

SS&C TECHNOLOGIES INC

Form 10-Q

November 02, 2007

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

FORM 10-Q

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

For the quarterly period ended September 30, 2007

OR

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

Commission File Number 333-135139

SS&C TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

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

06-1169696

(I.R.S. Employer Identification No.)

**80 Lamberton Road
Windsor, CT 06095**

(Address of principal executive offices, including zip code)

860-298-4500

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

There were 1,000 shares of the registrant's common stock outstanding as of November 1, 2007.

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

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

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

	September 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,190	\$ 11,718
Accounts receivable, net of allowance for doubtful accounts of \$1,498 and \$1,670, respectively	41,552	31,695
Prepaid expenses and other current assets	9,129	7,823
Deferred income taxes	946	
Total current assets	67,817	51,236
Property and equipment		
Leasehold improvements	3,432	2,850
Equipment, furniture, and fixtures	16,363	12,168
	19,795	15,018
Less accumulated depreciation	(7,594)	(4,999)
Net property and equipment	12,201	10,019
Goodwill		
Intangible and other assets, net of accumulated amortization of \$48,006 and \$24,260, respectively	862,410	820,470
	255,966	270,796
Total assets	\$ 1,198,394	\$ 1,152,521
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 2,545	\$ 5,694
Accounts payable	2,173	2,305
Income taxes payable	2,430	191
Accrued employee compensation and benefits	7,900	8,961
Other accrued expenses	8,452	7,157
Interest payable	8,189	2,177
Deferred income taxes		384
Deferred maintenance and other revenue	32,686	25,679

Total current liabilities	64,375	52,548
Long-term debt, net of current portion	452,456	466,235
Other long-term liabilities	7,007	1,088
Deferred income taxes	68,702	69,518
Total liabilities	592,540	589,389
Commitments and contingencies (Note 8)		
Stockholder's equity		
Common stock		
Additional paid-in capital	566,031	559,527
Accumulated other comprehensive income	36,928	1,699
Retained earnings	2,895	1,906
Total stockholder's equity	605,854	563,132
Total liabilities and stockholder's equity	\$ 1,198,394	\$ 1,152,521

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues:				
Software licenses	\$ 7,159	\$ 6,502	\$ 18,653	\$ 16,864
Maintenance	15,666	14,187	45,899	40,535
Professional services	3,338	4,490	12,381	14,618
Software-enabled services	37,320	27,270	102,792	79,452
Total revenues	63,483	52,449	179,725	151,469
Cost of revenues:				
Software licenses	2,374	2,280	7,155	6,828
Maintenance	6,412	5,201	19,520	15,064
Professional services	3,290	3,142	10,312	9,435
Software-enabled services	20,293	15,185	57,132	42,282
Total cost of revenues	32,369	25,808	94,119	73,609
Gross profit	31,114	26,641	85,606	77,860
Operating expenses:				
Selling and marketing	4,989	4,856	14,272	12,751
Research and development	6,580	6,099	19,617	17,903
General and administrative	5,643	5,107	17,170	13,860
Total operating expenses	17,212	16,062	51,059	44,514
Operating income	13,902	10,579	34,547	33,346
Interest expense, net	(11,067)	(12,155)	(33,622)	(35,428)
Other (expense) income, net	(58)	(83)	522	744
Income (loss) before income taxes	2,777	(1,659)	1,447	(1,338)
Provision (benefit) for income taxes	556	(2,018)	458	(3,258)

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Net income	\$	2,221	\$	359	\$	989	\$	1,920
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See accompanying notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash flow from operating activities:		
Net income	\$ 989	\$ 1,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,957	20,140
Stock-based compensation	6,513	1,707
Foreign exchange gains on debt	(768)	(660)
Amortization of loan origination costs	1,728	2,224
Equity earnings on long-term investment	(63)	(72)
Loss on sale or disposal of property and equipment	90	4
Deferred income taxes	(4,037)	(11,656)
Provision for doubtful accounts	589	312
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(8,679)	137
Prepaid expenses and other assets	(946)	(1,921)
Income taxes receivable		8,172
Accounts payable	(309)	(184)
Accrued expenses	10,915	503
Income taxes payable	1,994	1,499
Deferred maintenance and other revenues	6,165	3,676
Net cash provided by operating activities	40,138	25,801
Cash flow from investing activities:		
Additions to property and equipment	(5,375)	(2,941)
Proceeds from sale of property and equipment	6	1
Cash paid for business acquisitions, net of cash acquired	(5,130)	(13,967)
Net cash used in investing activities	(10,499)	(16,907)
Cash flow from financing activities:		
Cash received from borrowings	5,200	13,400
Repayment of debt	(31,067)	(28,276)
Transactions involving SS&C Technologies Holdings, Inc. common stock	(8)	735
Income tax benefit related to exercise of stock options	82	

Net cash used in financing activities	(25,793)	(14,141)
Effect of exchange rate changes on cash	626	309
Net increase (decrease) in cash and cash equivalents	4,472	(4,938)
Cash and cash equivalents, beginning of period	11,718	15,584
Cash and cash equivalents, end of period	\$ 16,190	\$ 10,646

See accompanying notes to Condensed Consolidated Financial Statements.

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SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These accounting principles were applied on a basis consistent with those of the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated financial statements) necessary to state fairly its financial position as of September 30, 2007, the results of its operations for the three months and nine months ended September 30, 2007 and 2006 and its cash flows for the nine months ended September 30, 2007 and 2006. These statements do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. The financial statements contained herein should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2006 which were included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission. The December 31, 2006 consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by generally accepted accounting principles for annual financial statements. The results of operations for the three months and nine months ended September 30, 2007 are not necessarily indicative of the expected results for the full year.

2. The Transaction

The Company was acquired on November 23, 2005 through a merger transaction with SS&C Technologies Holdings, Inc. (Holdings), a Delaware corporation formed by investment funds associated with The Carlyle Group and formerly known as Sunshine Acquisition Corporation. The acquisition was accomplished through the merger of Sunshine Merger Corporation into SS&C Technologies, Inc., with SS&C Technologies, Inc. (the Company) being the surviving company and a wholly-owned subsidiary of Holdings (the Transaction). Although the Transaction occurred on November 23, 2005, the Company adopted an effective date of November 30, 2005 for accounting purposes. The activity for the period November 23, 2005 through November 30, 2005 was not material to either the successor or predecessor periods for 2005.

3. Stock-based Compensation

In August 2006, the Board of Directors of Holdings adopted a new equity-based incentive plan (the 2006 Equity Incentive Plan), which authorizes equity awards to be granted for up to 1,314,567 shares of common stock. Under the 2006 Equity Incentive Plan, the Company has granted both time-based and performance-based options. Time-based options vest 25% one year from the date of grant and 1/36th of the remaining balance each month thereafter for 36 months and can also vest upon a change in control, subject to certain conditions. Certain performance-based options vest upon the attainment of certain annual EBITDA targets for the Company during the five-year period beginning January 1, 2006. Additionally, EBITDA in excess of the EBITDA target in any given year shall be applied to the EBITDA of any previous year for which the EBITDA target was not met in full such that attainment of a prior year EBITDA target can be achieved subsequently. In the event all EBITDA targets of previous years were met in full, the excess EBITDA shall be applied to the EBITDA of future years. These performance-based options can also vest upon a change in control, subject to certain conditions. Compensation expense associated with these options is recorded beginning in the period that management first estimates that the attainment of the EBITDA targets, and therefore the vesting of the options, is probable and is recorded over the remaining service period, with a cumulative catch-up amount recorded for prior service, if applicable. Changes in management's assessment of the probability of attaining the EBITDA targets could cause compensation expense to fluctuate from period to period. The remaining performance-based options vest only upon a change in control in which certain internal rate of return targets are attained. Compensation expense will be recorded at the time that a change in control becomes probable.

