

SYNCHRONOSS TECHNOLOGIES INC

Form 10-K

March 09, 2010

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

Form 10-K

- p ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009**
- 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 000-52049

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

Delaware
(State of incorporation)

06-1594540
(IRS Employer Identification No.)

750 Route 202 South, Suite 600, Bridgewater, New Jersey 08807
(Address of principal executive offices, including ZIP code)

(866) 620-3940
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the Exchange Act). Yes No

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant as of June 30, 2009, based upon the closing price of the common stock as reported by The NASDAQ Stock Market on such date was approximately \$233 million.

As of February 16, 2010, a total of 31,115,622 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to portions of the registrant's definitive Proxy Statement for its 2010 Annual Meeting of Stockholders (the Proxy Statement), which is expected to be filed not later than 120 days after the registrant's fiscal year ended December 31, 2009. Except as expressly incorporated by reference, the Proxy Statement shall not be deemed to be a part of this report on Form 10-K.

SYNCHRONOSS TECHNOLOGIES, INC.

Form 10-K

DECEMBER 31, 2009

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PART I

ITEM 1. BUSINESS

The words Synchronoss, we, our, ours, us and the Company refer to Synchronoss Technologies, Inc. All statements in this discussion that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding Synchronoss expectations, beliefs, hopes, intentions, strategies or the like. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Synchronoss cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the risk factors discussed in this Annual Report on Form 10-K. Synchronoss expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Synchronoss expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

General

We are a leading provider of on-demand transaction management platforms that enable communications service providers (CSPs), cable operators/multi-services operators (MSOs), original equipment manufacturers (OEMs) with embedded connectivity (e.g. smartphones, laptops, netbooks and mobile Internet devices, among others), e-Tailers/retailers and other customers to accelerate and monetize their go-to-market strategies for connected-devices. This includes automating subscriber activation, order management and service provisioning from any channel (e.g., e-commerce, telesales, customer stores, indirect and other retail outlets, etc.) to any communication service (e.g., wireless (2G, 3G, 4G), high speed access, local access, IPTV, cable, satellite TV, etc.) across any connected device type.

Our ConvergenceNow®, ConvergenceNow® Plus+™ and InterconnectNow™ platforms provide end-to-end seamless integration between customer-facing channels/applications, communication services, or devices and back-office infrastructure-related systems and processes. Our customers rely on our cloud-based solutions and technology to automate the process of activating their customers while delivering additional communication services, including new service offerings and ongoing customer care. Our platforms are designed to be flexible and scalable to enable multiple converged communication services to be managed across multiple distribution channels, including e-commerce, telesales, customer stores, indirect, and other retail outlets, etc., allowing us to meet the rapidly changing and converging services and connected devices offered by our customers. We enable our customers to acquire, retain and service subscribers quickly, reliably and cost-effectively by simplifying the processes associated with managing the customer experience for ordering and activating connected devices and services through the use of our platforms.

Our industry-leading customers include tier 1 service providers such as AT&T Inc., Verizon Wireless and Vodafone, tier 1 cable operators/MSOs like Cablevision, Charter Communications, Comcast, and Time Warner Cable and large OEMs such as Apple, Dell and Nokia. These customers utilize our platforms, technology and services to service both consumer and business customers, including over 300 of the Fortune 500 companies.

We were incorporated in Delaware in 2000. Our Web address is www.synchronoss.com. On this Web site, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC): our annual reports on Form 10-K, quarterly reports on Form 10-Q,

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

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Synchronoss Platforms

Our ConvergenceNow[®], ConvergenceNow[®] Plus+[™] and InterconnectNow[™] platforms provide comprehensive on-demand, end-to-end order processing, transaction management and service provisioning through multiple channels including e-commerce, telesales, indirect, and retail outlets. Our platforms are designed to be flexible and scalable, for managing transactions for a wide range of existing communication services and connected devices, while offering a best-in-class experience for our customers.

Our ConvergenceNow[®] platform orchestrates the complex and different back-end systems of communication service providers to provide a best-in-class order management system by orchestrating the workflow and consolidated customer care services ConvergenceNow[®] enables CSPs to realize the full benefits of their offerings.

