then-current base salary, payable in installments over one year. Pursuant to his stock option agreements and restricted stock unit award agreements, Mr. White's stock options and RSUs will become fully vested and exercisable if his employment is terminated without cause within the 12-month period immediately following a change in control. For purposes of these agreements, "Cause" generally means the failure to substantially perform the executive's duties; failure to carry out, or comply with any lawful and reasonable directive of the Board of Directors or the executive's immediate supervisor; the commission, conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony, indictable offense or crime involving moral turpitude; unlawful use or possession of illegal drugs on the Company's premises or while performing the executive's duties and responsibilities; or the commission of an act of fraud, embezzlement, misappropriation, misconduct or breach of fiduciary duty against the Company. "Change in Control" has the same meaning as provided above for Messrs. Gray, Reich, Moss and Ratner.

Summary of Potential Payments Upon Termination of Employment or Upon the Occurrence of a Change in Control

The following table shows the estimated value of benefits to Messrs. Gray, Reich, Moss, Ratner and White if their employment had been terminated under the various circumstances described below as of December 31, 2016, or upon the occurrence of a Change in Control. The amounts shown in the table exclude accrued but unpaid base salary, unreimbursed employment-related expenses, accrued but unpaid vacation pay (which payments and reimbursements would be made to all salaried employees), distributions under our 401(k) retirement plan (which plan is generally available to all of our US-salaried employees), and the value of equity awards that were vested by their terms as of December 31, 2016.

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	Qualifying Termination (Not in Connection with a Change in Control) ($) (12)		Qualifying Termination (Following or in Connection with a Change in Control) ($) (12)		Termination Other than a Qualifying Termination (Not in Connection with a Change in Control) ($) (12)	Change in Control (Absent Termination)		Disability (13)	
Mr. Gray									
Salary (1)	750,000		750,000		—	—		—	
Bonus (2)	750,000		750,000		—	—		—	
COBRA Premium (3)	—		—		—	—		—	
Value of Unvested Restricted Stock (4)	2,450,000	(5)	4,200,000	(10)	—	4,200,000	(11)	2,450,000	(5)
Value of Unvested Options (4)	—	(5)	—	(10)	—	—	(11)	—	(5)
TOTAL	3,950,000		5,700,000		—	4,200,000		2,450,000	
Mr. Reich									
Salary (1)	400,000		400,000		—	—		400,000	
Bonus (2)	300,000		300,000		—	—		300,000	
COBRA Premium (3)	15,938		15,938		—	—		15,938	
Value of Unvested Restricted Stock (4)	465,000	(6)(7)	840,000	(10)	—	840,000	(11)	465,000	(6)(7)
Value of Unvested Options (4)	—	(6)	—	(10)	—	—	(11)	—	(6)
TOTAL	1,180,938		1,555,938		—	840,000		1,180,938	
Mr. Moss									
Salary (1)	460,000		460,000		—	—		460,000	
Bonus (2)	368,000		368,000		—	—		368,000	
COBRA Premium (3)	17,430		17,430		—	—		17,430	
Value of Unvested Restricted Stock (4)	500,000	(8)	1,000,000	(10)	—	1,000,000	(11)	500,000	(8)
Value of Unvested Options (4)	—	(8)	—	(10)	—	—	(11)	—	(8)
TOTAL	1,345,430		1,845,430		—	1,000,000		1,345,430	
Mr. Ratner									
Salary (1)	400,000		400,000		—	—		400,000	
Bonus (2)	300,000		300,000		—	—		300,000	
COBRA Premium (3)	14,670		14,670		—	—		14,670	
Value of Unvested Restricted Stock (4)	360,000	(9)	900,000	(10)	—	900,000	(11)	360,000	(9)
Value of Unvested Options (4)	—	(9)	—	(10)	—	—	(11)	—	(9)
TOTAL	1,074,670		1,614,670		—	900,000		1,074,670	
Mr. White									
Salary (1)	360,000		360,000		—	—		—	

COBRA Premium (3)	19,628	19,628				
Value of Unvested Restricted Stock (4)	—	750,000	(10)	—	—	—
Value of Unvested Options (4)	—	—	(10)	—	—	—
TOTAL	379,628	1,129,628		—	—	—

(1) Reflects the executive's base salary as of December 31, 2016 which amount would be payable in installments over one year.

(2) Reflects 100% of the executive's 2017 target bonus as of December 31, 2016, payable at such time as the bonus would have been paid absent the executive's termination of employment.

(3) Represents an estimated value, based on current rates, for payment of the employee-portion of any COBRA premiums for 12 months.

(4) For purposes of this calculation, the value of the unvested stock options is based on the difference between the fair market value of our common stock on December 31, 2016 ($10.00) and the exercise price of the unvested option. Excludes any unvested stock options having an exercise price that is equal to or greater than the fair market value of our common stock on December 31, 2016 ($10.00). The value of unvested shares of RSUs is based on the fair market value of our common stock on December 31, 2016 ($10.00).

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(5) Pursuant to Mr. Gray's employment agreement, if his date of termination occurs during the period beginning on February 26, 2016 and ending on February 25, 2017, 25% of the stock options granted on February 25, 2015 will immediately become vested and exercisable and 35% of the RSUs granted on February 25, 2015 will become automatically vested.

(6) Pursuant to Mr. Reich's employment agreement, if his date of termination occurs during the period beginning on April 2, 2016 and ending on April 1, 2017, 25% of the stock options granted on April 1, 2015 will immediately become vested and exercisable and 35% of the RSUs granted on April 1, 2015 will become automatically vested.

(7) Pursuant to Mr. Reich's employment agreement, if his date of termination occurs during the period beginning on November 2, 2016 and ending on May 2, 2018, 50% of his RSUs granted on November 2, 2016 will automatically become vested.

(8) Pursuant to Mr. Moss' employment agreements, if his date of termination occurs during the period beginning on June 20, 2016 and ending on June 20, 2017, 25% of the stock options granted on April 1, 2015 will immediately become vested and exercisable and if his date of termination occurs during the period beginning on June 20, 2016 and ending on December 20, 2017, 50% of the RSUs granted on June 20, 2016 will become automatically vested.

(9) Pursuant to Mr. Ratner's employment agreement, if his date of termination occurs during the period beginning on March 9, 2016 and ending on March 8, 2017, 25% of the stock options granted on March 9, 2016 will immediately become vested and exercisable and 40% of the RSUs granted on March 9, 2016 will become automatically vested.

(10) Pursuant to the executive's stock option agreement, if the executive's employment is terminated within the 12-month period immediately following a change in control, all of the executives' stock options and RSUs automatically become vested and exercisable.

(11) Messrs. Gray, Reich, Moss and Ratner's employment agreements provide that the executives' unvested stock options and RSUs will become immediately vested upon a change in control, provided that the executive is employed by us on the date of the change in control.

(12) For purposes of the table, the term "Qualifying Termination" for each executive refers to a termination of employment that would trigger severance payments for such executive as described above in the narrative to this table.

(13) If an executive meets the requirements for disability under our long-term disability plan he is also entitled to receive benefits under our long-term disability plan.

Compensation Risk Assessment

We have analyzed the potential risks arising from our compensation policies and practices and determined that there are no such risks that are reasonably likely to have a material adverse effect on the Company.

2016 Director Compensation

In 2016, each director not employed by The Carlyle Group or the Company on January 1, 2016, received an annual retainer of $60,000. The Chairman of the Audit Committee received an additional $15,000 and each non-Chair member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee received an additional $7,500. Each director may elect to receive up to fifty percent of his cash fees in the form of shares of our parent's common stock. In 2015, no director made such an election. In October 2016, each director not employed by The Carlyle Group or the Company received a one-time grant of 30,000 restricted stock units.

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2016 Director Compensation Table

The following table provides information about the compensation earned by members of the Board of Directors during 2016:

Name	Fees Earned or Paid in Cash ($)	Stock Awards (1)	Total
James A. Attwood, Jr.	—	—	—
Tony G. Holcombe	67,500	300,000	367,500
Kristen Ankerbrandt	—	—	—
Kevin L. Beebe	75,000	300,000	375,000
Laura Desmond	—	—	—
Julius Genachowski	—	—	—
Stephen C. Gray	—	—	—
Mark J. Johnson	67,500	300,000	367,500
Daniel S. Mead	—	—	—
Raymond A. Ranelli	75,000	300,000	375,000

(1) Reflects the grant date fair value of restricted stock unit awards granted in the applicable year, determined in accordance with the accounting guidance for share-based compensation under ASC Topic 718. The assumptions used in the calculation of the grant date fair values of the restricted stock unit awards are included in Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2016, the Directors held the number of outstanding option and restricted stock unit awards listed below:

	Number of Securities Underlying Unexercised Options	Option Exercise Price ($)	Option Expiration Date	Number of Restricted Stock Unit Awards
James A. Atwood, Jr.	—	$ —		—
Tony G. Holcombe	50,000	$ 10.00	7/1/2021	30,000
Kristen Ankerbrandt	—	$ —		—
Kevin L. Beebe	30,000	$ 10.00	4/6/2021	30,000
Laura Desmond	—	$ —		—
Julius Genachowski	—	$ —		—
Stephen C. Gray	30,000	$ 10.00	4/6/2021	—
Mark J. Johnson	—	$ —		30,000
Daniel S. Mead	—	$ —		—
Raymond A. Ranelli	30,000	$ 10.00	4/6/2021	30,000

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We are an indirect, wholly-owned subsidiary of Syniverse Corporation, a Delaware corporation. All of our outstanding capital stock is owned by The Carlyle Group and certain of its affiliates and co-investors, except as discussed below.

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of February 28, 2017 for:

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- each of our named executive officers;
- each of our directors;
- all of our named executive officers and directors as a group; and
- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, to our knowledge, the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

For funds affiliated with the Carlyle group and executive officers and directors in the table, applicable percentage ownership is based on 121,246,105 shares of common stock outstanding at February 28, 2017. The number of shares of common stock beneficially owned by an executive officer or director is based on their outstanding shares of common stock, stock options that are currently exercisable or exercisable within 60 days of February 28, 2017 and all restricted stock held by such persons as of February 28, 2017.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Syniverse Corporation, 8125 Highwoods Palm Way, Tampa, FL 33647.