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The following table summarizes information about stock options granted during the nine months ended September 30, 2007:

	Grant Date	Shares	Exercise Price	Fair Value of Underling Stock	Intrinsic Value
March 2007		23,000	\$74.50	\$ 74.50	
May 2007		17,500	98.91	98.91	
June 2007		3,000	98.91	98.91	

In April 2007, the Board of Directors of Holdings approved (i) the vesting, as of April 18, 2007, of 50% of the performance-based options granted to the Company's employees through March 31, 2007 that would have vested if the Company had met its EBITDA target for fiscal year 2006 (collectively, the 2006 Performance Options); (ii) the vesting, conditioned upon the Company's meeting its EBITDA target for fiscal year 2007, of the other 50% of the 2006 Performance Options; and (iii) the reduction of the Company's EBITDA target for fiscal year 2007. The Company re-measured those awards using the Black-Scholes option-pricing model and assumptions reflecting current facts and circumstances as of the modification date. As of the modification date, the Company estimated the fair value of its performance-based options to be \$45.45. In estimating the common stock value, the Company valued the Company using several methods, including the income approach, guideline company method and comparable transaction method. The Company used the following assumptions to estimate the option value: expected term to exercise of 3.5 years; expected volatility of 41.0%; risk-free interest rate of 4.57%; and no dividend yield. Expected volatility is based on a combination of the Company's historical volatility adjusted for the Transaction and historical volatility of the Company's peer group. Expected term to exercise is based on the Company's historical stock option exercise experience, adjusted for the Transaction.

During the three months and nine months ended September 30, 2007, the Company recorded compensation expense of \$1.1 million and \$2.0 million, respectively, related to the performance-based options based upon the Company's probability assessment of attaining its EBITDA target for fiscal year 2007. Additionally, the Company recorded compensation expense of \$0.9 million and \$2.5 million related to time-based options during the three months and nine months ended September 30, 2007, respectively. The remaining \$2.0 million of compensation expense for the nine months ended September 30, 2007 relates to the 50% of 2006 Performance Options that were immediately vested as of April 18, 2007. The Company does not currently believe that the attainment of the annual EBITDA targets for 2008 through 2010 is probable. Stock-based compensation expense recorded in 2006 related entirely to time-based options. The amount of stock-based compensation expense recognized in the Company's consolidated statements of operations for the three months and nine months ended September 30, 2007 was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Statements of operations classification:				
Cost of maintenance	\$ 37	\$ 50	\$ 138	\$ 50
Cost of professional services	62	52	208	52
Cost of software-enabled services	457	334	1,436	334
Total cost of revenues	556	436	1,782	436
Selling and marketing	323	324	1,063	324
Research and development	199	185	670	185
General and administrative	895	762	2,998	762

Total operating expenses	1,417	1,271	4,731	1,271
Total stock-based compensation expense	\$ 1,973	\$ 1,707	\$ 6,513	\$ 1,707

4. Comprehensive Income (Loss)

SFAS No. 130, Reporting Comprehensive Income, requires that items defined as comprehensive income, such as foreign currency translation adjustments and unrealized gains (losses) on interest rate swaps, be separately classified in the financial statements and that the accumulated balance of other comprehensive income be reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income	\$ 2,221	\$ 359	\$ 989	\$ 1,920
Foreign currency translation gains (losses)	16,814	(353)	36,056	7,686
Unrealized (losses) gains on interest rate swaps, net of tax	(1,875)	(2,250)	(827)	492
Total comprehensive income (loss)	\$ 17,160	\$ (2,244)	\$ 36,218	\$ 10,098

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5. Debt

At September 30, 2007 and December 31, 2006, debt consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Senior credit facility, revolving portion, weighted-average interest rate of 8.10%	\$	\$ 3,000
Senior credit facility, term loan portion, weighted-average interest rate of 7.33% and 7.73%, respectively	250,001	263,929
11 ³ / ₄ % senior subordinated notes due 2013	205,000	205,000
	455,001	471,929
Short-term borrowings and current portion of long-term debt	(2,545)	(5,694)
Long-term debt	\$ 452,456	\$ 466,235

Capitalized financing costs of \$0.6 million and \$1.0 million were amortized to interest expense during the three months ended September 30, 2007 and 2006, respectively. Capitalized financing costs of \$1.7 million and \$2.2 million were amortized to interest expense during the nine months ended September 30, 2007 and 2006, respectively.

The Company uses interest rate swap agreements to manage the floating rate portion of its debt portfolio. During the three months ended September 30, 2007 and 2006, the Company recognized unrealized losses of \$1.9 million, net of tax, and \$2.3 million, net of tax, respectively, in other comprehensive income related to the change in market value of the swaps. During the nine months ended September 30, 2007 and 2006, the Company recognized unrealized losses of \$0.8 million, net of tax, and unrealized gains of \$0.5 million, net of tax, respectively, in other comprehensive income related to the change in market value of the swaps. The market value of the swaps recorded in other comprehensive income may be recognized in the statement of operations if certain terms of the senior credit facility change, if the loan is extinguished or if the swaps agreements are terminated prior to maturity.

6. Acquisitions

On March 12, 2007, the Company purchased substantially all the assets of Northport LLC (Northport), for approximately \$5.1 million in cash, plus the costs of effecting the transaction, and the assumption of certain liabilities. Northport provides accounting and management services to private equity funds.

The net assets and results of operations of Northport have been included in the Company's consolidated financial statements from March 1, 2007. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of client relationships and client contracts, was determined using the future cash flows method. The intangible assets are amortized each year based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. The intangible assets are amortized over approximately seven years, the estimated life of the assets. The remainder of the purchase price was allocated to goodwill.

The following summarizes the allocation of the purchase price for the acquisition of Northport (in thousands):

Tangible assets acquired, net of cash received	\$ 708
Acquired client relationships and contracts	1,500
Goodwill	3,303
Deferred revenue	(350)
Other liabilities assumed	(34)
Consideration paid, net of cash received	\$ 5,127

The Company reported revenues of \$2.6 million from Northport from the acquisition date through September 30, 2007. Pro forma operating results for the 2007 acquisition are not presented because the results would not be significantly different from historical results.

Table of Contents**7. Income Taxes**

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as the U.S., Canada, Connecticut and New York. In these major jurisdictions, the Company is no longer subject to examination by tax authorities for years prior to 2002, 2003, 1999 and 2003, respectively.

On January 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). At adoption, the Company had \$4.2 million of liabilities for unrecognized tax benefits. The adoption of FIN 48 resulted in a reclassification of certain tax liabilities from current to non-current of \$3.8 million and to certain related deferred tax assets of \$0.4 million. The Company did not record a cumulative effect adjustment to retained earnings as a result of adopting FIN 48. As of January 1, 2007, accrued interest related to unrecognized tax benefits was less than \$0.1 million. The Company recognizes accrued interest and penalties relating to the unrecognized tax benefits as a component of the income tax provision.

As of September 30, 2007, the Company had \$6.2 million of liabilities for unrecognized tax benefits. Of this amount, \$5.7 million relates to uncertain income tax positions that either existed prior to or were created as a result of the Transaction and would decrease goodwill if recognized. The remainder of the unrecognized tax benefits, if recognized, would decrease the Company's effective tax rate and increase the Company's net income.