Our ConvergenceNow[®] Plus+[™] platform offers all of the features of our core ConvergenceNow[®] platform and extends those features into more transaction areas required to enable subscriber management for connected devices. In addition, ConvergenceNow[®] Plus+ is specifically designed to support connected devices, such as smart phones, mobile Internet devices (MIDS), laptops, netbooks and wirelessly enabled consumer electronics such as cameras, e-readers, personal navigation devices, global positioning system devices, etc. Specifically, ConvergenceNow[®] Plus+[™] supports, among other transaction areas, credit card billing, inventory management, and trouble ticketing, none of which are supported by our ConvergenceNow[®] platform.

Our InterconnectNow[™] platform supports the physical transactions involved in customer activation and service such as managing access service requests, local service requests, local number portability, and directory listings.

In addition to handling large volumes of customer transactions quickly and efficiently, our platforms are designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements. This knowledge enables us to adapt our solutions to automate a higher percentage of transactions over time, further improving the value of our solutions to our customers. Our platforms also offer a centralized reporting platform that provides intelligent, real-time analytics around the entire workflow related to any transaction. This reporting allows our customers to appropriately identify buying habits and trends, define their subscriber's segments and pin-point areas where their business has increased or could be improved. The automation and ease of integration of our platforms were designed to enable our customers to lower the cost of new subscriber acquisitions, enhance the accuracy and reliability of customer transactions thus reducing the inbound service call volumes, and respond rapidly to competitive market conditions. Our platforms offer flexible, scalable solutions backed by service level agreements (SLAs) and exception handling.

Our platforms manage transactions relating to a wide range of existing communications and digital content services across the different segments of our customers. For example, we enable wireless providers to conduct business-to-consumer, or B2C, business-to-business, or B2B, and indirect channel (i.e.: resellers/dealers) transactions. The capabilities of our platforms are designed to provide our customers with the opportunity to improve operational performance and efficiencies and rapidly deploy new services. They are also designed to provide customers the opportunity to improve performance and efficiencies for activating and managing subscriber management processes for new devices with communication services.

Our platforms are designed to be:

Highly Automated: We designed our platforms to eliminate manual processes and to automate otherwise labor-intensive tasks, thus improving operating efficiencies and order accuracy and reducing costs. By tracking every order and identifying those that are not provisioned properly, our platforms were designed to substantially reduce the need for manual intervention and reduce unnecessary customer service center calls. The technology of our platforms

automatically guides a customer's request for service through the entire series of required steps.

Predictable and Reliable: We are committed to providing high-quality, dependable services to our customers. To ensure reliability, system uptime and other service offerings, our transaction management is guaranteed through SLAs. Our platforms offer a complete customer management solution, including exception handling, which we believe is one of the main factors that differentiate us from our competitors. In

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performing exception handling, our platforms recognize and isolate transaction orders that are not configured to specifications, process them in a timely manner and communicate these orders back to our customers, thereby improving efficiency and reducing backlog. If manual intervention is required, our exception handling is outsourced to centers located in India, Canada and the United States. Additionally, our database design preserves data integrity while ensuring fast, efficient, transaction-oriented data retrieval methods.

Seamless: Our platforms integrate information across our customers' entire operation, including subscriber information, order information, product and service catalogs, network inventory and workflow information. We have built our platforms using an open design with fully-documented software interfaces, commonly referred to as application programming interfaces, or APIs. Our APIs make it easier for our customers, strategic partners and other third parties to integrate our platforms with other software applications and to build cloud-based applications incorporating third-party or customer-designed capabilities. Through our open design and alliance program, we provide our customers with superior solutions that combine our technology with best-of-breed applications with the efficiency and cost-effectiveness of commercial, packaged interfaces.