Name of Beneficial Owner	Beneficial Ownership	
	Number	Percent
Funds Affiliated with the Carlyle Group (1)	120,000,000	99.0 %
Named Executive Officers:		
Stephen C. Gray (2)	1,560,000	*
Robert F. Reich (3)	290,154	*
Timothy Moss (4)	100,000	*
David H. Ratner (5)	180,000	*
Jeffrey M. White (6)	75,000	*
Directors:		
James A. Attwood, Jr.	—	*
Tony G. Holcombe (7)	130,000	*
Kristen Ankerbrandt	—	*
Kevin L. Beebe (8)	160,000	*
Laura Desmond	—	*
Julius Genachowski	—	*
Mark J. Johnson (9)	30,000	*
Daniel S. Mead	—	*
Raymond A. Ranelli (10)	80,409	*
All executive officers and directors as a group (20 persons) (11)	3,841,055	3.2 %

*Less than 1%

(1) Represents shares held by the following investment funds associated with Carlyle: Carlyle Partners V, L.P., Carlyle Partners V-A, L.P., CP V Coinvestment A, L.P., and CP V Coinvestment B, L.P. and Carlyle Syniverse Co-Investment L.P., which are together referred to as the "Carlyle Funds." Carlyle Partners, V, L.P. holds 101,609,306 shares, Carlyle Partners V-A, L.P. holds 2,045,017 shares, CP V Coinvestment A, L.P. holds 3,574,000 shares, and CP V Coinvestment B, L.P. holds 731,677 shares and Carlyle Syniverse Co-Investment L.P. holds 12,040,000 shares. Carlyle Group Management L.L.C. is the general partner of The Carlyle Group L.P., which is a publicly traded entity listed on NASDAQ. The Carlyle Group L.P. is the managing member of Carlyle Holdings II GP L.L.C., which is the general partner of Carlyle Holdings II L.P., which is the general partner of TC Group Cayman Investment Holdings, L.P., which is the general partner of TC Group

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Cayman Investment Holdings Sub L.P., which is the managing member of TC Group V, L.L.C., which is the general partner of TC Group V, L.P., which is the general partner of each of the Carlyle Funds. Voting and investment determinations with respect to the shares held by the Carlyle Funds are made by an investment committee of TC Group V, L.P. comprised of the following persons: Daniel D'Aniello, William Conway, David Rubenstein, Kewsong Lee, Louis Gerstner, Allan Holt, Peter Clare, Gregor Boehm and Thomas Mayrhofer. Each member of the investment committee of TC Group V, L.P. disclaims beneficial ownership of such shares. The address of TC Group Cayman Investment Holdings, L.P. and TC Group Cayman Investment Holdings Sub L.P. is c/o Walkers Corporate Services Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands. The address of each of the other persons or entities named in this footnote is c/o The Carlyle Group, 1001 Pennsylvania Ave., N.W., Suite 220 South, Washington, DC 20004.

(2) Mr. Gray also serves as a director of the Company. Includes 10,000 shares owned, 755,000 vested options, 420,000 shares of restricted common stock and 375,000 options that will vest within 60 days of February 28, 2017.

(3) Includes 26,154 shares owned, 90,000 vested options, 84,000 of restricted common stock and 90,000 options that will vest within 60 days of February 28, 2017.

(4) Includes 100,000 shares of restricted common stock.

(5) Includes 90,000 shares of restricted common stock and 90,000 options that will vest within 60 days of February 28, 2017.

(6) Includes 75,000 shares of restricted common stock.

(7) Includes 50,000 shares owned, 50,000 vested options and 30,000 shares of restricted common stock.

(8) Includes 100,000 shares owned, 30,000 vested options and 30,000 shares of restricted common stock.

(9) Includes 30,000 shares of restricted common stock.

(10) Includes 20,409 shares owned, 30,000 vested options and 30,000 shares of restricted common stock.

(11) Includes 356,723 shares owned, 1,665,332 vested options, 1,264,000 shares of restricted common stock and 555,000 options that will vest within 60 days of February 28, 2017.

Equity Compensation Plan Information

The Company did not have any equity compensation plans in place as of December 31, 2016. However, the following table provides information as of December 31, 2016, about the securities that may be issued by our parent under its existing equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(2)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(3)
Equity Compensation Plans Approved by Stockholders (1)	11,002,912	$ 10.85	1,818,821
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	11,002,912	$ 10.85	1,818,821

(1) 2011 Equity Incentive Plan (the "2011 Plan").

(2) Reflects 8,952,912 options and 2,050,000 restricted stock units outstanding under the 2011 Plan as of December 31, 2016.

(3) All of such shares are available for issuance pursuant to grants of full-value stock awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Procedures for Review, Approval or Ratification of Related Party Transactions

We maintain a related person transactions policy pursuant to which related persons, namely our executives, directors and principal stockholders, and their immediate family members, are not permitted to enter into certain transactions, or materially modify or amend an ongoing transaction, with us, in which the amount involved exceeds $120,000, without the consent of our Audit Committee or any designated member of the Audit Committee. Any request for us to enter into or materially modify or amend certain such transactions is required to be presented to our Audit Committee for review, consideration and approval. All of our directors and executive officers are required to report any such related person transaction. In approving or rejecting the proposed transaction, our Audit Committee will take into account, among other factors it deems appropriate, whether the proposed related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person’s interest in the transaction. Under the policy, if we should

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discover related person transactions that have not been approved, our Audit Committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction.

The Company asks its directors to complete a questionnaire each year that is designed to determine, among other things, whether the director is involved in any related person transactions with the Company. In addition, as part of its overall controls process the Company requires each officer of the Company to complete a questionnaire each quarter which specifically asks the officers if they are aware of any related person transactions.

Consulting Agreement with Carlyle

On January 13, 2011, we entered into a ten-year consulting agreement with Carlyle under which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the year ended December 31, 2016 we recorded $3.2 million of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the years ended December 31, 2015 and 2014 we recorded $3.1 million of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses.

Carlyle, from time to time, participates as a debt holder within the syndicate under our Initial Term Loans and Tranche B Term Loans. As of December 31, 2016, Carlyle held $37.2 million and $25.6 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2015, Carlyle held $51.0 million and $20.5 million of our Initial Term Loans and Tranche B Term Loans, respectively.

From time to time, and in the ordinary course of business we may engage other Carlyle portfolio companies as service providers and other Carlyle portfolio companies may engage us as a service provider. Revenues and expenses associated with these related parties were not material during the years ended December 31, 2016, 2015 and 2014.

Employment Agreements

See “Executive Compensation - Compensation Discussion and Analysis - Employment Agreements,” for a description of the employment agreements with our named executive officers.

Director Independence

Information on independence of our Board is included above under Item 10. “Directors, Executive Officers and Corporate Governance-Independence of Board Members.”

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents fees for professional audit and other services rendered by our independent registered certified public accountant, Ernst & Young LLP, for the years ended December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
Audit fees (1)	$2,010,956	$2,035,395
Audit-related fees (2)	684,392	839,623
Tax fees (3)	50,000	140,000
All other (4)	—	1,995
Fees	$2,745,348	$3,017,013

(1) Audit fees include fees for our fiscal year-end audit of the consolidated financial statements, statutory audits and review of financial statements included in our Form 10-Q Quarterly Reports.

(2) Audit-related fees include fees for internal control attestation services and comfort letter procedures in connection with the Exchange Offer.

(3) Tax fees include fees for professional services rendered in connection with tax compliance.

(4) All other includes fees for subscription-based accounting research software.

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Policy on Audit Committee Pre-Approval of Audit, Audit-Related and Permissible Non-Audit Services of the Independent Registered Certified Public Accountants

The Audit Committee's policy is to pre-approve all audit, audit-related and permissible non-audit services provided by the independent registered certified public accountant in order to assure that the provision of such services does not impair the auditor's independence. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted pre-approval policies and procedures detailed as to particular services and particular amounts and delegated pre-approval authority to the chairman of the Audit Committee. Under this policy, the decision of any Audit Committee member to whom pre-approval authority has been delegated must be presented to the full Audit Committee at the next scheduled meeting. Management is required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered certified public accountant in accordance with this pre-approval policy. During the years ended December 31, 2016 and 2015, all services were pre-approved by the Audit Committee or a designated member of the Audit Committee in accordance with this policy.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

All other schedules have been omitted since the required information is either not applicable or not present in amounts sufficient to require submission of the schedule, or because the information required is included in our consolidated financial statements or notes thereto.

(b) Exhibit Index

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
SYNIVERSE HOLDINGS, INC.

Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder of Syniverse Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Syniverse Holdings, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in stockholder equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Syniverse Holdings, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ Ernst & Young LLP
Tampa, Florida
March 7, 2017

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SYNIVERSE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$136,174	$166,581
Accounts receivable, net of allowances of $21,650 and $24,343, respectively	166,107	194,259
Income taxes receivable	8,296	6,058
Prepaid and other current assets	28,390	26,113
Total current assets	338,967	393,011
Property and equipment, net	108,782	114,504
Capitalized software, net	143,291	191,078
Goodwill	2,272,796	2,286,876
Identifiable intangibles, net	319,441	400,321
Deferred tax assets	1,338	3,280
Investment in unconsolidated subsidiaries	47,181	3,771
Other assets	8,304	13,499
Total assets	$3,240,100	$3,406,340
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable	$30,557	$50,443
Income taxes payable	5,049	2,112
Accrued liabilities	107,164	98,761
Deferred revenues	3,014	4,558
Current portion of capital lease obligation	16,354	14,667
Current portion of long-term debt, net of original issue discount and deferred financing costs	1,853	35,445
Total current liabilities	163,991	205,986
Long-term liabilities:		
Deferred tax liabilities	112,730	165,570
Long-term capital lease obligation, net of current maturities	8,366	18,563
Long-term debt, net of original issue discount and deferred financing costs	1,993,596	1,981,655
Other long-term liabilities	45,215	44,717
Total liabilities	2,323,898	2,416,491
Commitments and contingencies (Note 14)		
Stockholder equity:		
Common stock $0.01 par value; one thousand shares authorized; issued and outstanding as of December 31, 2016 and 2015	—	—
Additional paid-in capital	1,265,752	1,250,139
Accumulated deficit	(237,021)	(169,838)
Accumulated other comprehensive loss	(120,042)	(97,586)
Total Syniverse Holdings, Inc. stockholder equity	908,689	982,715
Noncontrolling interest	7,513	7,134
Total equity	916,202	989,849
Total liabilities and stockholder equity	$3,240,100	$3,406,340

See accompanying notes to consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	Year Ended December 31,		
	2016	2015	2014
Revenues	$781,892	$861,475	$916,295
Costs and expenses:			
Cost of operations (excluding depreciation and amortization shown separately below)	355,394	389,163	378,052
Sales and marketing	70,803	76,693	77,670
General and administrative	114,550	135,812	140,450
Depreciation and amortization	208,130	215,167	237,577
Employee termination benefits	869	948	9,140
Restructuring	25,220	387	17,826
Acquisition	—	111	1,974
Other operating income	(5,499)	—	—
	769,467	818,281	862,689
Operating income	12,425	43,194	53,606
Other income (expense), net:			
Interest expense, net	(122,837)	(122,726)	(122,383)
Equity (loss) income in investees	(466)	36	35
Other, net	2,901	(1,093)	(2,651)
	(120,402)	(123,783)	(124,999)
Loss before benefit from income taxes	(107,977)	(80,589)	(71,393)
Benefit from income taxes	(42,807)	(31,277)	(25,093)
Net loss from continuing operations	(65,170)	(49,312)	(46,300)
Loss from discontinued operations, net of tax	—	—	(688)
Net loss	(65,170)	(49,312)	(46,988)
Net income attributable to noncontrolling interest	2,013	1,279	1,015
Net loss attributable to Syniverse Holdings, Inc.	$(67,183)	$(50,591)	$(48,003)
Amounts attributable to Syniverse Holdings, Inc.:			
Net loss from continuing operations, net of tax	$(67,183)	$(50,591)	$(47,315)
Loss from discontinued operations, net of tax	—	—	(688)
Net loss attributable to Syniverse Holdings, Inc.	$(67,183)	$(50,591)	$(48,003)

See accompanying notes to consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)