8. Commitments and Contingencies

In connection with the definitive merger agreement that the Company signed on July 28, 2005 to be acquired by a corporation affiliated with The Carlyle Group, two purported class action lawsuits were filed against the Company, each of its directors and, with respect to the first matter described below, SS&C Technologies Holdings, Inc., in the Court of Chancery of the State of Delaware, in and for New Castle County.

The first lawsuit is Paulena Partners, LLC v. SS&C Technologies, Inc., et al., C.A. No. 1525-N (filed July 28, 2005).

The second lawsuit is Stephen Landen v. SS&C Technologies, Inc., et al., C.A. No. 1541-N (filed August 3, 2005).

Each complaint purports to state claims for breach of fiduciary duty against all of the Company's directors at the time of filing of the lawsuits. The complaints allege, among other things, that (1) the merger will benefit the Company's management or Carlyle at the expense of its public stockholders, (2) the merger consideration to be paid to stockholders is inadequate or unfair and does not represent the best price available in the marketplace for the Company, (3) the process by which the merger was approved was unfair and (4) the directors breached their fiduciary duties to the Company's stockholders in negotiating and approving the merger. Each complaint seeks, among other relief, class certification of the lawsuit, an injunction preventing the consummation of the merger (or rescinding the merger if it is completed prior to the receipt of such relief), compensatory and/or rescissory damages to the class and attorneys' fees and expenses, along with such other relief as the court might find just and proper. The plaintiffs have not sought a specific amount of monetary damages.

The two lawsuits were consolidated by order dated August 31, 2005. On October 18, 2005, the parties to the consolidated lawsuit entered into a memorandum of understanding, pursuant to which the Company agreed to make certain additional disclosures to its stockholders in connection with their approval of the merger. The memorandum of understanding also contemplated that the parties would enter into a settlement agreement, which the parties executed on July 6, 2006. Under the settlement agreement, the Company agreed to pay up to \$350,000 of plaintiffs' legal fees and expenses. The settlement agreement was subject to customary conditions, including court approval following notice to our stockholders. The court did not find that the settlement agreement was fair, reasonable and adequate and disapproved the proposed settlement on November 29, 2006. The court criticized plaintiffs' counsel's handling of the litigation, noting that the plaintiffs' counsel displayed a lack of understanding of basic terms of the merger, did not appear to have adequately investigated the plaintiffs' potential claims and was unable to identify the basic legal issues in the case. The court also raised questions about the process leading up to the transaction, which process included the Company's chief executive officer's discussions of potential investments in, or acquisitions of, the Company, without prior formal authorization of its board, but the court did not make any findings of fact on the litigation other than that there were not adequate facts in evidence to support the settlement. The plaintiffs decided to continue the litigation following rejection of the settlement, and the parties are currently in discovery. The court has set a trial date for July 2008. The Company believes that the claims are without merit and is defending them vigorously. Accordingly, no

accrual has been recorded by the Company related to this matter.

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

9. Product and Geographic Sales Information

The Company operates in one reportable segment, as defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company manages its business primarily on a geographic basis. The Company attributes net sales to an individual country based upon location of the customer. The Company's geographic regions consist of the United States, Canada, Americas, excluding the United States and Canada, Europe and Asia Pacific and Japan. The European region includes European countries as well as the Middle East and Africa.

Revenues by geography were (in thousands):

	Three Months Ended		Nine months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
United States	\$ 36,619	\$ 31,174	\$ 107,589	\$ 89,975
Canada	10,596	9,634	29,171	26,557
Americas, excluding United States and Canada	1,310	500	3,028	2,382
Europe	13,171	10,070	35,755	29,535
Asia Pacific and Japan	1,787	1,071	4,182	3,020
	\$ 63,483	\$ 52,449	\$ 179,725	\$ 151,469

Revenues by product group were (in thousands):

	Three Months Ended		Nine months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Portfolio management/accounting	\$ 48,892	\$ 38,446	\$ 139,866	\$ 111,458
Trading/treasury operations	7,936	7,010	21,005	21,393
Financial modeling	2,332	2,391	6,695	7,105
Loan management/accounting	1,873	1,838	3,929	4,045
Property management	1,202	1,370	3,819	4,211
Money market processing	670	1,144	2,829	3,007
Training	578	250	1,582	250
	\$ 63,483	\$ 52,449	\$ 179,725	\$ 151,469

10. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This standard does not require any new fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect that the adoption of FAS 157 will have a significant impact on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 provides entities with the option to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, and also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This standard is intended to expand the use of fair value measurement, but does not require any new fair value measurements. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the potential impact of this standard on its financial position and results of operations.

11. Supplemental Guarantor Condensed Consolidating Financial Statements

On November 23, 2005, in connection with the Transaction, the Company issued \$205 million aggregate principal amount of 11³/₄% senior subordinated notes due 2013. The senior subordinated notes are jointly and severally and fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned domestic subsidiaries of the Company (collectively Guarantors). All of the Guarantors are 100% owned by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the senior subordinated notes (Non-Guarantors). The Guarantors also unconditionally guarantee the senior secured credit facilities. There are no significant restrictions on the ability of the Company or any of the subsidiaries that are Guarantors to obtain funds from its subsidiaries by dividend or loan.

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Condensed consolidating financial information as of September 30, 2007 and December 31, 2006 and the three months and nine months ended September 30, 2007 and 2006 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows (in thousands):

At September 30, 2007

	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash and cash equivalents	\$ 8,351	\$ 950	\$ 6,889	\$	\$ 16,190
Accounts receivable, net	18,636	7,682	15,234		41,552
Income taxes receivable	810			(810)	
Prepaid expenses and other current assets	4,476	701	3,952		9,129
Deferred income taxes	456	51	471	(32)	946
Property and equipment, net	7,342	659	4,200		12,201
Investment in subsidiaries	113,786			(113,786)	
Intercompany balances	162,071	(9,765)	(152,306)		
Goodwill, intangible and other assets, net	776,738	21,019	320,619		1,118,376
Deferred income taxes, long-term		1,295	1,796	(3,091)	
Total assets	\$ 1,092,666	\$ 22,592	\$ 200,855	\$ (117,719)	\$ 1,198,394
Current portion of long-term debt	\$ 1,929	\$	\$ 616	\$	\$ 2,545
Accounts payable	985	159	1,029		2,173
Accrued expenses	16,748	1,592	6,201		24,541
Deferred income taxes			32	(32)	
Income taxes payable		924	2,316	(810)	2,430
Deferred maintenance and other revenue	20,181	5,587	6,918		32,686
Long-term debt, net of current portion	392,571		59,885		452,456
Other long-term liabilities	1,026		5,981		7,007
Deferred income taxes, long-term	53,372		18,421	(3,091)	68,702
Total liabilities	486,812	8,262	101,399	(3,933)	592,540
Stockholder's equity	605,854	14,330	99,456	(113,786)	605,854
Total liabilities and stockholder's equity	\$ 1,092,666	\$ 22,592	\$ 200,855	\$ (117,719)	\$ 1,198,394