Scalable: Our platforms are designed to process expanding transaction volumes reliably and cost effectively. While our transaction volume has increased rapidly since our inception, we try to anticipate substantial future growth in transaction volumes, and we believe our platforms are capable of scaling their output commensurately, requiring principally routine computer hardware and software updates. To date we have managed peaks of up to 1,500 transactions per minute and in 2009 we saw the number of transactions for connected devices, such as smartphones, mobile Internet devices, netbooks, laptops and other connected consumer electronics, grow to become one of the fastest growing transaction types across all our platforms, products and services.

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

Efficient: Our platforms' capabilities provide what we believe to be a more cost-effective, efficient and productive approach to enabling new activations across services and channels. Our solutions allow our customers to reduce overhead costs associated with building and operating their own customer transaction management infrastructure. We also provide our customers with the information and tools to more efficiently manage marketing and operational aspects of their business.

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

Designed to integrate with back-office systems, our platforms allow work to flow electronically across our customer's organization while providing ready access to performance and resource usage information in providing activation and subscriber management.

Our platforms are comprised of four distinct modules, each providing solutions to the most common and critical needs of our customers.

PerformancePartner® Portal

Our PerformancePartner® portal is a graphical user interface that allows entry of transaction data into the gateway. Through the PerformancePartner® portal, customers can set up accounts, renew contracts and update and submit new transactions for transaction management processing.

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Gateway Manager

Our Gateway Manager provides the capability to fulfill multiple types of transactions. These gateways are the engines that support our customers' front-end portals, handling hundreds of thousands of transactions on a monthly basis. Our gateways deliver a flexible architecture, supporting seamless entry and rapid time to market. In addition, these gateways contain business rules to interact with the customers' back-office and third-party trading partners.

WorkFlow Manager

Our WorkFlow Manager provides a seamless interaction with all third-party relationships and enables customers to have a single transaction view, including all relevant data from third-party systems. The WorkFlow Manager is designed to ensure that each customer transaction is fulfilled accurately and offers:

- Flexible configuration to meet individual customer requirements
- Centralized queue management for maximum productivity
- Real-time visibility for transaction revenues management
- Exception handling management
- Order view availability during each stage of the transactional process
- Uniform look and integrated experience.

By streamlining all procurement processes from pre-order through service activation and billing, our WorkFlow Manager reduces many costs and time impediments that often delay the process of delivering products and services to end-users.

Visibility Manager

Our Visibility Manager provides historical trending and mobile reporting to our customers, supports best business practices and processes and allows customers to daily metrics to determine whether process objectives are met or exceeded. The Visibility Manager offers:

- A centralized reporting platform that provides intelligent analytics around the entire workflow
- Transaction management information
- Historical trending
- Mobile reporting for key users to receive critical transaction data on mobile devices.

Demand Drivers for Our Business

Our services are capable of managing a wide variety of transactions across multiple customer delivery channels and services, enabling us to benefit from increased growth, complexity and technological change in the communications industry. As the communications technology industry evolves, new access networks, connected devices and applications with multiple services and modes are emerging. This proliferation of services and advancement of

technologies, combined with their bundling are accelerating subscriber growth and increasing the number of transactions between our customers and their subscribers. In addition to this dynamic, our core electronic transaction management business is further being driven by the following factors:

A proliferation of connected devices led by **a)** new & richer operating systems that challenge the status quo, **b)** increasing mobile phone adoption and **c)** broadband networks experiencing critical mass

Wireless ecosystem undergoing a paradigm shift in its buying patterns

Continued growth of the online channel for the communications space

Consolidation of e-Tailers/retailers focused in the communications space

Expansion of communication service bundles

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Pressure on operators to improve efficiency while delivering a superior subscriber experience

Growth of the on-demand delivery model

A Proliferation of Connected Devices led by a) New & Richer Operating Systems, b) Increasing Mobile Phone Adoption and c) Wireless Broadband Networks Experiencing Critical Mass

We are starting to see embedded connectivity technology within a vast array of common electronic devices. In fact many analysts argue that we may soon find it difficult to find consumer electronics that don't feature a built in internet connection. For example ABI Research forecasts, indicate that in 2014 there will be 2.5 billion connected data-centric devices in use worldwide, and of those, almost 1.5 billion will not be handsets.