	Year Ended December 31,		
	2016	2015	2014
Net loss	$(65,170)	$(49,312)	$(46,988)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(22,184)	(53,778)	(69,698)
Amortization of unrecognized (loss) gain included in net periodic pension cost	(386)	327	(2,014)
Other comprehensive loss	(22,570)	(53,451)	(71,712)
Comprehensive loss	(87,740)	(102,763)	(118,700)
Less: Comprehensive income attributable to noncontrolling interest	1,899	1,192	1,260
Comprehensive loss attributable to Syniverse Holdings, Inc.	$(89,639)	$(103,955)	$(119,960)

See accompanying notes to consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY
(IN THOUSANDS)

	Stockholder of Syniverse Holdings, Inc.						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
Balance at December 31, 2013	1	$ —	$1,225,374	$(71,244)	$ 27,735	$ 6,781	$1,188,646
Net (loss) income	—	—	—	(48,003)	—	1,015	(46,988)
Other comprehensive (loss) income							
Foreign currency translation adjustment, net of tax benefit of $496	—	—	—	—	(69,943)	245	(69,698)
Amortization of unrecognized loss included in net periodic pension cost, net of tax benefit of $948	—	—	—	—	(2,014)	—	(2,014)
Stock-based compensation	—	—	8,574	—	—	—	8,574
Distribution to noncontrolling interest	—	—	—	—	—	(888)	(888)
Distribution to Syniverse Corporation	—	—	(1,840)	—	—	—	(1,840)
Balance at December 31, 2014	1	—	1,232,108	(119,247)	(44,222)	7,153	1,075,792
Net (loss) income	—	—	—	(50,591)	—	1,279	(49,312)
Other comprehensive (loss) income							
Foreign currency translation adjustment, net of tax benefit of $269	—	—	—	—	(53,691)	(87)	(53,778)
Amortization of unrecognized gain included in net periodic pension cost, net of tax expense of $144	—	—	—	—	327	—	327
Stock-based compensation	—	—	17,262	—	—	—	17,262
Distribution to noncontrolling interest	—	—	—	—	—	(1,211)	(1,211)
Contribution from Syniverse Corporation	—	—	769	—	—	—	769
Balance at December 31, 2015	1	—	1,250,139	(169,838)	(97,586)	7,134	989,849
Net (loss) income	—	—	—	(67,183)	—	2,013	(65,170)
Other comprehensive (loss) income							
Foreign currency translation adjustment, net of tax expense of $204	—	—	—	—	(22,070)	(114)	(22,184)
Amortization of unrecognized loss included in net periodic pension cost, net of tax benefit of $171	—	—	—	—	(386)	—	(386)
Stock-based compensation	—	—	17,070	—	—	—	17,070
Distribution to noncontrolling interest	—	—	—	—	—	(1,520)	(1,520)
Distribution to Syniverse Corporation	—	—	(1,457)	—	—	—	(1,457)
Balance at December 31, 2016	1	$ —	$1,265,752	$(237,021)	$ (120,042)	$ 7,513	$916,202

See accompanying notes to consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities			
Net loss	$(65,170)	$(49,312)	$(46,988)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	208,130	215,167	237,577
Amortization of deferred debt issuance costs and original issue discount	14,592	13,258	12,512
Allowance for credit memos and uncollectible accounts	17,319	20,942	21,290
Deferred income tax benefit	(51,260)	(37,669)	(36,989)
Debt modification costs	—	177	—
Stock-based compensation	17,070	17,262	8,574
Other operating income	(5,499)	—	—
Other, net	2,327	(2,152)	6,239
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	9,126	(23,777)	(21,142)
Income tax receivable or payable	598	(559)	(3,977)
Prepaid and other current assets	(3,747)	2,941	(4,839)
Accounts payable	(19,814)	15,759	5,843
Accrued liabilities and deferred revenues	6,803	(9,611)	(7,635)
Other assets and other long-term liabilities	5,643	(588)	(2,454)
Net cash provided by operating activities	136,118	161,838	168,011
Cash flows from investing activities			
Capital expenditures	(62,887)	(68,220)	(91,758)
Acquisitions, net of acquired cash	—	—	(290,047)
Investment in unconsolidated subsidiaries	(40,479)	—	—
Redemption (purchase) of certificate of deposit	390	(597)	3,694
Proceeds from divestitures	10	2,225	717
Net cash used in investing activities	(102,966)	(66,592)	(377,394)
Cash flows from financing activities			
Proceeds from Revolving Credit Facility	15,000	—	100,000
Payments on Revolving Credit Facility	(15,000)	(10,000)	(90,000)
Debt modification costs paid	—	(177)	—
Principal payments on debt	(36,243)	—	—
Payments on capital lease obligation	(16,450)	(9,776)	(8,020)
(Distribution to) contribution from Syniverse Corporation	(6,456)	769	(1,840)
Purchase of redeemable noncontrolling interest	—	—	(501)
Distribution to noncontrolling interest	(1,520)	(1,211)	(888)
Net cash used in financing activities	(60,669)	(20,395)	(1,249)
Effect of exchange rate changes on cash	(2,890)	2,383	(6,421)
Net (decrease) increase in cash	(30,407)	77,234	(217,053)
Cash and cash equivalents at beginning of period	166,581	89,347	306,400
Cash and cash equivalents at end of period	$136,174	$166,581	$89,347
Supplemental noncash investing and financing activities			
Assets acquired under capital leases	$7,950	$27,200	$20,089
	5,000	—	—

Issuance of Syniverse Corporation stock for investment in unconsolidated subsidiaries			
Supplemental cash flow information			
Interest paid	$108,948	$109,435	$111,311
Income taxes paid	$7,857	$7,624	$15,783

See accompanying notes to consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries, enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end-user traffic, clearing of billing records and settlement of payments. We also offer a unique portfolio of intelligent policy and charging tools that enable our customers to use the real-time data generated by these transactions to deliver customized services and choices to their end users. Our portfolio of mission-critical services enables our customers to connect to the mobile ecosystem, optimize their businesses and enhance and personalize the mobile experience for their end-users. We process over 4 billion billable transactions daily and settle over $16 billion annually between our customers.

We are the leader in LTE roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users have come to expect from 4G and other advanced mobile network technologies, including VoLTE. Our IPX network currently directly connects to nearly half of the global mobile population. We believe our global footprint and operational scale are unmatched in our industry. As a trusted partner with over 25 years of experience and a history of innovation, we believe we are well positioned to solve the technical, operational and financial complexities of the mobile ecosystem.

Our diverse customer base includes a broad range of participants in the mobile ecosystem, including approximately 1,000 MNOs and 500 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide and 2 multinational hotel brands.

The mobile experience is a critical and pervasive component of modern life and has become increasingly complex. Mobile devices have evolved from basic cellular phones to include smartphones, tablets, wearables and other connected devices that people now use to conduct an expanding set of activities in real-time, such as streaming videos, posting social media updates, working and shopping. As a result, today's mobile experience requires seamless and ubiquitous connectivity and coordination between MNOs, OTTs and enterprises across disparate and rapidly evolving networks, devices and applications. The failure to integrate any of these elements can disrupt service, resulting in frustrated end-users, erosion of our customers' brands and loss of revenue by our customers. Our proprietary services bridge these technological and operational complexities.

Syniverse provides approximately 60 mission-critical services to manage the real-time exchange of information and traffic across the mobile ecosystem, enhance our customers' brands and provide valuable intelligence about end-users. Our customers demand, and we deliver, high quality service as evidenced by our over 99.999% network availability. Our comprehensive suite of Mobile Transaction Services and Enterprise & Intelligence Solutions includes the services described below.

Mobile Transaction Services: Transaction-based services that are designed to support the long-term success of our MNO customers. Through Mobile Transaction Services, we:

- Clear, process and exchange end-user billing records.
- Process and settle payments between participants in the mobile ecosystem.
- Activate, authenticate and authorize end-user mobile activities.

- Manage the worldwide routing and delivery of text (SMS), multimedia (MMS) and next generation messaging.
- Provide data transport services over our global IP data network regardless of technology protocol.
- Provide intelligent policy and charging tools that enable our customers to use real-time data for improved end-user experience.
- Provide risk management tools to prevent fraudulent activity on operator networks and identify problem areas in the end to end billing cycle.

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Enterprise & Intelligence Solutions: Services that bridge OTTs and enterprises with MNOs and incorporate our real-time intelligence capabilities to enable all of our customers to serve their end-users. Through Enterprise & Intelligence Solutions, we:

- Connect enterprises to the mobile ecosystem to allow them to reliably reach and interact with their customers and employees via mobile devices.
- Bridge OTTs to the mobile ecosystem allowing OTT end-users to seamlessly interact with traditional mobile end-users.
- Enable enterprises to rapidly execute and optimize their mobile communications initiatives.
- Provide data analytics and business intelligence solutions designed to measure, enhance and secure the end-user experience for our enterprise customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Syniverse Holdings, Inc. and all of its wholly owned subsidiaries and a VIE for which Syniverse is deemed to be the primary beneficiary. References to “Syniverse”, “the Company”, “us”, or “we” include all of the consolidated companies. Noncontrolling interest is recognized for the portion of consolidated joint ventures not owned by us. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and present our financial position, results of operations and cash flows. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

We have prepared our financial statements in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered or delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. The majority of our revenues are derived from transaction-based charges under long-term contracts, typically with three-year terms. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract as we negotiate new agreements or renewals. A majority of the services and solutions we offer to our customers are provided through applications, connectivity and technology platforms owned and operated by us.

We derive revenues primarily from transaction-based and monthly recurring fees paid to us by our customers for various types of mobile services. A majority of our revenues were generated by transaction-based fees. These fees are based upon the number of records or transactions processed or the size of data records processed or both, and includes tier-based pricing and additional fees for volume above an agreed-upon threshold. Monthly recurring fees are based upon contractual provisions that require set, predictable payments each month. Due to the nature of our services, any single end-user call, data session or message often generates multiple transactions and payments from multiple customers. For all of our transaction-based services, we recognize revenues at the time the transactions are processed. We also recognize fixed fees as revenues on a monthly basis as the related services are performed. We defer revenues and related incremental customer-specific costs for customer implementations and recognize such revenues and related costs on a straight-line basis over the life of the initial customer contract.

Certain of our customer contracts include bundled services and are therefore accounted for as multiple-element arrangements. We evaluate multiple-element arrangements to determine whether the deliverables included in the arrangement represent separate units of accounting. We allocate the arrangement consideration among the separate units of accounting using the relative selling price method. Then, we apply the applicable revenue recognition criteria in ASC 605 to each of the separate units of accounting to determine the appropriate period and pattern of recognition.

Cost of operations

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

Research and Development

Research and development costs are charged to expense as incurred and are included in general and administrative expense in the consolidated statements of operations. For the years ended December 31, 2016, 2015 and 2014, we recorded research and development costs of $19.4 million, $21.6 million, and $24.1 million, respectively.

Stock-Based Compensation

We recognize stock-based compensation expense in the consolidated statements of operations based on the grant-date fair value of equity awards. We recognize compensation expense, reduced for estimated forfeitures, under the straight-line method over the requisite service period of the award, which is generally the vesting term of the outstanding stock awards which have service-based vesting. We recognize compensation expense under the accelerated attribution method for performance-based awards expected to vest based on probable satisfaction of the cumulative performance condition. See Note 10 for additional details regarding stock-based compensation.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents consists primarily of various deposit accounts that are stated at cost, which approximates fair value.