At December 31, 2006

	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
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Cash and cash equivalents	\$ 3,055	\$ 2,317	\$ 6,346	\$	\$ 11,718
Accounts receivable, net	15,640	4,808	11,247		31,695
Income taxes receivable	5,260			(5,260)	
Prepaid expenses and other current assets	3,929	730	3,164		7,823
Deferred income taxes	268	87		(355)	
Property and equipment, net	4,897	987	4,135		10,019
Investment in subsidiaries	83,863			(83,863)	
Intercompany balances	142,577	(9,433)	(133,144)		
Deferred income taxes, long-term		1,583		(1,583)	
Goodwill, intangible and other assets, net	795,697	16,918	278,651		1,091,266
Total assets	\$ 1,055,186	\$ 17,997	\$ 170,399	\$ (91,061)	\$ 1,152,521
Current portion of long-term debt	\$ 5,000	\$	\$ 694	\$	\$ 5,694
Accounts payable	1,019	418	868		2,305
Accrued expenses and other liabilities	11,232	1,715	5,348		18,295
Deferred income taxes			739	(355)	384
Income taxes payable		1,522	3,929	(5,260)	191
Deferred maintenance and other revenue	15,821	3,678	6,180		25,679
Long-term debt, net of current portion	401,000		65,235		466,235
Other long-term liabilities			1,088		1,088
Deferred income taxes, long-term	57,982		13,119	(1,583)	69,518
Total liabilities	492,054	7,333	97,200	(7,198)	589,389
Stockholder s equity	563,132	10,664	73,199	(83,863)	563,132
Total liabilities and stockholder s equity	\$ 1,055,186	\$ 17,997	\$ 170,399	\$ (91,061)	\$ 1,152,521

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For the three months ended September 30, 2007

	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenues	\$ 26,069	\$ 15,880	\$ 21,928	\$ (394)	\$ 63,483
Cost of revenues	14,468	10,164	8,131	(394)	32,369
Gross profit	11,601	5,716	13,797		31,114
Operating expenses:					
Selling & marketing	3,092	424	1,473		4,989
Research & development	3,747	817	2,016		6,580
General & administrative	4,055	165	1,423		5,643
Total operating expenses	10,894	1,406	4,912		17,212
Operating income	707	4,310	8,885		13,902
Interest expense, net	(6,724)		(4,343)		(11,067)
Other expense, net	(14)	(34)	(10)		(58)
(Loss) income before income taxes	(6,031)	4,276	4,532		2,777
(Benefit) provision for income taxes	(1,377)	1,005	928		556
Equity in net income of subsidiaries	6,875			(6,875)	
Net income	\$ 2,221	\$ 3,271	\$ 3,604	\$ (6,875)	\$ 2,221

For the three months ended September 30, 2006

	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenues	\$ 20,838	\$ 14,575	\$ 17,287	\$ (251)	\$ 52,449
Cost of revenues	10,636	8,088	7,335	(251)	25,808
Gross profit	10,202	6,487	9,952		26,641
Operating expenses:					
Selling & marketing	2,765	492	1,599		4,856
Research & development	3,405	836	1,858		6,099
General & administrative	3,477	239	1,391		5,107
Total operating expenses	9,647	1,567	4,848		16,062
Operating income	555	4,920	5,104		10,579
Interest expense, net	(7,928)	(7)	(4,220)		(12,155)
Other expense, net	(16)		(67)		(83)
(Loss) income before income taxes	(7,389)	4,913	817		(1,659)
(Benefit) provision for income taxes	(6,903)	4,956	(71)		(2,018)
Equity in net income of subsidiaries	845			(845)	

Net income (loss)	\$ 359	\$ (43)	\$ 888	\$ (845)	\$ 359
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For the nine months ended September 30, 2007

	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenues	\$ 74,378	\$ 47,496	\$ 58,799	\$ (948)	\$ 179,725
Cost of revenues	42,191	30,079	22,797	(948)	94,119
Gross profit	32,187	17,417	36,002		85,606
Operating expenses:					
Selling & marketing	9,025	1,250	3,997		14,272
Research & development	11,220	2,659	5,738		19,617
General & administrative	12,417	824	3,929		17,170
Total operating expenses	32,662	4,733	13,664		51,059
Operating (loss) income	(475)	12,684	22,338		34,547
Interest (expense) income, net	(21,270)	10	(12,362)		(33,622)
Other income (expense), net	85	(170)	607		522
(Loss) income before income taxes	(21,660)	12,524	10,583		1,447
(Benefit) provision for income taxes	(5,113)	2,573	2,998		458
Equity in net income of subsidiaries	17,536			(17,536)	
Net income	\$ 989	\$ 9,951	\$ 7,585	\$ (17,536)	\$ 989

For the nine months ended September 30, 2006

	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Revenues	\$ 59,391	\$ 41,720	\$ 51,199	\$ (841)	\$ 151,469
Cost of revenues	30,071	22,606	21,773	(841)	73,609
Gross profit	29,320	19,114	29,426		77,860
Operating expenses:					
Selling & marketing	7,153	1,602	3,996		12,751
Research & development	9,777	2,437	5,689		17,903
General & administrative	8,700	825	4,335		13,860
Total operating expenses	25,630	4,864	14,020		44,514
Operating income	3,690	14,250	15,406		33,346
Interest expense, net	(23,073)	(7)	(12,348)		(35,428)
Other income (expense), net	29	(1)	716		744
(Loss) income before income taxes	(19,354)	14,242	3,774		(1,338)
(Benefit) provision for income taxes	(9,722)	7,154	(690)		(3,258)
Equity in net income of subsidiaries	11,552			(11,552)	

Net income	\$ 1,920	\$ 7,088	\$ 4,464	\$ (11,552)	\$ 1,920
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	For the nine months ended September 30, 2007				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash Flow from Operating Activities:					
Net income	\$ 989	\$ 9,951	\$ 7,585	\$ (17,536)	\$ 989
Non-cash adjustments	4,568	1,516	6,389	17,536	30,009
Changes in operating assets and liabilities	11,104	(1,594)	(370)		9,140
Net cash provided by operating activities	16,661	9,873	13,604		40,138
Cash Flow from Investing Activities:					
Intercompany transactions	4,174	(5,953)	1,779		
Cash paid for businesses acquired, net of cash Acquired		(5,127)	(3)		(5,130)
Additions to property and equipment	(4,119)	(160)	(1,096)		(5,375)
Proceeds from sale of property and equipment	6				6
Net cash provided by (used in) investing activities	61	(11,240)	680		(10,499)
Cash Flow from Financing Activities:					
Net repayments of debt	(11,500)		(14,367)		(25,867)
Income tax benefit related to exercise of stock options	82				82
Transactions involving SS&C Technologies Holdings, Inc. common stock	(8)				(8)
Net cash used in financing activities	(11,426)		(14,367)		(25,793)
Effect of exchange rate changes on cash			626		626
Net increase (decrease) in cash and cash equivalents	5,296	(1,367)	543		4,472
Cash and cash equivalents, beginning of period	3,055	2,317	6,346		11,718
Cash and cash equivalents, end of period	\$ 8,351	\$ 950	\$ 6,889	\$	\$ 16,190