We see three drivers behind this development:

New and Richer Operating Systems: In many ways, new device operating systems like the OSX for the iPhone/iTouch portfolio, the Android produced by Google and the Blackberry OS for the RIM portfolio have accelerated the adoption and usage of smartphones. In the same way that Windows 3.0 accelerated the PC adoption and Mozilla did for the internet, many industry analysts have made direct correlations between the introduction of these new operating systems and the explosion of the smartphone category.

Increasing Mobile Adoption in Developed Countries: The ITU Telecom Database recently reported 105 cellular subscriptions per 100 inhabitants of developed countries implying more than one subscription per person in countries with higher GDP per capita. As operators address this mobile adoption and the subsequent slowing in top line growth, they become very receptive to new types of devices that leverage the existing infrastructure (i.e.: connected notebooks, e-readers, etc.) and encourage their customers to have more than one wireless device.

Wireless Broadband Networks Experiencing Critical Mass: The establishment of multiple broadband mobile networks (e.g., Universal Mobile Telecommunications System, High-Speed Downlink Packet Access, Evolution-Data Optimized, WiMax, and LTE among others) has provided broader bandwidth to CSPs, while decreasing the access charges, thus enabling the proliferation of mobile devices and equipment with embedded connectivity.

With Global 3G wireless networks now covering 21% of the global population, many analysts have inferred that this is indeed an inflection point and that adoption will experience an acceleration of growth. As the enablement of mobile and connected devices on these networks accelerates, we expect that the need for a best-in-class activation customer experience will rise.

As more of these devices enter the market, many of them with lower average revenue per user (ARPU) than traditional wireless services, they will necessitate an efficient and seamless activation / provisioning system with a best in class customer experience to differentiate them.

Wireless Ecosystem Undergoing a Paradigm Shift in its Buying Patterns

Consumers have traditionally been accustomed to purchasing their devices and service plans directly from computer service providers (CSPs). That is, if they wanted a particular wireless service, they first had to decide which operator they wanted, and then only after they made this decision, could they select a phone. We are seeing considerable forces altering this typical buy flow and in doing so generating considerable innovation and change in the ecosystem.

Companies like Dell or Google with its Nexus One and Amazon with the Kindle have in some ways contributed to the change of this buy flow process. Specifically, we are seeing these OEMs invest considerable resources in developing their direct to consumer channel and in some cases making it the only channel available. While this recent change in the ecosystem offers some advantages to these OEMs it also presents some challenges for them while at the same time creating a new higher growth channel for communication service providers who ultimately provide the access and connectivity. In many ways analysts have argued that this is a win-win game theory situation and that ultimately the pie, not individual slices, are getting larger.

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Furthermore we are seeing e-Tailers/retailers take a more aggressive approach in their go-to-market programs and redefining the ways that connected devices are sold and activated. Companies like Best Buy Mobile or Radio Shack are key drivers of this change and have implemented advanced tools at the disposal of their end customers to buy and activate their phones either in-store or online.

Managing the activation / provisioning of these devices and handling the connectivity with the different service providers is something that is not core to OEMs or e-Tailers/retailers. As this dynamic evolves we expect that there will be an increasing need for automated activation / provisioning services as well as other transaction areas such as, credit card billing, inventory management, and trouble ticketing.

Continued Growth of the Online Channel for the Communications Space

E-commerce as a distribution channel for CSPs, MSOs, OEMs and traditional retailers continues to flourish and is projected to grow at a CAGR of 22% into 2012, according to Datamonitor. Cloud-based commerce provides our customers with the opportunity to cost-effectively gain new subscribers, provide service and interact more effectively. Specifically the cost per gross add (CPGA) for a customer obtained via e-commerce can be up to 50% less than those obtained via traditional means. With the dramatic increase in Internet usage and desire to directly connect with end users over the course of the customer lifecycle, service providers are increasingly focusing on e-commerce as a channel for acquisition and delivery of ongoing services. According to industry research firm IDC, the amount of business-to-business and business-to-consumer spending on eCommerce will rise to more than \$16 trillion by 2013. As this channel continues to experience growth, we expect that there will be an increasing need to automate the activation and provisioning process of mobile devices, and provide a best-in-class customer experience over the Internet.