Customer Accounts

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our consolidated balance sheets. The off-balance sheet amounts totaled approximately $297.9 million and $321.0 million as of December 31, 2016 and 2015, respectively.

Accounts Receivable

Accounts receivable are recorded at net realizable value which is the amount we expect to collect on our gross customer trade receivables. We establish an allowance for doubtful accounts that may result from the inability of our customers to pay, as well as for specific receivables from customers with known collection problems due to circumstances such as liquidity or bankruptcy. Collection problems are identified using an aging of receivables analysis based on invoice due dates. Items that are deemed uncollectible are written off against the allowance for uncollectible accounts. We do not require deposits or other collateral from our customers. If actual customer performance were to deteriorate to an extent not expected by us, additional allowances may be required. As of December 31, 2016 and 2015, our allowance for doubtful accounts was $7.9 million and $7.1 million, respectively.

We maintain an allowance for credit memos based on our historical activity. These allowances are recorded primarily as the result of price concessions, service level penalties, billing and service disputes and other customer specific matters. Allowances for credit memos are recorded as reductions of accounts receivable and revenues. If our billing discrepancies are not resolved satisfactorily or our customers' disputes over billing are not resolved satisfactorily, increases to the allowance may be required. As of December 31, 2016 and 2015, our allowance for credit memos was $13.7 million and $17.2 million, respectively.

Property and Equipment, Net

Property and equipment consists primarily of computer hardware and network equipment, leasehold improvements and furniture and fixtures, which are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the term of the lease or life of the asset.

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The useful lives of our property and equipment are as follows:

	Average Lives (In Years)
Computers and equipment	3 - 5
Furniture and fixtures	6
Leasehold improvements	2 - 15

When depreciable assets are replaced, retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the respective accounts and any gains or losses on disposition are recognized in the statement of operations. Repairs and maintenance costs are expensed as incurred.

Capitalized Software Costs

We capitalize the cost of externally purchased software and certain software licenses, internal-use software and developed technology that has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they enable the software to perform a task it previously was unable to perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized software and developed technology are amortized using the straight-line method over a period of 3 to 5 years and 3 to 8 years, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but is instead tested for impairment, at least annually on October 1, or more frequently if indicators of impairment arise. Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment, referred to as a component. We have not identified any components within our single operating segment and, hence, have a single reporting unit for purposes of our goodwill impairment analysis.

When evaluating goodwill for impairment, the Company may first perform an assessment of 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. This qualitative assessment is commonly referred to as a "step zero" approach. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, the Company performs a two-step impairment test. In connection with our annual goodwill impairment analysis at October 1, 2016, the fair value of our reporting unit was not substantially in excess of its carrying value. In the future, our reporting unit may be at risk of impairment due to lower operating results caused by volume declines in our CDMA portfolio as well as pricing pressure across many of our other services and other market factors. A goodwill impairment charge would not affect our adjusted EBITDA or free cash flows. We did not record any impairment loss on goodwill for the years ended December 31, 2016, 2015 or 2014.

Indefinite-lived intangible assets are comprised of tradenames and trademarks. Indefinite-lived intangible assets are not amortized, but instead are tested for impairment, at least annually on October 1, or more frequently if indicators of impairment arise. When evaluating indefinite-lived identifiable intangible assess for impairment, the Company may first perform an assessment of qualitative factors to determine whether it is more likely than not that the asset is impaired. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the identifiable intangible asset is impaired, the Company performs a two-step impairment test. We did not record any impairment loss on indefinite-lived intangible assets for the years ended December 31, 2016, 2015 or 2014.

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Finite-Lived Identifiable Intangible Assets

Our finite-lived identifiable intangible assets include customer-related intangible assets such as customer relationships and customer contracts as well as a covenant not to compete and non-solicitation agreement associated with our acquisitions. Customer relationships are amortized using either the pattern of consumption method or the straight-line method, depending on which method more accurately reflects the pattern in which the asset is consumed. The pattern of consumption is determined primarily based on forecasted cash flows, which includes estimates for revenues, expenses and customer attrition. We amortize our covenant not to compete and our non-solicitation agreement over their contract terms using the straight-line method.

Impairment of Long-Lived Assets

We evaluate our long-lived assets including property and equipment, capitalized software and intangible assets with finite lives for impairment when events occur that indicate the carrying value of such assets may not be recoverable. We also evaluate the useful life of our assets each reporting period and modify our annual depreciation and/or amortization expense if it is determined that the useful life of an asset or group of assets is different than originally estimated.

If an impairment indicator exists, we perform a comparison of the carrying amount of the assets to the estimated undiscounted future cash flows for the asset or group of assets. If the undiscounted cash flows are less than the long-lived asset’s carrying amount, we recognize an impairment loss based on the excess of the carrying amount of the long-lived asset over its fair value. Expected future cash flows are based on management’s best estimate, utilizing reasonable and supportable assumptions and projections. If actual market conditions are less favorable than those projected by management, asset impairment charges may be required. Management continues to evaluate overall industry and company-specific circumstances and conditions to identify indicators of impairment. Assets to be sold are stated at the lower of the assets’ carrying amount or fair value and depreciation is no longer recognized. We did not record any impairment loss on long-lived assets for the years ended December 31, 2016, 2015 or 2014.

Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date.

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

Joint Venture Interests

In February 2009, we entered into a joint venture agreement to implement number portability services in India. Our economic interest in the joint venture is 37.5%. We expect to provide India’s telecommunications operators with number portability clearing house and centralized database solutions until March 2019. We consolidate the operations of this joint venture, as we retain the contractual power to direct the activities of this entity which most significantly and directly impact its economic performance. The activity of this joint venture is not significant to our overall operations. The assets of this joint venture are restricted from the standpoint of Syniverse, in that they are not available for our general business use outside the context of the joint venture. The holders of the liabilities of the joint venture have no recourse to Syniverse.

In June 2013, through the MACH Acquisition, we acquired a 45% interest in Link2One, an equity method investee that provides a third party hub that automates all the tests and technical procedures to standardize telecommunications operators' requirements in connection with arrangements for the provision of roaming services. The carrying amount of the investment in the equity method investee as of December 31, 2016 and 2015 was $3.5 million and $3.8 million, respectively, and is included

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in Investment in unconsolidated subsidiaries in the consolidated balance sheets. Revenues recorded from commercial transactions with Link2One, which is a related party to the Company, were $0.8 million, $0.9 million and $1.2 million during the years ended December 31, 2016, 2015 and 2014, respectively.

In May 2016, we acquired a noncontrolling interest in Vibes Media LLC (“Vibes”) for $45 million. The investment consists of $40 million in cash and common shares of Syniverse Corporation valued at $5 million. The carrying amount of the investment in the equity method investee as of December 31, 2016 was $43.7 million and is included in Investment in unconsolidated subsidiaries in the consolidated balance sheets. In addition to our investment in Vibes, Syniverse and Vibes will partner to distribute Vibes’ cloud-based mobile marketing software platform. Expenses incurred from commercial transactions with Vibes, which is a related party to the Company, were $0.7 million during the period from the investment date through December 31, 2016.

Fair Value of Financial Instruments

The accounting standard for fair value provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The accounting standard prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about fair value measurements. See Note 15 for more information regarding the fair value of financial instruments, including a listing of our assets and liabilities required to be measured or disclosed at fair value on a recurring basis and where they are classified within the hierarchy as of December 31, 2016 and 2015.

Foreign Currencies

We have operations in subsidiaries in Europe (primarily the United Kingdom, Germany and Luxembourg), India, the Asia Pacific region and Latin America, each of whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the relevant functional currencies are included in Other, net in the consolidated statements of operations. For the years ended December 31, 2016, 2015 and 2014, we recorded foreign currency transaction gains of $2.9 million and losses of $1.1 million and $2.7 million, respectively.

The assets and liabilities of subsidiaries whose functional currency is other than the U.S. dollar are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of Accumulated other comprehensive loss and is included in Stockholder equity in the consolidated balance sheets. Transaction gains and losses on intercompany balances which are deemed to be of a long-term investment nature are also recorded as a component of Accumulated other comprehensive loss. Revenues and expenses within the consolidated statements of operations are translated at the average rates prevailing during the period.

Segment Information

We have evaluated our portfolio of service offerings, reportable segment and the financial information reviewed by our chief operating decision maker for purposes of making resource allocation decisions. We operate as a single operating segment, as our Chief Executive Officer serving as our chief operating decision maker, reviews financial information on the basis of our consolidated financial results for purposes of making resource allocation decisions.

Revenues by service offerings were as follows:

	Year Ended December 31,		
(in thousands)	2016	2015	2014

Mobile Transaction Services	$649,948	$731,496	$782,116
Enterprise & Intelligence Solutions	131,944	129,979	134,179
Revenues	$781,892	$861,475	$916,295

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

	Year Ended December 31,		
(in thousands)	2016	2015	2014
North America	$483,329	$534,178	$585,455
Europe, Middle East and Africa	133,293	143,837	165,661
Asia Pacific	116,960	125,175	101,714
Caribbean and Latin America	48,310	58,285	63,465
Revenues	$781,892	$861,475	$916,295

For the years ended December 31, 2016, 2015 and 2014, we derived 57.0%, 57.8% and 59.7%, respectively, of our revenues from customers in the United States.

Long-lived assets, which consist of property and equipment, net and capitalized software, net, by geographic location were as follows:

	December 31,	
(in thousands)	2016	2015
North America	$201,753	$227,359
Europe, Middle East and Africa	35,624	63,301
Asia Pacific	14,058	14,186
Caribbean and Latin America	638	736
Long-lived assets, net	$252,073	$305,582

For the years ended December 31, 2016 and 2015, 80.0% and 74.4%, respectively, of our long-lived assets were located in the United States.

Acquisition

The Acquisition line item in our consolidated statements of operations includes professional services costs, such as legal, tax, audit and transaction advisory costs related to the the Aicent acquisition completed in 2014.

Reclassifications of Prior Year Presentation

We reclassified investments in unconsolidated subsidiaries, which included our equity method investment in Link2One at December 31, 2015, from Other assets to Investments in unconsolidated subsidiaries in the consolidated balance sheets to conform to the current year presentation. The reclassification had no effect on our reported results of operations or cash flows.

3. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-05, Intangibles-Goodwill and Other-Internal-Use Software - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which is included in the ASC in Topic 350. ASU 2015-05 provides guidance about whether a cloud computing arrangement includes a software license. The update only applies to internal-use software that a customer obtains access to in a hosting arrangement if the following criteria are met i) the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and ii) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. The costs associated with cloud computing arrangements shall be accounted for as a service if the arrangement does not contain a software license or as internal use software if the arrangement is deemed to contain a software license, up to the amount allocable to software license. We adopted this update on January 1, 2016 using a prospective approach for new arrangements entered into after the effective date. The adoption of this update had no impact on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation - Amendments to the Consolidation Analysis, which is included in the ASC in Topic 810. ASU 2015-02 amends the consolidation analysis currently required under U.S. GAAP. The update modifies the process used to evaluate whether limited partnerships and similar entities are VIEs or voting interest entities; affects the analysis performed by reporting entities regarding VIEs, particularly those with fee arrangements and related party relationships; and provides a scope exception for certain investment funds. We adopted this update on January 1, 2016. The adoption of this update had no impact on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern, which is included in the ASC in Topic 205. ASU 2014-15 requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. We adopted this update for the year ended December 31, 2016. The adoption of this update had no impact on our consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-06, Simplifying the Test for Goodwill Impairment, which is included in ASC Topic 350. ASU 2017-06 simplifies the subsequent measurement of goodwill by requiring impairment charges to be based on Step 1 of the goodwill impairment test. The update is effective for the Company beginning January 1, 2020. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash, which is included in ASC Topic 230. ASU 2016-18 requires companies to show the change in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The update is effective for the Company beginning January 1, 2018 and will be applied retrospectively to all periods presented. Early adoption is permitted. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which is included in ASC Topic 230. ASU 2016-15 includes multiple provisions intended to simplify various treatments of certain cash receipts and cash payments in the statement of cash flows under ASC Topic 230. The update is effective for the Company beginning January 1, 2018. Early adoption is permitted. The amendments in this update should be applied retrospectively to each period presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which is included in the ASC in Topic 326. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The update will replace the incurred loss approach with an expected credit loss model. It also would require entities to present unrealized losses from available-for-sale debt securities as allowances rather than as a reduction in the amortized cost of the securities. The update is effective for the Company beginning January 1, 2020. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is included in the ASC in Topic 718. ASU 2016-09 includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The update is effective for the Company beginning January 1, 2017. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting, which is included in the ASC in Topic 323. ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. Instead, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The update is effective for the Company beginning January 1, 2017. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

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In February 2016, the FASB issued ASU 2016-02, Leases, which is included in the ASC in Topic 842. ASU 2016-02 is intended to improve financial reporting related to leasing transactions. ASU 2016-02 requires recognition of lease assets and lease liabilities by lessees for most leases. The effect on the statement of comprehensive income and the statement of cash flows is largely unchanged from current GAAP. The update is effective for the Company beginning January 1, 2019. Early adoption is permitted. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606. ASU 2014-09 was issued as a converged guidance with the IASB on recognizing revenue in contracts with customers and is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach to the recognition of revenue. The update includes a five-step framework with applicable guidance, which supersedes existing revenue recognition guidance. This update is effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early application of the standard is permitted beginning January 1, 2017. We currently anticipate adopting the standard effective January 1, 2018, using the full retrospective method such that each prior reporting period reflects the new standard. However, we are continuing to evaluate the impact of the standard, and our adoption method is subject to change. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

4. Property and Equipment

Property and equipment, net, consisted of the following:

	December 31,	
(in thousands)	2016	2015
Computers and equipment	$258,549	$226,514
Computer equipment under capital lease	30,424	25,559
Furniture and fixtures	6,106	5,146
Leasehold improvements	17,978	16,252
	313,057	273,471
Accumulated depreciation	(189,514)	(149,781)
Accumulated depreciation of computer equipment under capital lease	(14,761)	(9,186)
Property and Equipment	$108,782	$114,504

Depreciation expense related to property and equipment for the years ended December 31, 2016, 2015, and 2014 was $42.7 million, $46.0 million and $42.8 million, respectively.

5. Capitalized Software

Capitalized software, net, consisted of the following:

	December 31,	
(in thousands)	2016	2015
Capitalized software	$492,271	$456,801
Capitalized software licenses under capital leases	48,216	41,832
	540,487	498,633
Accumulated amortization	(366,922)	(287,996)
Accumulated amortization of capitalized software under capital lease	(30,274)	(19,559)
Capitalized Software	$143,291	$191,078

Amortization expense related to capitalized software for the years ended December 31, 2016, 2015 and 2014 was $86.4 million, $82.1 million and $78.0 million, respectively.

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6. Identifiable Intangible Assets and Goodwill

Identifiable intangible assets, net consisted of the following:

(in thousands)	December 31, 2016 Gross carrying amount	December 31, 2016 Accumulated amortization	December 31, 2016 Net book value	December 31, 2015 Gross carrying amount	December 31, 2015 Accumulated amortization	December 31, 2015 Net book value
Finite-lived intangible assets:						
Customer relationships	$831,419	$(594,378)	$ 237,041	$836,601	$(519,414)	$ 317,187
Non-solicitation agreement	1,359	(1,359)	—	1,421	(1,184)	237
Tradename	1,200	(1,200)	—	1,200	(703)	497
	833,978	(596,937)	237,041	839,222	(521,301)	317,921
Indefinite-lived intangible assets:						
Tradename and trademarks	82,400	—	82,400	82,400	—	82,400
Intangible assets	$916,378	$(596,937)	$ 319,441	$921,622	$(521,301)	$ 400,321

Customer relationships are amortized using either the pattern of consumption method or the straight-line method, depending on which method more accurately reflects the pattern in which the asset is consumed. The pattern of consumption is determined primarily based on forecasted cash flows, which includes estimates for revenues, expenses and customer attrition. The weighted-average amortization period for customer relationships is 9.9 years.

Amortization expense of identifiable intangible assets, which is included in Depreciation and amortization in the consolidated statements of operations, for the years ended December 31, 2016, 2015 and 2014 was $79.0 million, $87.1 million and $116.8 million, respectively.

The estimated amortization expense of intangible assets over the next five years and thereafter is as follows:

(in thousands)	
Year ended December 31, 2017	$65,481
Year ended December 31, 2018	54,304
Year ended December 31, 2019	44,935
Year ended December 31, 2020	31,471
Year ended December 31, 2021	14,343
Thereafter	26,507
Amortization Expense	$237,041

The following table summarizes the changes in the carrying amount of goodwill for the periods ended December 31, 2016 and 2015:

(in thousands)	
Balance at December 31, 2014	$2,319,790
Effect of foreign currency translation	(32,914)
Balance at December 31, 2015	2,286,876
Effect of foreign currency translation	(14,080)
Balance at December 31, 2016	$2,272,796

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7. Detail of Accrued Liabilities

Accrued liabilities consisted of the following:

(in thousands)	December 31, 2016	December 31, 2015
Accrued payroll and related benefits	$37,278	$34,642
Accrued interest	26,543	26,743
Accrued network and data processing expenses	13,467	15,368
Accrued revenue share expenses	3,654	2,805
Other accrued liabilities	26,222	19,203
Accrued Liabilities	$107,164	$98,761

8. Debt and Credit Facilities

Our total outstanding debt as of December 31, 2016 and 2015 was as follows:

(in thousands)	December 31, 2016	December 31, 2015
Senior Credit Facility:		
Initial Term Loans, due 2019	$891,057	$911,835
Original issue discount	(4,644)	(6,830)
Deferred financing costs	(10,849)	(15,373)
Tranche B Term Loans, due 2019	663,200	678,665
Original issue discount	(1,398)	(2,008)
Deferred financing costs	(10,081)	(14,475)
Senior Notes:		
Syniverse Notes	475,000	475,000
Deferred financing costs	(6,836)	(9,714)
Total Debt and Credit Facilities	$1,995,449	$2,017,100
Less: Current portion		
Long-term debt, current portion	(1,885)	(36,243)
Original issue discount, current portion	7	192
Deferred financing costs, current portion	25	606
Total current portion of long-term debt	(1,853)	(35,445)
Long-term debt	$1,993,596	$1,981,655

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We expect to make a principal payment of approximately $1.9 million in March 2017 as required pursuant to the Excess Cash Flow provision of Credit Agreement (as defined below). Principal maturities of long-term debt for each of the next five years and thereafter are as follows:

(in thousands)	
Year ended December 31, 2017	$1,885
Year ended December 31, 2018	2,622
Year ended December 31, 2019	2,024,750
Year ended December 31, 2020	—
Year ended December 31, 2021 and thereafter	—
	$2,029,257

Amortization of original issue discount and deferred financing fees for the years ended December 31, 2016, 2015 and 2014 was $14.6 million, $13.3 million and $12.5 million, respectively, and was related to our Senior Credit Facility (as defined below) and our Senior Notes (as defined below) and were recorded in interest expense in our consolidated statements of operations.

Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the "Credit Agreement") with Buccaneer LLC (as successor by merger to Buccaneer), Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a senior credit facility (the "Senior Credit Facility") consisting of (i) a $950.0 million term loan facility (the "Initial Term Loans"); and (ii) a $150.0 million revolving credit facility (the "Revolving Credit Facility") for the making of revolving loans, swing line loans and issuance of letters of credit.

On June 28, 2013, the Company borrowed $700.0 million of incremental term loans (the "Tranche B Term Loans"), pursuant to an incremental amendment (the "Incremental Amendment") to its Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the Escrow Term Loans (defined below), a portion of which were used to fund the MACH Acquisition.

On August 4, 2014, the Company drew $100.0 million on the Revolving Credit Facility to fund a portion of the Aicent Acquisition. During the three months ended December 31, 2014, the Company paid $90.0 million on the Revolving Credit Facility. The remaining $10.0 million was paid during the three months ended March 31, 2015.

On April 15, 2016, we made principal payments of approximately $36.2 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement. Commencing on December 31, 2018, our Initial Term Loans and Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at the final maturity.

The Initial Term Loans and the Tranche B Loans (collectively the "Term Loan Facilities") will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facilities or (iii) the date the loans under the Term Loan Facilities are declared due and payable in connection with an event of default; provided that (a) in the event that more than $50.0 million of the Syniverse Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Syniverse Notes (the "First Springing Maturity Date"), the maturity date for the Term Loan Facilities will be the First Springing Maturity Date and (b) in the event that more than $50.0 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the "Second Springing Maturity

Date"), the maturity date for the Term Loan Facilities will be the earlier of the Second Springing Maturity Date and April 23, 2019.

Our Revolving Credit Facility will mature at the earlier of (i) April 23, 2017 and (ii) the date of termination in whole of the commitments under the Revolving Credit Facility, the letter of credit sublimit, and the swing line facility under the Credit Agreement.

We may voluntarily prepay loans or reduce commitments under our Senior Credit Facility, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty. We must prepay our Term Loan Facilities with the net cash proceeds of asset sales, casualty and condemnation events, the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under our Senior Credit Facility, unless specifically incurred to refinance a portion of our Senior Credit Facility) and 50% of our excess cash flow, as defined pursuant to the terms of our Senior Credit Facility (such percentage to be subject to a reduction to zero based on the achievement of a net senior secured leverage ratio of 2.75:1.00), in each case, subject to certain reinvestment rights and other exceptions, as well as the right of the lenders to decline certain prepayments.

The following fees are applicable under our Revolving Credit Facility: (i) an unused line fee of 0.50% per annum, subject to an adjustment to 0.25% based on a net senior secured leverage ratio of 1.75:1.00; (ii) a letter of credit participation fee on the aggregate stated amount of each letter of credit available to be drawn equal to the applicable margin for Eurodollar rate loans; (iii) a letter of credit fronting fee equal to 0.125% per annum on the daily amount of each letter of credit available to be drawn; and (iv) certain other customary fees and expenses payable to our letter of credit issuers.

Our obligations under the Senior Credit Facility are (1) guaranteed by Buccaneer LLC and each of our current and future direct and indirect wholly owned domestic subsidiaries (the “Subsidiary Guarantors”) (other than (i) subsidiaries designated as unrestricted, (ii) immaterial subsidiaries, (iii) any subsidiary that is prohibited by applicable law or certain contractual obligations from guaranteeing our Senior Credit Facility or which would require governmental approval to provide a guarantee, (iv) certain holding companies of foreign subsidiaries, (v) not-for-profit subsidiaries, if any, (vi) certain receivables financing subsidiaries, (vii) any subsidiary with respect to which the Company and the administrative agent reasonably agree that the burden, cost or other consequences of providing a guarantee will be excessive in view of the benefits obtained by the lenders therefrom and (viii) any subsidiary whose guaranteeing of the Senior Credit Facility would result in a material adverse tax consequence) and (2) are secured by a first lien on substantially all of our, Buccaneer LLC’s and the Subsidiary Guarantors’ assets, including capital stock of subsidiaries (subject to certain exceptions).