For the nine months ended September 30,
2006

	SS&C	Total Guarantors	Total Non- Guarantors	Consolidating Adjustments	Total
Cash Flow from Operating Activities:					
Net income	\$ 1,920	\$ 7,088	\$ 4,464	\$ (11,552)	\$ 1,920
Non-cash adjustments	(2,534)	494	2,487	11,552	11,999
Changes in operating assets and liabilities	11,589	3,514	(3,221)		11,882
Net cash provided by operating activities	10,975	11,096	3,730		25,801
Cash Flow from Investment Activities:					
Intercompany transactions	4,622	(12,325)	7,703		
Cash paid for businesses acquired, net of cash acquired	(14,249)		282		(13,967)
Additions to property and equipment	(1,811)	(264)	(866)		(2,941)
Proceeds from sale of property and equipment		2	(1)		1
Net cash (used in) provided by investing activities	(11,438)	(12,587)	7,118		(16,907)
Cash Flow from Financing Activities:					
Net repayments of debt	(4,813)		(10,063)		(14,876)
Transactions involving SS&C Technologies Holdings, Inc. common stock	735				735
Net cash used in financing activities	(4,078)		(10,063)		(14,141)
Effect of exchange rate changes on cash			309		309
Net (decrease) increase in cash and cash equivalents	(4,541)	(1,491)	1,094		(4,938)
Cash and cash equivalents, beginning of period	6,319	1,971	7,294		15,584
Cash and cash equivalents, end of period	\$ 1,778	\$ 480	\$ 8,388	\$	\$ 10,646

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

Certain of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry, information provided by our clients and information available from other outside sources, as appropriate. Actual results may differ significantly from the estimates contained in our consolidated financial statements. Other than the adoption of FIN 48, as more fully described in note 7, there have been no material changes to our critical accounting estimates and assumptions or the judgments affecting the application of those estimates and assumptions since the filing of our Annual Report on Form 10-K for the year ended December 31, 2006. Our critical accounting policies are described in our annual filing on Form 10-K and include:

Revenue Recognition

Allowance for Doubtful Accounts

Long-Lived Assets, Intangible Assets and Goodwill

Acquisition Accounting

Income Taxes

Stock-based compensation

Results of Operations for the Three Months and Nine Months Ended September 30, 2007 and 2006

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

	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	September 30, 2007	September 30, 2006		September 30, 2007	September 30, 2006	
Revenues:						
Software licenses	\$ 7,159	\$ 6,502	10%	\$ 18,653	\$ 16,864	11%
Maintenance	15,666	14,187	10%	45,899	40,535	13%
Professional services	3,338	4,490	-26%	12,381	14,618	-15%
Software-enabled services	37,320	27,270	37%	102,792	79,452	29%
Total revenues	\$ 63,483	\$ 52,449	21%	\$ 179,725	\$ 151,469	19%

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

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenues:				
Software licenses	11%	12%	10%	11%
Maintenance	25%	27%	26%	27%
Professional services	5%	9%	7%	10%
Software-enabled services	59%	52%	57%	52%

Revenues

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues. As a general matter, our software license and professional services revenues tend to fluctuate based on the number of new licensing clients, while fluctuations in our software-enabled services revenues are

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attributable to the number of new software-enabled services clients as well as the number of outsourced transactions provided to our existing clients. Maintenance revenues vary based on the rate by which we add or lose maintenance clients over time and, to a lesser extent, on the annual increases in maintenance fees, which are generally tied to the consumer price index.

Revenues for the three months ended September 30, 2007 were \$63.5 million, increasing 21% from \$52.4 million in the same period in 2006. Revenues for businesses and products that we have owned for at least 12 months, or organic revenues, increased 17%, accounting for \$8.9 million of the increase, and came from increased demand of \$8.8 million for our software-enabled services, an increase of \$1.0 million in maintenance revenues and an increase of \$0.3 million in license sales, partially offset by a decrease of \$1.2 million in professional services revenues. The remaining \$1.6 million increase was due to sales of products and services that we acquired in our recent acquisitions of Northport and Zoologic, which occurred in March 2007 and August 2006, respectively. Additionally, revenues for the three months ended September 30, 2006 include a reduction of \$0.5 million as a result of adjusting deferred revenue to fair value in connection with the Transaction. Revenue growth in the three months ended September 30, 2007 includes the favorable impact from foreign currency translation of \$1.3 million resulting from the weakness of the U.S. dollar relative to currencies such as the Canadian dollar, the British pound and the Euro. Revenues for the nine months ended September 30, 2007 were \$179.7 million, increasing 19% from \$151.5 million in the same period in 2006. Organic growth was 13%, accounting for \$19.8 million of the increase, and came from increased demand of \$20.2 million for our software-enabled services and an increase of \$2.4 million in maintenance revenues, offset by decreases of \$2.1 million in professional services revenues and \$0.7 million in license sales. The remaining \$5.0 million increase was due to sales of products and services that we acquired in our recent acquisitions of Cogent, which we acquired in March 2006, Northport and Zoologic. Additionally, revenues for the nine months ended September 30, 2006 include a reduction of \$3.4 million as a result of adjusting deferred revenue to fair value in connection with the Transaction. Revenue growth in the nine months ended September 30, 2007 includes the favorable impact from foreign currency translation of \$2.5 million.

Software Licenses. Software license revenues were \$7.2 million and \$6.5 million for the three months ended September 30, 2007 and 2006, respectively. Organic software license revenues increased \$0.3 million and acquisitions contributed \$0.3 million to the increase. Additionally, software license revenues for the three months ended September 30, 2006 included a reduction of \$0.1 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. Software license revenues were \$18.7 million and \$16.9 million for the nine months ended September 30, 2007 and 2006, respectively. Acquisitions added \$1.1 million in revenues, partially offsetting a decrease of \$0.7 million in organic revenues. Additionally, software license revenues for the nine months ended September 30, 2006 included a reduction of \$1.4 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. Software license revenues will vary depending on the timing, size and nature of our license transactions. For example, the average size of our software license transactions and the number of large transactions may fluctuate on a period-to-period basis. For the nine months ended September 30, 2007, perpetual license transactions were similar to those of the prior year, in both the number of transactions and the average size of those transactions. Additionally, software license revenues will vary among the various products that we offer, due to differences such as the timing of new releases and variances in economic conditions affecting opportunities in the vertical markets served by such products.

Maintenance. Maintenance revenues were \$15.7 million and \$14.2 million for the three months ended September 30, 2007 and 2006, respectively. The increase of \$1.5 million, or 10%, was due in part to organic revenue growth of \$1.0 million and acquisitions, which added \$0.1 million. Additionally, maintenance revenues for the three months ended September 30, 2006 included a reduction of \$0.4 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. Maintenance revenues were \$45.9 million and \$40.5 million for the nine months ended September 30, 2007 and 2006, respectively. Maintenance revenue growth of \$5.4 million was due in part to organic revenue growth of \$2.5 million and acquisitions, which added \$0.2 million in revenues. Additionally, maintenance revenues for the nine months ended September 30, 2006 included a reduction of \$2.7 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. We typically provide maintenance services under one-year renewable contracts that provide for an annual increase in fees, generally tied to the

percentage change in the consumer price index. Future maintenance revenue growth is dependent on our ability to retain existing clients, add new license clients, and increase average maintenance fees.

Professional Services. Professional services revenues were \$3.3 million and \$4.5 million for the three months ended September 30, 2007 and 2006, respectively. Professional service revenues were \$12.4 million and \$14.6 million for the nine months ended September 30, 2007 and 2006, respectively. The decrease in professional services revenues for both periods was primarily related several large professional services projects that were either completed or substantially completed in late 2006. Additionally, professional services revenues for the nine months ended September 30, 2006 included an increase of \$0.2 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. Our overall software license revenue levels and market demand for professional services will continue to have an effect on our professional services revenues.