Consolidation of e-Tailers/retailers focused in the Communications Space

In parallel to the growth of e-commerce, e-Tailers (e.g., Amazon) and traditional consumer electronics retailers (e.g., Best Buy Mobile, Costco) are aggressively pursuing the sale of connected devices over the Internet. This channel represents as much as 10% growth for some leading CSPs today. Furthermore, this channel has demonstrated considerable innovation as these e-Tailers/retailers attempt to launch emerging devices (e.g.: Amazon's Kindle).

As these constituents of the wireless ecosystem continue to advance their strategies and grow their presence in the connected devices market place we believe they will require further support to automate the activation / provisioning of their new customers.

Expansion of Communication Service Bundles

With subscribers expecting CSPs to offer all services under one contract, communications companies continue the development of bundled style offerings of their available services. In this environment, more CSPs are utilizing an array of communication delivery technologies to become all-in-one providers of communication services. For example, MSOs are increasingly creating true quad-play's (i.e., voice, video, high speed data, wireless) with the creation, acquisition and/or development of their own wireless networks. As wireless technology proliferates further into the consumer device market, we believe we will see an emergence of service bundling that surpasses the traditional perception of a quad-play, where the wireless component will encompass an added array of wireless enabled devices. Frost & Sullivan research projects revenue from service bundling will continue to grow at a compounded annual growth rate of 11% into 2013, and that by 2013, 81% of households will use some sort of service bundle. As quad-play offerings gain more traction and service bundles begin encompassing emerging devices and technologies, we believe that the level of complexity in seamlessly delivering these services will increase significantly and that CSPs will need transaction management systems that can effectively handle those delivery challenges.

Pressure on Customers to Improve Efficiency while Delivering a Superior Subscriber Experience

Increased competition, recessionary markets, and excess network capacity have placed significant pressure on our customers to reduce costs and increase revenues. At the same time, due to deregulation, the emergence of new network technologies and the proliferation of services, the complexity of back-office operations has increased significantly. Customers with multiple back-end systems are looking for ways to help their systems interoperate for

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a better customer experience. In addition, customers are moving to automated provisioning systems to enable them to more easily purchase, upgrade or add new features, application and content. As a result, customers are looking for ways to offer new communications services more rapidly and efficiently to existing and new customers. Increased competition and demand for superior subscriber experience have placed significant pressure on our customers to improve customer-centric processes. CSPs are increasingly turning to transaction based, cost effective, scalable and automated third-party solutions that can offer guaranteed levels of service delivery.

Growth in On-Demand Delivery Model

Our on-demand business model enables delivery of our proprietary solutions over the Internet as a service. As such, customers do not have to make large and risky upfront investments in software, additional hardware, extensive implementation services and additional IT staff.

Our Growth Strategy

Our growth strategy is to establish our platforms as the de-facto industry standard for CSPs, MSOs, OEMs, and e-Tailers/retailers while investing in extensions of our services portfolio. We will continue to focus our technology and efforts around improving functionality, helping customers drive higher ARPU and subscriber retention, embracing alternative channels and allowing more capabilities for ordering bundled applications and content offerings across these same complex and advanced networks.

Key elements of this strategy are:

Continue our Expansion into the Original Equipment Manufacturers (OEMs). As OEMs further expand their footprint into the direct to consumer model, they will need to develop robust yet nimble capabilities to support and differentiate their ordering/activation experience. As new types of connected devices are deployed, we will work with our customers, such as Dell, Apple and Nokia to enable our technology to support a plug and play approach to end users wishing to purchase new advanced services being offered by these customers

Leverage the Growth of e-Commerce and e-Tailers as High Growth Channels for Service Providers. Given our success in enabling the e-commerce channel for our customers, our ConvergenceNow® platforms have adopted a Web-friendly architecture that enables a scalable and beneficial customer activation experience. As we continue expanding the breadth and depth of our customers relationships we will be leveraging our online experience to enable the growth of companies in the e-commerce channel.