Our Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include limitations or restrictions on (i) our ability to incur debt, grant liens, enter into fundamental corporate transactions, pay subsidiary distributions, enter into transactions with affiliates, make further negative pledges, sell or otherwise transfer assets, make certain payments, investments or acquisitions, repay certain indebtedness in the event of a change of control, and amend certain debt documents and (ii) the activities engaged in by Buccaneer LLC. The negative covenants are subject to customary exceptions.

There are no financial covenants included in the Credit Agreement other than a springing maximum net senior secured leverage ratio of 5.00:1.00, which will be tested only for the benefit of the revolving lenders and only (i) when, at the end of each fiscal quarter, the aggregate amount of any revolving loans, any swing line loans or any letter of credit obligations (excluding letter of credit obligations not in excess of $10.0 million and any letters of credit which are cash collateralized to at least 105.0% of their maximum stated amount) outstanding exceeds 25.0% of all commitments under the Revolving Credit Facility and (ii) upon an extension of credit under the Revolving Credit Facility in the form of the making of a revolving loan or a swing line loan, or the issuance of a letter of credit.

As of December 31, 2016, we were in compliance with all of the covenants contained in the Senior Credit Facility, to the extent such covenants were required to be tested as of December 31, 2016.

Initial Term Loans

On April 23, 2012, we received net proceeds of $940.5 million under the Initial Term Loans and paid upfront fees of $11.3 million. The proceeds from the Initial Term Loans plus cash on hand were used to repay the Old Senior Credit Facility. We recorded $9.5 million of the upfront fees as an original issue discount to be amortized over the life of the

Initial Term Loans using the effective interest method. Since we had no amounts drawn under the Revolving Credit Facility at June 30, 2012, we recorded $1.8 million of the upfront fees as deferred financing costs to be amortized over the life of the Revolving Credit Facility using the effective interest method. We had $150.0 million of unused commitments under this facility at December 31, 2016.

On September 23, 2013, we entered into a second amendment (the “Second Amendment”) to the Credit Agreement. Under the Second Amendment, the rate at which the Initial Term Loans under the Credit Agreement bear interest was amended to reduce (i) the margin over the Eurodollar rate from 3.75% to 3.00%, (ii) the margin over the base rate from 2.75% to 2.00%, (iii) the “Eurodollar rate floor” from 1.25% to 1.00% and (iv) the “base rate floor” from 2.25% to 2.00%. The Company recorded $2.8 million of debt extinguishment costs and $1.7 million of debt modification costs associated with the refinancing of the Initial Term Loans.

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Borrowings under our Revolving Credit Facility bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin. The applicable margin for loans is 3.75% per annum for Eurodollar loans and 2.75% per annum for base rate loans, subject to an adjustment to 3.50% and 2.50%, respectively, based on a net senior secured leverage ratio of 1.75:1.0.

Commencing on December 31, 2018, our Initial Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

Tranche B Term Loans

On June 28, 2013, we received net proceeds of $696.5 million under the Tranche B Term Loans, the proceeds of which were used to refinance the senior credit facility consisting of a $700.0 million delayed draw term loan facility (the “Delayed Draw Facility”) in full. We paid upfront fees of $3.5 million associated with the Delayed Draw Facility which were recorded as original issue discount to be amortized over the life of the Tranche B Term Loans using the effective interest method. We incurred $25.2 million of debt issuance costs which were recorded as deferred financing costs to be amortized over the life of the Tranche B Term Loans using the effective interest method.

Borrowings bear interest at a floating rate which can be, at our option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, in the case of the Tranche B Term Loans under the Credit Agreement, subject to a Eurodollar rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the Tranche B Term Loans under our Senior Credit Facility is 3.00% per annum for Eurodollar loans and 2.00% per annum for base rate loans.

Commencing on December 31, 2018, our Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

9.125% senior unsecured notes due 2019

On December 22, 2010, we issued $475.0 million senior unsecured notes bearing interest at 9.125% per annum that will mature on January 15, 2019 (the “Syniverse Notes”). Interest on the notes is paid on January 15 and July 15 of each year.

The Syniverse Notes are guaranteed on a senior basis by the Subsidiary Guarantors. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Syniverse Notes, and any subsidiary so designated will not be a guarantor of the notes. The right of noteholders to receive payment on the Syniverse Notes is effectively subordinated to the rights of our existing and future secured creditors.

The Syniverse Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries’ ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

We incurred financing fees of $20.4 million in connection with the issuance of the Syniverse Notes which have been amortized over the term of the notes using the effective interest method.

Following the Exchange Offer, $105.5 million aggregate principal amount of the Syniverse Notes were outstanding.

Senior Notes Exchange Offer

On January 11, 2017, Syniverse Foreign Holdings Corporation (“SFHC”) completed its offer to exchange (the “Exchange Offer”) the Syniverse Notes for new senior unsecured notes issued by SFHC bearing interest at 9.125% per annum that will mature on January 15, 2022 (the “SFHC Notes” and, together with the Syniverse Notes, the “Senior Notes”). Interest on the notes is paid on January 15 and July 15 of each year. Pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes, and a like amount of Syniverse Notes were canceled.

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On or after January 15, 2019, SFHC may redeem some or all of the SFHC Notes at any time at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date, if redeemed during the 12-month period commencing on January 15 of the years set forth below:

Period	Redemption Price
2019	104.563 %
2020	102.281 %
2021 and thereafter	100.000 %

The SFHC Notes are guaranteed on a senior basis by Syniverse and the Subsidiary Guarantors that guarantee the Syniverse Notes. The right of noteholders to receive payment on the SFHC Notes is effectively subordinated to the rights of any future secured creditors of SFHC.

The SFHC Notes contain customary negative covenants including, but not limited to, restrictions on SFHC's, our and our restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends (including SFHC's ability to pay dividends or make distributions to Syniverse or our subsidiaries), sell or otherwise transfer assets, optionally prepay certain subordinated indebtedness or enter into transactions with affiliates.

9. Employee Benefits

Defined Contribution Benefit Plans

We have a 401(k) plan covering all U.S. employees subject to certain eligibility requirements. Under this plan, a certain percentage of contributions are matched. Contributions made to the 401(k) plan were $4.2 million, $5.2 million and $5.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We have defined contribution plans in certain foreign subsidiaries set up in accordance with the local statutory requirements. Contributions made to these plans were $1.2 million, $1.3 million and $1.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Pension Plan

We have a noncontributory, unfunded defined benefit retirement plan for certain employees located in Germany. The benefits are based on employees' annual compensation and plan benefits are paid to employees at least 65 years of age that have been employed a minimum of ten years. We recorded pension liabilities of $13.6 million and $12.7 million as of December 31, 2016 and 2015, respectively, which are included in Other long-term liabilities on the consolidated balance sheets.

Assumptions used in determining the benefit obligations for pension and other postretirement plans as of December 31, 2016 and 2015, were as follows:

	December 31,	
	2016	2015
Discount rate	1.6%	2.2%
Average compensation increase (salaried employees only)	3.0%	2.0%

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The following table provides a reconciliation of the change in our benefit obligation as of December 31, 2016 and 2015:

	December 31,	
(in thousands)	2016	2015
Benefit obligation at beginning of year	$12,687	$13,462
Service cost	456	533
Interest cost	277	287
Actuarial loss (gain)	826	(1,497)
Benefits paid	(79)	(42)
Effect of currency translation	(550)	(56)
Balance at end of year	$13,617	$12,687

Net periodic pension cost recognized in the consolidated statements of operations for the periods ended December 31, 2016, 2015 and 2014 included the following components:

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Service cost on benefits earned during the year	$456	$533	$396
Interest cost on projected benefit obligation	277	287	333
Amortization of actuarial loss	205	317	128
Net periodic pension cost	$938	$1,137	$857

Included in Accumulated other comprehensive loss in the consolidated balance sheet as of December 31, 2016 is an actuarial loss of $0.3 million which we expect to record as a component of net periodic pension cost during the year ending December 31, 2017.

The estimated benefit payments for each of the next five years and in aggregate for the five years thereafter are as follows:

(in thousands)	
2017	$182
2018	214
2019	223
2020	240
2021	261
2022 and thereafter	12,497
	$13,617

10. Stock-Based Compensation

2011 Equity Incentive Plan

Effective April 6, 2011, Syniverse Corporation, our indirect parent, established the 2011 Plan for the employees, consultants and directors of Syniverse Corporation and its subsidiaries. The 2011 Plan provides incentive compensation through grants of incentive or non-qualified stock options, stock purchase rights, restricted stock awards, restricted stock units, or any combination of the foregoing. Syniverse Corporation will issue shares of its common stock to satisfy equity based compensation instruments. Directors have the option to receive shares of common stock in lieu of a portion of their director fee. On May 20,

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2015, the Compensation Committee of the Board of Directors (the "Committee") approved an amendment to the 2011 Plan to increase the plan shares available by 2,000,000 shares to 14,291,667 shares.

The number of shares and exercise price per share is determined by the Committee for those awards granted. However, the exercise price of any option may not be less than 100% of the fair market value of a share of common stock of Syniverse Corporation on the date of grant and the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of Syniverse Corporation's voting power may not be less than 110% of the fair market value on the date of grant. The exercise price of the option is set at the time of grant. Those eligible to participate in the 2011 Plan are limited to employees, consultants and directors (including non-employee directors) of Syniverse Corporation and its subsidiaries selected by the Committee, including participants located outside the United States. Determinations made by the Committee under the 2011 Plan need not be uniform and may be made selectively among eligible participants.

In accordance with the 2011 Plan, each option has an exercisable life of no more than 10 years from the date of grant for both non-qualified and incentive stock options. For employee stock options granted prior to 2015, vesting is dependent on both the service of the employee and performance of the Company. The service based portion, based on continued employment, is 75% of each option grant which vests ratably over a five year period on each December 31. The remaining 25% of the option grant vests upon achievement of certain annual and cumulative earnings-based targets. For employee stock options granted in 2015 and 2016, vesting is solely dependent on the service of the employee and vests ratably over a four year period on the grant date anniversary. Director stock option vesting is dependent on active service of the Board member. These options vest 20% each year on the grant anniversary date. For employee restricted stock awards, vesting is dependent on the service of the employee and grade vests over a three year period on the grant date anniversary.

The fair values of service based stock option grants and restricted stock awards are amortized as compensation expense using the straight-line attribution method over the vesting period of the grants. The fair values of performance based stock option grants are amortized as compensation expense using the accelerated attribution method over the vesting period of the grants. The fair values of stock options as of December 31, 2016, 2015 and 2014 were estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Years Ended December 31,		
	2016	2015	2014
Risk-free interest rate	1.4%	1.9%	2.1%
Volatility factor	30.2%	38.2%	47.9%
Dividend yield	—%	—%	—%
Weighted-average expected life of options (in years)	6.3	6.4	6.1

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of subjective assumptions including the expected stock price volatility. Although we have a history of publicly traded stock, our common stock is 100% indirectly owned by Syniverse Corporation. As such, we used the historical volatility for the Company prior to the Carlyle acquisition through the delist date (January 12, 2011). For the period subsequent to the delist date, we used the average historical volatility factor of comparable companies. We based our assumptions for the expected life of the options on the average of our contractual term and the weighted average option term.