Software-enabled Services. Software-enabled services revenues were \$37.3 million and \$27.3 million for the three months ended September 30, 2007 and 2006, respectively. The increase of \$10.0 million, or 37%, was primarily due to organic growth

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of \$8.8 million and came from increased demand for services from existing clients and the addition of new clients for our SS&C Fund Services and SS&C Direct software-enabled services, as well as our Pacer application service provider (ASP) services and Securities Valuation (SVC) securities data services provided by SS&C Technologies Canada Corp. Acquisitions added \$1.2 million in revenues. Software-enabled services revenues for the nine months ended September 30, 2007 and 2006 were \$102.8 million and \$79.5 million, respectively. Organic revenue growth accounted for \$20.2 million of the increase, driven by increased demand for services from existing clients and the addition of new clients for our SS&C Fund Services and SS&C Direct software-enabled services, as well as our Pacer ASP services and SVC securities data services provided by SS&C Technologies Canada Corp. Acquisitions added \$3.5 million in revenues in the aggregate. Additionally, software-enabled services revenues for the nine months ended September 30, 2006 include an increase of \$0.4 million as a result of adjusting our deferred revenue to fair value in connection with the Transaction. Future software-enabled services revenue growth is dependent on our ability to retain existing clients, add new clients and increase average fees.

Cost of Revenues

The total cost of revenues was \$32.4 million and \$25.8 million for the three months ended September 30, 2007 and 2006, respectively. The total cost of revenues increase was mainly due to additional amortization expense of \$1.3 million as a result of increasing cash flows, \$1.1 million in costs related to acquisitions, additional stock-based compensation expense of \$0.1 million and cost increases of \$4.1 million to support our organic revenue growth, primarily in software-enabled services revenues. Certain of our intangible assets are amortized into cost of revenues based on the ratio that current cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The total cost of revenues for the nine months ended September 30, 2007 and 2006 was \$94.1 million and \$73.6 million, respectively. The gross margin decreased to 48% for the nine months ended September 30, 2007 from 51% for the comparable period in 2006. The decrease in gross margin was primarily attributable to additional amortization expense of \$3.8 million, additional stock-based compensation expense of \$1.3 million due to the vesting and projected vesting of performance-based options and a non-cash increase in rent expense of \$0.2 million. Accounting for the remainder of the total cost of revenues increase was \$3.3 million in costs associated with the acquisitions of Northport, Zoologic and Cogent, and cost increases of \$11.9 million to support our organic revenue growth, primarily in software-enabled services revenues.

Cost of Software Licenses. Cost of software license revenues consists primarily of amortization expense of completed technology, royalties, third-party software, and the costs of product media, packaging and documentation. The cost of software license revenues was \$2.4 million and \$2.3 million for the three months ended September 30, 2007 and 2006, respectively. The cost of software license revenues for the nine months ended September 30, 2007 and 2006 was \$7.2 million and \$6.8 million, respectively. The increase in cost of software licenses for both periods was due to additional amortization expense related to acquisitions and increasing cash flows. Cost of software license revenues as a percentage of such revenues was 38% and 40% for the nine months ended September 30, 2007 and 2006, respectively.

Cost of Maintenance. Cost of maintenance revenues consists primarily of technical client support, costs associated with the distribution of products and regulatory updates and amortization of intangible assets. The cost of maintenance revenues was \$6.4 million and \$5.2 million for the three months ended September 30, 2007 and 2006, respectively. The increase in cost of maintenance revenues was primarily due to additional amortization expense of \$1.1 million as a result of increasing cash flows and acquisitions, which added \$0.1 million in costs. The cost of maintenance revenues for the nine months ended September 30, 2007 and 2006 was \$19.5 million and \$15.1 million, respectively. The increase in cost of maintenance revenues was due to additional amortization expense of \$3.2 million, acquisitions, which added \$0.5 million in costs, additional stock-based compensation expense of \$0.1 million and cost increases of \$0.6 million, primarily personnel-related, to support the growth in organic revenues.

Cost of Professional Services. Cost of professional services revenues consists primarily of the cost related to personnel utilized to provide implementation, conversion and training services to our software licensees, as well as system integration, custom programming and actuarial consulting services. The cost of professional services revenues was \$3.3 million and \$3.1 million for the three months ended September 30, 2007 and 2006, respectively. The increase in cost of professional services revenues was primarily due to an increase of \$0.1 million in personnel costs. The cost of

professional services revenues for the nine months ended September 30, 2007 and 2006 was \$10.3 million and \$9.4 million, respectively. The increase in cost of professional services revenues was primarily due to additional stock-based compensation expense of \$0.2 million and an increase of \$0.6 million in personnel costs.

Cost of Software-enabled Services. Cost of software-enabled services revenues consists primarily of the cost related to personnel utilized in servicing our software-enabled services clients and amortization of intangible assets. The cost of software-enabled services revenues was \$20.3 million and \$15.2 million for the three months ended September 30, 2007 and

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2006, respectively. The increase in cost of software-enabled services revenues was primarily due to an increase of \$4.0 million in costs to support the growth in organic revenues and acquisitions, which added \$0.8 million. Additionally, stock-based compensation expense increased \$0.1 million and amortization expense increased \$0.2 million as a result of increasing cash flows. The cost of software-enabled services revenues for the nine months ended September 30, 2007 and 2006 was \$57.1 million and \$42.3 million, respectively. The increase in cost of software-enabled services revenues was primarily due to an increase of \$10.6 million in costs to support the growth in organic revenues and acquisitions, which added \$2.6 million. Additionally, stock-based compensation expense increased \$1.1 million, amortization expense increased \$0.4 million and non-cash rent expense increased \$0.1 million.

Operating Expenses

Total operating expenses were \$17.2 million and \$16.1 million for the three months ended September 30, 2007 and 2006, respectively. The increase in operating expenses was primarily due to an increase of \$1.1 million in costs to support organic revenue growth. Additionally, our acquisitions of Northport and Zoologic added \$0.2 million in costs, capital-based taxes increased \$0.2 million and stock-based compensation expense increased \$0.1 million, partially offset by a reduction of \$0.5 million in non-recurring expenses. Total operating expenses for the nine months ended September 30, 2007 and 2006 were \$51.1 million and \$44.5 million, respectively. The increase in operating expenses was primarily due to additional stock-based compensation expense of \$3.5 million due to the vesting and projected vesting of performance-based options and an increase of \$2.1 million in costs to support organic revenue growth. The remaining \$1.0 million of the increase was due to our acquisitions of Northport, Zoologic and Cogent.

Selling and Marketing. Selling and marketing expenses consist primarily of the personnel costs associated with the selling and marketing of our products, including salaries, commissions and travel and entertainment. Such expenses also include amortization of intangible assets, the cost of branch sales offices, trade shows and marketing and promotional materials. Selling and marketing expenses were \$5.0 million and \$4.9 million for the three months ended September 30, 2007 and 2006, respectively. The increase in selling and marketing expenses was primarily attributable to our acquisitions, which added \$0.1 million in costs. An increase of \$0.3 million in costs to support organic revenue growth was offset by a decrease of \$0.3 million in non-recurring expenses relating to severances attributable to the closing of a branch sales office. Selling and marketing expenses for the nine months ended September 30, 2007 and 2006 were \$14.3 million and \$12.8 million, respectively. The increase in selling and marketing expenses was primarily attributable to an increase in stock-based compensation expense of \$0.7 million, our acquisitions, which added \$0.5 million in costs, and an increase of \$0.4 million in costs to support organic revenue growth. These increases were partially offset by a decrease of \$0.1 million in non-recurring expenses relating to severances.