Broaden Customer Base and Expand Offering to Existing Customers. As our existing customers continue to expand into new distribution channels, such as the rapidly growing e-commerce channel, they will likely need to support new types of transactions that are managed by our platforms. In addition, we believe our customers will require new transaction management solutions as they expand their subscriber customer base, which will provide us with opportunities to drive increasing amounts of volume over our platforms. Many customers purchase multiple services from us, and we believe we are well positioned to cross-sell additional services to customers who do not currently purchase our full services portfolio. In addition, the increasing importance and expansion of Cloud-based e-commerce has led to increased focus by our customers on their online distribution, thus providing another opportunity for us to further penetrate into existing customers. The expansion of our AT&T relationship and the expansion of our relationship with Time Warner Cable, Charter Communications and other customers highlight further penetration of existing customers as well as the development of a major growth initiative in consumer digital convergence.

Expand Into New Geographic Markets. Although the majority of our revenue has traditionally been generated in North America, we are in the midst of a global expansion to support our customer s expansion. Today we have several

instances of our platforms in Europe and are in the process of integrating to a variety of carriers in Europe to support our connected devices customers. We believe that the growth of connected devices will further drive opportunities to penetrate new geographic markets within the coming years. Asia/Pacific and Latin America are of particular interest, as these markets experience similar trends to those that have driven growth in North America.

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

Expand through Strategic Partnerships or Acquisitions. We have fully integrated our Wisor Telecom Corporation acquisition and have assimilated the synergies and efficiencies that this acquisition has afforded us. As we explore new opportunities, we continue to look for strategic partnership or acquisition candidates that will enable us to enter new markets or enhance our offerings.

Continue to Exploit VoIP Industry Opportunities. We believe continued rapid VoIP industry growth will increase the demand for our services. We have seen strong growth in residential VoIP customers and we believe we will see similar growth for commercial customers. We believe that being the trusted strategic partner to VoIP industry leaders, including Vonage Holdings, Comcast, Charter, Time Warner Cable and Cablevision, positions us well to benefit from the evolving needs, requirements and opportunities of the VoIP industry.

Customers

Our industry-leading customers include tier 1 service providers such as AT&T Inc., Verizon Wireless and Vodafone, tier 1 cable operators /MSOs like Cablevision, Comcast, Charter and Time Warner Cable and large OEMs/e-Tailers such as Apple, Dell and Nokia. These customers utilize our platforms, technology and services to service both consumer and business customers, including over 300 of the Fortune 500 companies.

We maintain strong and collaborative relationships with our customers, which we believe to be one of our core competencies and critical to our success. We are generally the only provider of the services we offer to our customers. Contracts typically extend up to 48 months in length from execution and include minimum transaction or revenue commitments from our customers. All of our significant customers may terminate their contracts for convenience upon written notice and in many cases payment of contractual penalties. Contract penalties received by the Company are immaterial to the Company's Statements of Income for the years ended December 31, 2009, 2008, and 2007. We have a long-standing relationship with AT&T, dating back to January 2001 when we began providing service to AT&T Wireless, which was subsequently acquired by Cingular Wireless. Through the merger of AT&T with BellSouth, Cingular Wireless has now been integrated into AT&T. We are the primary provider of e-commerce transaction management solutions to AT&T's e-commerce channel. Our agreement with AT&T was renewed effective January 1, 2009 and runs through December of 2011. AT&T may renew this agreement for two additional one year periods. For 2009, we received 65% of our revenues from AT&T, compared to 67% of our revenues in 2008. No other customer accounted for more than 10% of our revenues in 2009.