The applicable accounting guidance requires us to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. We estimate our forfeitures based on an average of our historical experience excluding certain option grants for the management team issued in a period of high turnover, which we do not believe is representative of future activity.

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The following table summarizes our stock option activity for the year ended December 31, 2016:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	10,922,076	$ 11.19		$ 655
Granted	1,656,000	$ 10.00		
Exercised	(68,334)	$ 10.00		
Canceled or expired	(3,556,830)	$ 11.03		
Outstanding at December 31, 2016	8,952,912	$ 11.04	5.73	$ —
Vested and expected to vest at December 31, 2016	8,385,451	$ 11.06	7.07	$ —
Exercisable at December 31, 2016	4,240,272	$ 11.05	5.70	$ —

As of December 31, 2016, there was $17.0 million of total unrecognized compensation cost related to stock options. The weighted-average recognition period for the remaining unrecognized stock-based compensation expense is approximately 2.6 years.

During the years ended December 31, 2016, 2015 and 2014:

- the weighted-average fair value per share of stock options granted to employees was $3.25, $4.59 and $6.73, respectively;
- the total intrinsic value of stock options exercised was $0.1 million, $1.1 million and $1.8 million, respectively; and
- the total fair value of stock options that vested during the period was $6.9 million, $6.8 million and $8.2 million, respectively.

Restricted stock awards are issued and measured at fair value on the date of grant. Vesting of restricted stock is based solely on time vesting. The following table summarizes our restricted stock activity under the 2011 Plan for the year ended December 31, 2016:

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2015	2,264,482	$ 11.77
Granted	1,085,000	$ 10.00
Vested	(952,232)	$ 11.37
Forfeited	(347,250)	$ 11.21
Outstanding at December 31, 2016	2,050,000	$ 10.59

As of December 31, 2016, there was $16.0 million of total unrecognized compensation cost related to restricted stock awards. The weighted-average recognition period for the remaining unrecognized stock-based compensation expense is approximately 2.0 years.

During the years ended December 31, 2016, 2015 and 2014:

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the weighted-average fair value per share of restricted stock awards granted to employees was $10.00, $11.25 and $15.00, respectively; and

- the total fair value of restricted stock awards that vested during the period was $9.5 million, $0.4 million and $0.3 million, respectively.

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The impact to our Net loss from continuing operations of recording stock-based compensation in the consolidated statement of operations under the 2011 Plan for the year ended December 31, 2016, 2015 and 2014 was as follows:

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Cost of operations	$627	$590	$257
Sales and marketing	3,750	5,343	3,383
General and administrative	12,693	11,329	4,934
Stock-based compensation	$17,070	$17,262	$8,574
Tax benefit	$827	$4,372	$2,525

There was no stock-based compensation cost capitalized into assets for the periods ended December 31, 2016, 2015 and 2014.

11. Employee Termination Benefits and Restructuring

The following table summarizes the activity in our employee termination benefit liabilities for the years ended December 31, 2016, 2015 and 2014:

(in thousands)	Balance at Beginning of Period	Additions	Payments	Adjustments	Balance at End of Period
Year ended December 31, 2016	$ 1,836	869	(1,570)	(4)	$ 1,131
Year ended December 31, 2015	$ 4,179	948	(3,256)	(35)	$ 1,836
Year ended December 31, 2014	$ 2,691	9,140	(7,624)	(28)	$ 4,179

Employee termination benefits represents non-retirement post-employment benefit costs including severance, benefits and other employee related costs that are unrelated to a restructuring plan.

The following table summarizes the activity in our restructuring liabilities for the years ended December 31, 2016, 2015 and 2014:

(in thousands)	December 31, 2015 Balance	Additions	Payments	Adjustments	December 31, 2016 Balance
December 2016 Plan	$ —	$6,766	$(317)	$ 1	$ 6,450
March 2016 Plan	$ —	$19,144	$(14,136)	$ (27)	$ 4,981
October 2014 Plan	8,195	(660)	(3,663)	(200)	3,672
December 2010 Plan	492	(30)	(419)	5	48
Total	$ 8,687	$25,220	$(18,535)	$ (221)	$ 15,151

(in thousands)	December 31, 2014 Balance	Additions	Payments	Adjustments	December 31, 2015 Balance
October 2014 Plan	$ 14,622	$ 578	$(6,126)	$ (879)	$ 8,195
December 2011 Plan	262	(191)	(71)	—	—

December 2010 Plan	547	—	—	(55)	492
Total	$ 15,431	$ 387	$ (6,197)	$ (934)	$ 8,687

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(in thousands)	December 31, 2013 Balance	Additions	Payments	Adjustments	December 31, 2014 Balance
October 2014 Plan	—	17,822	(3,017)	(183)	14,622
December 2011 Plan	264	4	(6)	—	262
December 2010 Plan	619	—	—	(72)	547
Total	$ 883	$ 17,826	$ (3,023)	$ (255)	$ 15,431

In December 2016, we implemented a restructuring plan (the "December 2016 restructuring plan") to realign costs and expenses with revenue trends across our portfolio. As a result of this plan, we incurred severance related costs of $6.8 million which is included in Restructuring expense in the consolidated statements of operations. We have paid $0.3 million related to this plan as of December 31, 2016 and anticipate nearly all remaining cash outlays to take place during 2017.

In March 2016, we implemented a restructuring plan (the "March 2016 restructuring plan") to realign costs and expenses with revenue trends across our portfolio, reducing costs associated with certain of our legacy products and services to provide for increased investment in our growth businesses. As a result of this plan, we incurred severance related costs of $14.4 million and contract termination costs of $4.8 million related to the exit of data center leases. We have paid $14.1 million related to this plan as of December 31, 2016 and anticipate nearly all remaining cash outlays to take place during 2017.

In October 2014, we implemented a restructuring plan to realign costs and expenses with revenue trends across our portfolio. As a result of this plan, we incurred severance related costs of $14.1 million and contract termination costs of $3.7 million related to the exit of leased facilities, data centers and networking services. We have paid $12.8 million related to this plan as of December 31, 2016.

12. Income Taxes

The components of Benefit from income taxes are as follows:

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	$—	$ (1,669)	$ (116)
Foreign	8,352	8,660	9,561
State and local	104	(141)	861
	8,456	6,850	10,306
Deferred			
Federal	(46,124)	(34,419)	(27,696)
Foreign	(1,558)	(2,010)	(1,928)
State and local	(3,581)	(1,698)	(5,775)
	(51,263)	(38,127)	(35,399)
Benefit from income taxes	$ (42,807)	$ (31,277)	$ (25,093)

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The Benefit from income taxes differs from amounts computed by applying the U.S. statutory rate of 35% to loss before benefit from income taxes as follows:

	Year Ended December 31,		
	2016	2015	2014
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
State and local income tax, net of federal tax benefit	2.7	0.3	2.0
Impact of foreign tax rates	18.5	33.8	29.0
Foreign withholding and audit	(2.6)	(4.4)	(3.9)
Other permanent items	0.2	0.1	(0.5)
Tax credits	1.3	—	1.9
Changes to uncertain tax positions	1.2	0.2	3.1
Changes in measurement of deferred tax liabilities and other	(15.9)	1.3	2.9
Change in valuation allowance	4.7	(28.5)	(30.0)
Unrealized gain(loss)	(0.1)	5.0	—
Dividends	(0.5)	(0.3)	(3.1)
Nondeductible stock-based compensation	(4.8)	(1.8)	(0.5)
Other, net	(0.1)	(1.9)	(0.8)
	39.6 %	38.8 %	35.1 %

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was $27.3 million, $30.2 million and $31.5 million at December 31, 2016, 2015 and 2014, respectively. Uncertain tax positions are included in other long-term liabilities on the consolidated balance sheets. A rollforward of the beginning and ending amount of uncertain tax positions is as follows:

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Balance at beginning of period	$73,497	$67,185	$58,549
Additions based on tax positions related to the current year	16,147	13,679	13,768
Additions for tax positions of prior years	—	2,727	625
Reductions for tax positions of prior years	(3,369)	(7,430)	(1,563)
Reductions for tax positions effectively settled	—	—	(472)
Reductions for lapse of statute of limitations	(2,740)	(2,664)	(3,722)
Balance at end of period	$83,535	$73,497	$67,185

We recognize accrued interest and penalties related to uncertain tax positions as a component of Benefit from income taxes. Accrued interest and penalties was $2.3 million, $2.3 million and $2.2 million as of December 31, 2016, 2015 and 2014, respectively, in the consolidated balance sheets. Expense (benefit) for interest and penalties was $(0.1) million, $0.1 million and $(0.5) million for the years ended December 31, 2016, 2015 and 2014, respectively, in the consolidated statements of operations. Included in the additions for 2015 is $0.6 million related to the Aicent acquisition.

We conduct business globally and file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States. Tax years 2011 through 2016 are subject to examination by the federal taxing authorities. Tax years 2004 through 2016 are subject to examination by the state taxing authorities. In our international tax jurisdictions, tax years 2007 or later remain open in all of our major international tax jurisdictions. We are currently under audit by the Internal Revenue Service of the United States for the Successor periods (as discussed in Item 6. “Selected Financial Data”) ended December 31, 2011, 2012 and 2013.

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The Company's non-U.S. subsidiaries had $87.7 million in cumulative undistributed earnings as of December 31, 2016. This amount represents the post-income tax earnings under U.S. GAAP adjusted for previously taxed income. The earnings from the Company's non-U.S. subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for tax has been made in the accompanying consolidated financial statements. Further, a determination of the unrecognized deferred tax liability is not practicable. Any future distribution of these non-U.S. earnings may subject the Company to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, and withholding taxes payable to various non-U.S. countries.

The components of Loss before benefit from income taxes are as follows:

	Year Ended December 31,		
(in thousands)	2016	2015	2014
United States	$(141,565)	$(111,192)	$(84,509)
Foreign	33,588	30,603	13,116
	$(107,977)	$(80,589)	$(71,393)

Deferred income tax assets and liabilities are recorded due primarily to different carrying amounts for financial and income tax reporting purposes arising from cumulative temporary differences. Significant components of deferred tax assets (liabilities) are shown in the following table:

	December 31,	
(in thousands)	2016	2015
Deferred tax assets (liabilities):		
Intangibles	$(184,266)	$(198,446)
Property & equipment	(27,523)	(38,015)
Interest	(3,679)	(7,303)
Employee benefit accruals	18,378	21,929
Accrued expenses	7,538	6,385
Deferrals	1,353	1,334
Software development costs	(11,071)	(12,881)
Net operating loss carryforwards	181,376	184,203
Other, net	7,179	5,634
	(10,715)	(37,160)
Less: Valuation allowance	(100,677)	(125,130)
Net Deferred tax assets (liabilities)	$(111,392)	$(162,290)

The activity in deferred tax assets includes the deferred tax impact of foreign currency translation adjustments and actuarial gains associated with our defined benefit pension plan totaling $0.1 million and $1.4 million to increase the deferred tax asset on accumulated other comprehensive (loss) income for the years ended December 31, 2015 and 2014, respectively. There was no change in our deferred tax asset associated with foreign currency translation adjustments and actuarial gains associated with our defined pension plan during the year ended December 31, 2016.