Research and Development. Research and development expenses consist primarily of personnel costs attributable to the enhancement of existing products and the development of new software products. Research and development expenses were \$6.6 million and \$6.1 million for the three months ended September 30, 2007 and 2006, respectively. The increase in research and development expenses was primarily due to an increase of \$0.4 million in costs to support organic revenue growth and our acquisitions, which added \$0.1 million. Research and development expenses for the nine months ended September 30, 2007 and 2006 were \$19.6 million and \$17.9 million, respectively. The increase in research and development expenses was primarily due to an increase of \$0.8 million in costs to support organic revenue growth, an increase of \$0.5 million in stock-based compensation expense, our acquisitions, which added \$0.3 million and an increase of \$0.1 million in non-cash rent expense.

General and Administrative. General and administrative expenses consist primarily of personnel costs related to management, accounting and finance, information management, human resources and administration and associated overhead costs, as well as fees for professional services. General and administrative expenses were \$5.6 million and \$5.1 million for the three months ended September 30, 2007 and 2006, respectively. The increase in general and administrative expenses was primarily due to an increase of \$0.4 million in costs to support the growth in organic revenues, additional stock-based compensation expense of \$0.1 million and an increase of \$0.2 million in capital-based taxes. These increases were partially offset by a decrease of \$0.2 million in non-recurring expenses. General and administrative expenses for the nine months ended September 30, 2007 and 2006 were \$17.2 million and \$13.9 million, respectively. The increase in general and administrative expenses was primarily due to additional stock-based compensation expense of \$2.2 million, an increase of \$0.9 million in costs to support the growth in

organic revenues and acquisitions, which added \$0.2 million.

Interest Expense, Net. Net interest expense for the three months ended September 30, 2007 and 2006 was \$11.1 million and \$12.2 million, respectively. Net interest expense was \$33.6 million and \$35.4 million for the nine months ended September 30, 2007 and 2006, respectively. Interest expense is primarily related to our debt outstanding under our senior credit facility and 11 ³/₄% senior subordinated notes due 2013.

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Other Income, Net. Other income, net for the nine months ended September 30, 2007 consisted primarily of foreign currency gains and proceeds received from insurance policies. Other income, net for the nine months ended September 30, 2006 consisted primarily of foreign currency gains.

Provision (Benefit) for Income Taxes. We had an effective tax rate of 31.7% for the nine months ended September 30, 2007. The forecasted effective tax rate for the year is approximately 20%; however the effective tax rate may fluctuate significantly based on the amount of our annual consolidated pre-tax income and the tax jurisdiction in which the annual pre-tax income is earned. Our anticipated annual effective tax rate of 20% is lower than the U.S. statutory tax rate of 35% because we have incurred pre-tax losses in tax jurisdictions with higher statutory tax rates and generated pre-tax income in tax jurisdictions with lower statutory tax rates. For the nine months ended September 30, 2006, we recorded a benefit of \$3.3 million. This was partially due to a change in Canadian statutory tax rates enacted in June 2006, for which we recorded a benefit of approximately \$1.2 million on our deferred tax assets, and foreign tax benefits of approximately \$1.6 million.

Liquidity and Capital Resources

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

Our cash and cash equivalents at September 30, 2007 were \$16.2 million, an increase of \$4.5 million from \$11.7 million at December 31, 2006. Cash provided by operations was partially offset by net repayments of debt and cash used for acquisitions and capital expenditures.

Net cash provided by operating activities was \$40.1 million for the nine months ended September 30, 2007. Cash provided by operating activities was primarily due to net income of \$1.0 million adjusted for non-cash items of \$30.0 million and changes in our working capital accounts totaling \$9.1 million. The changes in our working capital accounts were driven by an increase in accrued expenses, primarily due to interest related to our notes, and an increase in deferred revenues, primarily due to the collection of annual maintenance fees, partially offset by an increase in accounts receivable due to additional revenues and the timing of collections.

Investing activities used net cash of \$10.5 million for the nine months ended September 30, 2007. Cash used by investing activities was primarily due to \$5.1 million cash paid for the acquisition of Northport and \$5.4 million in capital expenditures.

Financing activities used net cash of \$25.8 million for the nine months ended September 30, 2007, representing \$25.9 million net repayments of debt under our senior credit facilities, partially offset by income tax benefits of \$0.1 million related to option exercises.

Off-Balance Sheet Arrangements

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

Senior Credit Facilities

Our borrowings under our senior credit facilities bear interest at either a floating base rate or a Eurocurrency rate plus, in each case, an applicable margin. In addition, we pay a commitment fee in respect of unused revolving commitments at a rate that will be adjusted based on our leverage ratio. We are obligated to make quarterly principal payments on the term loan of \$2.5 million per year. Subject to certain exceptions, thresholds and other limitations, we are required to prepay outstanding loans under our senior credit facilities with the net proceeds of certain asset dispositions, near-term tax refunds and certain debt issuances and 50% of our excess cash flow (as defined in the agreements governing our senior credit facilities), which percentage will be reduced based on our reaching certain leverage ratio thresholds.

The obligations under our senior credit facilities are guaranteed by all of our existing and future wholly owned U.S. subsidiaries and by SS&C Technologies Holdings, Inc., which we also refer to as Holdings, with certain exceptions as set forth in our credit

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

The senior credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our (and most of our subsidiaries) ability to incur additional indebtedness, pay dividends and distributions on capital stock, create liens on assets, enter into sale and lease-back transactions, repay subordinated indebtedness, make capital expenditures, engage in certain transactions with affiliates, dispose of assets and engage in mergers or acquisitions. In addition, under the senior credit facilities, we are required to satisfy and maintain a maximum total leverage ratio and a minimum interest coverage ratio. We were in compliance with all covenants at September 30, 2007.

11 3/4 % Senior Subordinated Notes due 2013

The 11 3/4% senior subordinated notes due 2013 are unsecured senior subordinated obligations that are subordinated in right of payment to all existing and future senior debt, including the senior credit facilities. The senior subordinated notes will be pari passu in right of payment to all future senior subordinated debt.

The senior subordinated notes are redeemable in whole or in part, at our option, at any time at varying redemption prices that generally include premiums, which are defined in the indenture. In addition, upon a change of control, we are required to make an offer to redeem all of the senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indenture governing the senior subordinated notes contains a number of covenants that restrict, subject to certain exceptions, our ability and the ability of our restricted subsidiaries to incur additional indebtedness, pay dividends, make certain investments, create liens, dispose of certain assets and engage in mergers or acquisitions.

On June 13, 2007, Holdings filed a registration statement for an initial public offering with the Securities and Exchange Commission. In the event the offering is consummated, we intend to redeem (with substantially all of Holdings' net proceeds from the offering) up to \$71.75 million in principal amount of the outstanding senior subordinated notes, at a redemption price of 111.75% of the principal amount, plus accrued and unpaid interest. If we redeem the maximum amount of senior subordinated notes permitted by the indenture, we will redeem \$71.75 million in principal amount of notes for \$80.18 million in cash, plus accrued and unpaid interest. This redemption will result in a loss on extinguishment of debt of approximately \$8.4 million in the period in which the notes are redeemed. Additionally, we will incur a non-cash charge of approximately \$2.2 million relating to the write-off of deferred financing fees attributable to the redeemed notes. Our future annual interest payments will be reduced by approximately \$8.4 million. For each \$1.0 million decrease in the principal amount redeemed, we will pay \$1.12 million less in cash.