Sales and Marketing

Sales

We market and sell our services primarily through a direct sales force and through our strategic partners. To date, we have concentrated our sales efforts on a range of CSPs, OEMs, and e-Tailers/retailers both domestically and internationally. Typically our sales process involves an initial consultative process that allows our customers to better assess the operating and capital expenditure benefits associated with an optimal activation and provisioning architecture. Our sales teams are well trained in our ConvergenceNow® platforms and on the market trends and conditions that our customers are facing. This enables them to easily identify and qualify opportunities that are

appropriate for our platform deployments to benefit these customers. Following each sale, we assign account managers to provide ongoing support and to identify additional sales opportunities. We generate leads from contacts made through trade shows, seminars, conferences, events, market research, our Web site, customers, strategic partners and our ongoing public relations program. Due to ongoing consolidation and the increasing competition among service providers in international markets, in 2007 we expanded our sales and marketing efforts outside of North America and into the European Union.

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Marketing

We focus our marketing efforts on supporting new product initiatives, creating awareness of our services and generating new sales opportunities. We base our product management strategy on an analysis of market requirements, competitive offerings and projected cost savings. Our team is active in numerous technology and industry forums and regularly gets invited to speak at trade shows such as the Consumer Electronics Show (CES), Cellular Telecommunications Industry Association (CTIA), GSM Association- Mobile World Congress, and National Cable & Telecommunications Association (NCTA), in which we also demonstrate our solutions. In addition, through our product marketing and marketing communications functions, we also have an active public relations program and maintain relationships with recognized trade media and industry analysts such as International Data Corporation (IDC), Gartner, Forrester, and Frost & Sullivan. We also manage and maintain our Web site, blog, social media profiles on LinkedIn and Twitter, utilize search engine optimization (SEO) and search engine marketing (SEM), publish product related content, educational white papers, and conduct seminars and user group meetings. Finally, we also actively sponsor technology-related conferences and demonstrate our solutions at trade shows targeted at providers of communications services.

Operations and Technology

We leverage common, proprietary information technology platforms to deliver carrier grade services to our customers across communication and digital convergence market segments. Constructed using a combination of internally developed and licensed technologies, our platforms integrate our order management, gateway, workflow and reporting into a unified system. The platforms are secure foundations on which to build and offer additional services and maximize performance, scalability and reliability.

Exception Handling Services

We differentiate our services from both the internal and competitive offerings by handling exceptions through both our technology and human touch solutions, a substantial portion of which is provided by third-party vendors. Our business process engineers optimize each workflow; however, there are exceptions and we handle these to ensure the highest quality customer experience at the lowest cost. Our exception handling services deal with the customer communication touch points including provisioning orders, inbound calls, automated interactive voice responses (e.g., order status, address changes), Web forums, inbound and outbound email, proactive outbound calls (e.g., out of stock, backorders, exceptions) and self-correct order tools. These services are continuously reviewed for improved workflow and automation. We use third-party vendors in providing exception handling services, each of whom provide services under automatically renewable contracts. We believe our unique exception handling services help reduce the cost of each transaction by driving more automation, over time, into a better and more cost effective way to manage our customers' subscriber experiences.

Data Center Facilities

We moved into a new 61,000 square foot Global Research and Development Center in Bethlehem, Pennsylvania in June 2009, a new facility in Bangalore, India in November 2009, each of which includes new data center facilities. These new facilities offer significant improvements in the areas of size, network connectivity and redundant electrical power systems and are currently expected to support our growth objectives. These secure facilities house all customer-facing, production, test and development systems that are the backbone of the services delivered to our customers. The facilities and systems are monitored 7 days a week, 24 hours a day, and are protected via multiple layers of physical and electronic security measures. In addition, a redundant power supply ensures constant, regulated power into the managed data facility and a back-up generator system provides power indefinitely to the facility in the event of a utility power failure. All systems in the managed data facility are monitored for availability and

performance using industry standard tools such as HP OpenView[®], Big Brother[®], Oracle Enterprise Manager[®], CiscoWorks[®] and Empirix OneSight[®].

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Network

We use AT&T, and two other tier 1 service providers, to provide a managed, fully-redundant network solution at our Bethlehem, Pennsylvania facility to deliver enterprise scale services to customers. Specifically, we have two OC-12 and one OC-3 fiber optic rings, delivering highly redundant bandwidth to the Bethlehem and Bridgewater facilities. Wide Area Network connectivity between our locations is achieved via multiple DS-3 Multiprotocol Label Switching (MLPS) circuit and Internet access to each location via multiple dedicated DS-3 circuits. A dedicated Metro Ethernet solution is utilized to provide a data center backbone connection between our Bethlehem and Bridgewater facilities that is used for disaster recovery, should the need arise.