Our deferred tax assets include net accumulated foreign net operating losses (NOLs) of $174.3 million, net accumulated federal NOLs of $59.0 million and net accumulated state NOLs of $11.6 million at December 31, 2016. The foreign NOLs remain available indefinitely to offset future taxable income in specific jurisdictions subject to applicable tax laws and regulations while state NOLs in specific jurisdictions will expire if not utilized between tax years 2017 and 2036. The deferred tax assets also include federal and state tax credit carry forwards of $4.5 million and $1.3 million, respectively, at December 31, 2016. The federal credits will expire if not utilized between tax years between 2022 and 2036. The majority of the state credits have an indefinite carryforward period. We continue to maintain a valuation allowance for deferred tax assets primarily associated with certain foreign NOLs. We have determined that it is more likely than not that we will realize the benefit of our net deferred tax assets for which we have not established a valuation allowance. The total amount of valuation allowance on our deferred tax assets was $100.7 million and $125.1 million at December 31, 2016 and 2015, respectively. The change is primarily related

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to losses in jurisdictions with existing valuation allowances offset by the impact of enacted foreign tax rates changes and the translation of foreign currencies.

Certain intangible assets and goodwill arising from our prior acquisition activities have tax deductible basis. However, these assets were subsequently recorded at fair value in prior periods in accordance with the applicable accounting guidance for business combinations as it relates to the Merger. We believe the tax benefits for these historical assets will continue in future periods and are included in our deferred tax liabilities.

13. Concentration of Business

Financial instruments that subject us to concentrations of credit risk are limited to our trade receivables from major customers and cash. One customer represented more than 10% of accounts receivable as of December 31, 2016 and 2015. Our cash is placed with high credit quality financial institutions.

Our two largest customers, Verizon Wireless and AT&T Mobility, generated 17.7% and 10.1%, respectively, of total revenues for the year ended December 31, 2016. For the years ended December 31, 2015 and 2014, Verizon Wireless contributed 20.2% and 20.3% of total revenues, respectively.

No other customer represented more than 10% of revenues for the periods presented, although a significant amount of our remaining revenues were generated from services provided to a small number of other customers.

14. Commitments and Contingencies

Leasing Arrangements

We lease certain facilities and equipment for use in our operations. We record operating lease expense on a straight-line basis over the term of the lease after taking into consideration rent holidays, rent escalations and leasehold incentives. Total rent expense under operating leases was $11.4 million, $12.8 million and $15.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. These leases contain various renewal options that could extend the terms of the leases beyond 2022 at our option.

Interest rates for our capital leases range from 1.4% to 9.0% with maturity dates between January 2017 and October 2022.

As of December 31, 2016, the aggregate future minimum lease commitments under non-cancelable leases were as follows:

(in thousands)	Capital Leases	Operating Leases
Year ended December 31, 2017	$17,073	$ 8,765
Year ended December 31, 2018	4,947	7,346
Year ended December 31, 2019	3,362	4,951
Year ended December 31, 2020	331	4,940
Year ended December 31, 2021	6	4,435
Thereafter	5	21,977
Total future minimum lease payments	$25,724	$ 52,414
Less: amount representing interest	1,004	
Present value of net minimum lease payments	24,720	
Less: current portion	16,354	

Long-term obligations under capital leases at December 31, 2016	$8,366

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Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows. As of December 31, 2016, we have considered all of the claims and disputes of which we are aware and have provided for probable losses, which are not material to the consolidated financial statements.

15. Fair Value Measurements

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

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

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

Level 3—Unobservable inputs for the asset or liability.

Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the years ended December 31, 2016 and 2015.

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

From time to time, we measure certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. We estimate the fair value of our long-lived assets using company-specific assumptions which would be categorized within Level 2 of the fair value hierarchy. We did not have any impairment losses for the years ended December 31, 2016, 2015 and 2014.

During the year ended December 31, 2016, we recorded a $5.5 million gain related to a one-time transfer of certain data center equipment from a vendor to Syniverse at no cost. The non-cash gain was measured at fair value using current prices for similar assets (Level 2 input) and is included in Other operating income in the accompanying consolidated statements of operations.

The carrying amounts and fair values of our long-term debt excluding original issuance discount and deferred financing costs as of December 31, 2016 and 2015 were as follows:

(in thousands)	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Initial Term Loans	$891,057	$788,585	$911,835	$683,876
Tranche B Term Loans	$663,200	$583,616	$678,665	$508,999
Syniverse Notes	$475,000	$418,000	$475,000	$220,875

The fair values of the Initial Term Loans, the Tranche B Term Loans and the Syniverse Notes were based upon quoted market prices in inactive markets for similar instruments (Level 2).

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16. Quarterly Financial Information (Unaudited)

The following table summarizes quarterly financial results for the year ended December 31, 2016:

(in thousands)	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016
Revenues	$194,444	$197,718	$196,617	$193,113
Gross Profit	$99,305	$108,191	$108,324	$110,678
Operating (loss) income	$(17,856)	$8,270	$18,169	$3,842
Net loss	$(15,789)	$(14,624)	$(17,163)	$(17,594)
Net loss attributable to Syniverse Holdings, Inc.	$(16,242)	$(15,106)	$(17,621)	$(18,214)

The following table summarizes quarterly financial results for the year ended December 31, 2015:

(in thousands)	First Quarter 2015	Second Quarter 2015	Third Quarter 2015	Fourth Quarter 2015
Revenues	$209,617	$216,185	$223,899	$211,774
Gross Profit	$108,077	$117,917	$127,597	$118,721
Operating income	$180	$10,614	$17,654	$14,746
Net loss	$(25,981)	$(6,436)	$(5,838)	$(11,057)
Net loss attributable to Syniverse Holdings, Inc.	$(26,105)	$(6,922)	$(6,208)	$(11,356)

17. Related Party Transactions

Consulting Agreement with Carlyle

On January 13, 2011, we entered into a ten-year consulting agreement with Carlyle under which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the year ended December 31, 2016 we recorded $3.2 million of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the years ended December 31, 2015 and 2014 we recorded $3.1 million of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses.

Carlyle, from time to time, participates as a debt holder within the syndicate under our Initial Term Loans and Tranche B Term Loans. As of December 31, 2016, Carlyle held $37.2 million and $25.6 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2015, Carlyle held $51.0 million and $20.5 million of our Initial Term Loans and Tranche B Term Loans, respectively.

From time to time, and in the ordinary course of business we may engage other Carlyle portfolio companies as service providers and other Carlyle portfolio companies may engage us as a service provider. Revenues and expenses associated with these related parties were not material during the years ended 2016, 2015 and 2014.

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18. Supplemental Consolidating Financial Information

On December 22, 2010, Syniverse issued $475.0 million of Syniverse Notes guaranteed on a joint and several basis by each of its existing and future domestic restricted subsidiaries that guarantee the Senior Credit Facility (collectively, the “Subsidiary Guarantors”). Such guarantees are irrevocable, full, unconditional and joint and several. On January 11, 2017, pursuant to the Exchange Offer, SFHC issued $369.5 million SFHC Notes and a like amount of Syniverse Notes were cancelled. The SFHC Notes are unconditionally guaranteed on a joint and several basis by Syniverse and the Subsidiary Guarantors. SFHC is a wholly-owned indirect subsidiary of Syniverse that holds no material assets other than the equity interests of substantially all of Syniverse’s foreign subsidiaries. SFHC and its subsidiaries are not guarantors of the Senior Credit Facility or the Syniverse Notes.

The following tables set forth supplemental consolidating balance sheets, statements of operations, statements of comprehensive (loss) income and statements of cash flows for the year ended December 31, 2016 for (i) Syniverse, (ii) the Subsidiary Guarantors, (iii) SFHC and its subsidiaries on a combined basis (the “SFHC Group Non-Guarantors”), (iv) all other direct and indirect subsidiaries of Syniverse on a combined basis (the “Other Non-Guarantors” and, together with the SFHC Group Non-Guarantors, the “Non-Guarantors”), (v) the eliminations necessary to arrive at the information for the total Non-Guarantors on a combined basis, (vi) the Non-Guarantors on a combined basis and (vii) the eliminations necessary to arrive at the information for Syniverse and all of its subsidiaries on a consolidated basis and for the years ended December 31, 2015 and 2014 for (i) Syniverse, (ii) the Subsidiary Guarantors, (iii) the Non-Guarantors and (iv) the eliminations necessary to arrive at the information for Syniverse and all of its subsidiaries on a consolidated basis. The supplemental financial information reflects the investment of Syniverse using the equity method of accounting.

The Company is presenting the tables below in order to comply with the covenants contained in the indentures for both the Syniverse Notes and the SFHC Notes.

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CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2016
(IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Non-Guarantors Adjustments	Total Non-Guarantors	Adjustments	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	$—	$88,643	$ 40,313	$ 7,218	$ —	$ 47,531	$—	$ 136,174
Accounts receivable, net of allowances	—	122,479	41,100	2,528	—	43,628	—	166,107
Accounts receivable - affiliates	2,056,771	1,460,905	50,574	4,603	(3,170)	52,007	(3,569,683)	—
Interest receivable - affiliates	—	25	—	—	—	—	(25)	—
Income taxes receivable	—	2,255	5,717	324	—	6,041	—	8,296
Prepaid and other current assets	—	14,378	13,121	891	—	14,012	—	28,390
Total current assets	2,056,771	1,688,685	150,825	15,564	(3,170)	163,219	(3,569,708)	338,967
Property and equipment, net	—	84,771	22,077	1,934	—	24,011	—	108,782
Capitalized software, net	—	116,981	25,985	325	—	26,310	—	143,291
Goodwill	—	1,922,343	350,453	—	—	350,453	—	2,272,796
Identifiable intangibles, net	—	270,900	48,541	—	—	48,541	—	319,441
Long-term note receivable - affiliates	—	12,000	—	—	—	—	(12,000)	—
Deferred tax assets	55,587	—	1,100	238	—	1,338	(55,587)	1,338
Investment in unconsolidated subsidiaries	—	43,730	3,451	—	—	3,451	—	47,181
Other assets	—	6,311	1,760	233	—	1,993	—	8,304
Investment in subsidiaries	2,279,683	484,037	—	—	—	—	(2,763,720)	—
Total assets	$4,392,041	$4,629,758	$ 604,192	$ 18,294	$ (3,170)	$ 619,316	$(6,401,015)	$3,240,100
LIABILITIES AND STOCKHOLDER EQUITY								
Current liabilities:								
Accounts payable	$—	$22,795	$ 7,178	$ 584	$ —	$ 7,762	$—	$30,557
	1,461,626	2,075,563	30,621	5,043	(3,170)	32,494	(3,569,683)	—

Accounts payable - affiliates								
Income taxes payable	—	194	3,897	958	—	4,855	—	5,049
Accrued liabilities	26,277	45,747	32,987	2,153	—	35,140	—	107,164
Accrued interest - affiliates	—	—	25	—	—	25	(25)	—
Deferred revenues	—	1,529	1,485	—	—	1,485	—	3,014
Current portion of capital lease obligation	—	16,279	69	6	—	75	—	16,354