Covenant Compliance

Under the senior credit facilities, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of September 30, 2007, we were in compliance with the financial and non-financial covenants. Our continued ability to meet these financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet these ratios and tests. A breach of any of these covenants could result in a default under the senior credit facilities. Upon the occurrence of any event of default under the senior credit facilities, the lenders could elect to declare all amounts outstanding under the senior credit facilities to be immediately due and payable and

terminate all commitments to extend further credit.

Consolidated EBITDA is a non-GAAP financial measure used in key financial covenants contained in our senior credit facilities, which are material facilities supporting our capital structure and providing liquidity to our business.

Consolidated

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EBITDA is defined as earnings before interest, taxes, depreciation and amortization (EBITDA), further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under our senior credit facilities. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Consolidated EBITDA is appropriate to provide additional information to investors to demonstrate compliance with the specified financial ratios and other financial condition tests contained in our senior credit facilities.

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

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

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

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

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

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

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

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

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

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

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 2,221	\$ 359	\$ 989	\$ 1,920
Interest expense, net	11,067	12,155	33,622	35,428
Income taxes	556	(2,018)	458	(3,258)

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Depreciation and amortization	8,744	6,768	25,957	20,140
EBITDA	\$ 22,588	\$ 17,264	\$ 61,026	\$ 54,230
Purchase accounting adjustments (1)	(76)	403	(215)	2,958
Unusual or non-recurring charges (2)	(21)	550	(262)	(120)
Acquired EBITDA and cost savings (3)		174	135	1,147
Stock-based compensation	1,973	1,707	6,513	1,707
Capital-based taxes	645	483	1,309	1,363
Other (4)	409	250	1,194	750
Consolidated EBITDA	\$ 25,518	\$ 20,831	\$ 69,700	\$ 62,035

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- (1) Purchase accounting adjustments include the adjustment of deferred revenue and lease obligations to fair value at the date of the Transaction.
- (2) Unusual or non-recurring charges include foreign currency gains and losses, proceeds from legal settlements and other one-time gains and expenses.
- (3) Acquired EBITDA and cost savings reflects the impact of EBITDA and cost savings from synergies for significant businesses that were acquired during the period as if the acquisition occurred at the beginning of that period.
- (4) Other includes management fees paid to The Carlyle Group and the non-cash portion of

straight-line rent
expense.

Our covenant restricting capital expenditures for the year ending December 31, 2007 limits expenditures to \$10 million. Actual capital expenditures through September 30, 2007 were \$5.4 million. Our covenant requirements for total leverage ratio and minimum interest coverage ratio and the actual ratios for the twelve months ended September 30, 2007 are as follows:

	Covenant Requirements	Actual Ratios
Maximum consolidated total leverage to Consolidated EBITDA Ratio	6.75x	4.78x
Minimum Consolidated EBITDA to consolidated net interest coverage ratio	1.50x	2.14x

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

At September 30, 2007, we had total debt of \$455.0 million, including \$250.0 million of variable rate debt. We have entered into three interest rate swap agreements which fixed the interest rates for \$209.4 million of our variable rate debt. Two of our swap agreements are denominated in U.S. dollars and have notional values of \$100 million and \$50 million, effectively fix our interest rates at 6.78% and 6.71%, respectively, and expire in December 2010 and December 2008, respectively. Our third swap agreement is denominated in Canadian dollars and has a notional value equivalent to approximately U.S. \$59.4 million. The Canadian swap effectively fixes our interest rate at 6.679% and expires in December 2008. During the period when all three of our swap agreements are effective, a 1% change in interest rates would result in a change in interest of approximately \$0.4 million per year. Upon the expiration of the two interest rate swap agreements in December 2008 and the third interest rate swap agreement in December 2010, a 1% change in interest rates would result in a change in interest of approximately \$1.5 million and \$2.5 million per year, respectively.

At September 30, 2007, \$60.5 million of our debt was denominated in Canadian dollars. We expect that our foreign denominated debt will be serviced through our local operations.

During 2006, approximately 40% of our revenues were from customers located outside the United States. A portion of the revenues from customers located outside the United States is denominated in foreign currencies, the majority being the Canadian dollar. Revenues and expenses of our foreign operations are denominated in their respective local currencies. We continue to monitor our exposure to foreign exchange rates as a result of our foreign currency denominated debt, our acquisitions and changes in our operations.

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

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Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2007. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2007, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 1. Legal Proceedings**

In connection with the definitive merger agreement that we signed on July 28, 2005 to be acquired by a corporation affiliated with The Carlyle Group, two purported class action lawsuits were filed against us, each of our directors and, with respect to the first matter described below, SS&C Technologies Holdings, Inc., in the Court of Chancery of the State of Delaware, in and for New Castle County.

The first lawsuit is Paulena Partners, LLC v. SS&C Technologies, Inc., et al., C.A. No. 1525-N (filed July 28, 2005).

The second lawsuit is Stephen Landen v. SS&C Technologies, Inc., et al., C.A. No. 1541-N (filed August 3, 2005).

Each complaint purports to state claims for breach of fiduciary duty against all of our directors at the time of filing of the lawsuits. The complaints allege, among other things, that (1) the merger will benefit our management or Carlyle at the expense of our public stockholders, (2) the merger consideration to be paid to stockholders is inadequate or unfair and does not represent the best price available in the marketplace for us, (3) the process by which the merger was approved was unfair and (4) the directors breached their fiduciary duties to our stockholders in negotiating and approving the merger. Each complaint seeks, among other relief, class certification of the lawsuit, an injunction preventing the consummation of the merger (or rescinding the merger if it is completed prior to the receipt of such relief), compensatory and/or rescissory damages to the class and attorneys' fees and expenses, along with such other relief as the court might find just and proper. The plaintiffs have not sought a specific amount of monetary damages. The two lawsuits were consolidated by order dated August 31, 2005. On October 18, 2005, the parties to the consolidated lawsuit entered into a memorandum of understanding, pursuant to which we agreed to make certain additional disclosures to our stockholders in connection with their approval of the merger. The memorandum of understanding also contemplated that the parties would enter into a settlement agreement, which the parties executed on July 6, 2006. Under the settlement agreement, we agreed to pay up to \$350,000 of plaintiffs' legal fees and expenses. The settlement agreement was subject to customary conditions, including court approval following notice to our stockholders. The court did not find that the settlement agreement was fair, reasonable and adequate and disapproved the proposed settlement on November 29, 2006. The court criticized plaintiffs' counsel's handling of the litigation, noting that the plaintiffs' counsel displayed a lack of understanding of basic terms of the merger, did not appear to have adequately investigated the plaintiffs' potential claims and was unable to identify the basic legal issues in the case. The court also raised questions about the process leading up to the transaction, which process included our chief executive officer's discussions of potential investments in, or acquisitions of, SS&C Technologies, without prior formal authorization of our board, but the court did not make any findings of fact on the litigation other than that there were not adequate facts in evidence to support the settlement. The plaintiffs decided to continue the litigation following rejection of the settlement, and the parties are currently in discovery. The court has set a trial date for July 2008. We believe that the claims are without merit and are defending them vigorously.

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

Item 1A. Risk Factors

You should carefully consider the following risk factors relating to our business. If any of these risks occur, our business, financial condition and operating results could be materially adversely affected.

Risks Relating to Our Business

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

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

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cancel or reduce planned expenditures for our products and services;

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

move their IT solutions in-house;

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

exit the industry.

If such conditions occur and persist, our business and financial results, including our liquidity and our ability to fulfill our obligations to the holders of our 11 3/4% senior subordinated notes due 2013, which we refer to as the notes or senior subordinated notes, and our other lenders, could be materially adversely affect