Disaster Recovery Facility

We operate a second data center facility at our corporate headquarters in Bridgewater, New Jersey that is used to provide a hot site for disaster recovery purposes. In the event of a major service disruption at our primary facility, production application services will be activated at the secondary facility and services will be restored in a period of time required to meet all current customer-facing service level agreements (SLAs) for availability and service delivery.

Customer Support

Our Customer Service Center (CSC) acts as an initial point of contact for all customer-related issues and requests. The CSC staff is available 7 days a week via phone, email or pager to facilitate the diagnosis and resolution of application and service related issues with which they are presented. Issues that require further investigation are immediately escalated to our product and infrastructure support teams on behalf of the customer to provide the greatest speed of problem resolution and highest levels of customer service.

Competition

Competition in our markets is intense and includes rapidly-changing technologies and customer requirements, as well as evolving industry standards and frequent product introductions. We compete primarily on the basis of the breadth of our domain expertise and our proprietary exception handling, as well as on the basis of price, time-to-market, functionality, quality and breadth of product and service offerings. We believe the most important factors making us a strong competitor include:

- Breadth and depth of our transaction management solutions, including our exception handling technology

- Quality and performance of our products

- High-quality customer service

- Ability to implement and integrate solutions

- Overall value of our platforms

- References of our customers

We are aware of other software developers and smaller entrepreneurial companies that are focusing significant resources on developing and marketing products and services that will compete with our ConvergenceNow® and ConvergenceNow® Plus+ platforms. We anticipate continued growth in the communications industry and the entrance

of new competitors in the order processing and transaction management solutions market and expect that the market for our products and services will remain intensely competitive.

Government Regulation

We are not currently subject to direct federal, state or local government regulation, other than regulations that apply to businesses generally. Many of our customers are subject to regulation by the Federal Communications Commission, or FCC. Changes in FCC regulations that affect our existing or potential customers could lead them to spend less on transaction management solutions, which would reduce our revenues and could have a material adverse effect on our business, financial condition or results of operations.

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Intellectual Property

To establish and protect our intellectual property, we rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions. Synchronoss®, the Synchronoss logo, PerformancePartner®, ConvergenceNow® and ActivationNow® are registered trademarks of Synchronoss. In addition, we may from time to time, file patent applications to protect our intellectual property rights. In addition to legal protections, we rely on the technical and creative skills of our employees, frequent product enhancements and improved product quality to maintain a technology-leadership position. We cannot be certain that others will not develop technologies that are similar or superior to our technology. We enter into confidentiality and invention assignment agreements with our employees and confidentiality agreements with our alliance partners and customers, and we control access to and distribution of our software, documentation and other proprietary information.

Employees

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

As of December 31, 2009, we had 511 full-time employees. None of our employees are covered by any collective bargaining agreements.

Table of Contents**Executive Officers of the Registrant**

The following sets forth certain information regarding our Executive Officers as of January 31, 2010:

| Name | Age | Position |
|-----------------------|------------|---|
| Stephen G. Waldis | 42 | Chairman of the Board of Directors, President and Chief Executive Officer |
| Lawrence R. Irving | 53 | Executive Vice President, Chief Financial Officer and Treasurer |
| Robert Garcia | 41 | Executive Vice President and Chief Operating Officer |
| Omar Téllez | 41 | Executive Vice President and Chief Marketing Officer |
| Christopher S. Putnam | 41 | Executive Vice President of Sales |
| Ronald J. Prague | 46 | Vice President, General Counsel and Secretary |
| S. Andrew Cox | 44 | Vice President and Chief Information Officer |
| George P. Navarro | 54 | Executive Vice President of Global Operations |
| Mark Mendes | 47 | Executive Vice President of InterconnectNow |
| Daniel Rizer | 46 | |