SYNCHRONOSS TECHNOLOGIES INC
Form 10-K
July 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10 K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017
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	06 1594540
(State of incorporation)	(IRS Employer Identification No.)

200 Crossing Boulevard, 8th Floor, 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 x
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 x
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 x
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of 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 x

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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company,"and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ¨ No x
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2017, the last business day of the Registrant's last completed second quarter, based upon the closing price of the common stock as reported by The Nasdaq Stock Market on such date was approximately $459.1 million. Shares of common stock held by each executive officer, director and stockholders known by the Registrant to own 10% or more of the outstanding stock based on public filings and other information known to the Registrant have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of June 5, 2018, a total of 42,171,671 shares of the Registrant's common stock were outstanding. The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report on Form 10-K.

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PART I

Explanatory Note

In connection with the preparation of the Company's Form 10-Q for the first quarter of 2017, the Audit Committee of the Company's Board of Directors (the "Audit Committee") of Synchronoss Technologies, Inc. ("Synchronoss," "we," "our," "ours," "us," or the "Company"), authorized an investigative review by independent counsel and a third-party forensic consulting firm acting at the direction of independent counsel (such Investigation, the "Audit Committee Investigation"). The Audit Committee Investigation addressed transactions requiring restatement, other areas of accounting, internals control over financial reporting and employee conduct.

On June 8, 2017, the Audit Committee, after consultation with management and discussion with Ernst & Young LLP, the Company's independent registered public accounting firm, concluded that the Company's previously issued financial statements for the fiscal years ended December 31, 2016 and 2015, and the respective quarterly periods should be restated and should no longer be relied upon. On October 5, 2017, the Audit Committee, after consultation with management and discussion with Ernst & Young LLP, concluded to restate our previously issued financial statements for the fiscal year ended December 31, 2014 to correct an accounting error and certain other prior period errors identified. Accordingly, our previously issued financial statements for the fiscal years ended December 31, 2016, 2015 and 2014, and the respective quarterly periods should no longer be relied upon.

This is the first period report filed by Synchronoss covering periods after December 31, 2016. This Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2017 includes restated audited financial statements (and related disclosures) for the fiscal years ended December 31, 2016 and 2015 and restated selected financial data for the fiscal years ended December 31, 2016, 2015, 2014 and 2013, as well as restated unaudited financial information for each of the quarterly and year-to-date periods in 2015 and 2016 and unaudited financial information for the first three quarterly and year-to-date periods in 2017. Financial information included in our previously filed Form 10-K and our Quarterly Reports on Form 10-Q ("Form 10-Q") as filed for the fiscal years ended December 31, 2016 and 2015, and all earnings press releases and similar communications issued by us, for such periods, should not be relied upon and are superseded in their entirety by this Form 10-K. This Form 10-K amends and restates, in its entirety, our Form 10-K for the years ended December 31, 2016 and 2015. We are filing this Form 10-K concurrently with our Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, which were delayed due to the restatement.

Accordingly, this Form 10-K includes changes to: (1) our Consolidated Balance Sheet as of December 31, 2016, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Stockholders' Equity and Consolidated Statements of Cash Flows for each of the fiscal years ended December 31, 2016 and 2015; (2) our Selected Financial Data as of, and for our fiscal years ended, December 31, 2016, 2015, 2014 and 2013, in Part II, Item 6 of this Form 10-K; (3) our Management's Discussion and Analysis of Financial Condition and Results of Operations, as of, and for our fiscal years ended December 31, 2016 and 2015, in Part II, Item 7 of this Form 10-K; (4) our unaudited quarterly financial information for each quarter for our fiscal years ended December 31, 2016 and 2015 in Note 19 - Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements, in Part II, Item 8 of this Form 10-K; (5) our Risk Factors, in Item 1A of this Form 10-K; and (6) our disclosures and conclusions regarding Controls and Procedures in Part II, Item 9A of this Form 10-K. See below and Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for a detailed discussion of the changes made as a result of the restatement.

The individual restatement matters that underlie the restatement adjustments are described below. The restatement adjustments also affect periods prior to 2015 and such adjustments have been reflected in the restated opening stockholders' equity balances as of January 1, 2015.

Revenue Recognition Adjustments Related to Hosting Services

The Company typically sells hosting services to its subscription services customers, as well as to certain software license customers. As part of the Company's review of its historical accounting, it has determined that adjustments are required related to certain transactions in each of these two categories of customers that purchase hosting services.

It was observed that in certain instances, the Company has historically entered into hosting arrangements that included various components to the fee structure with certain fees accelerated during the initial years of the arrangement. Historically, the Company recognized the accelerated fees as billed and maintenance and support fees were recognized on a straight-line basis through the term of the arrangement. However, the Company has determined to revise its accounting treatment for certain hosting services to reflect revenue recognition on a straight-line basis for such fees over the appropriate period of time during which (i) the benefits of hosting services were provided to the customer or (ii) the customer benefited from the set-up fees. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby there has been a deferral of a portion of

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the accelerated fees out of the initial period of the arrangement, and recognition of those deferred amounts in the later periods of the hosting services arrangement.

In the case of certain perpetual software license customers, the Company historically recognized the perpetual software license fee revenue on an upfront basis. The Company has determined to revise its accounting treatment of that software license fee revenue to recognize it ratably over a period of time due to the inclusion of hosting services, as part of the same multiple element arrangement. In certain of these cases, the Company had entered into a separate hosting services contract with the customer that the Company has now determined should have been combined with the software license agreement and treated as part of a larger multiple element arrangement.

In accordance with the software revenue recognition rules, since the Company cannot establish vendor specific objective evidence of fair value of the hosting services, the software license element cannot be separated from the hosting services. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby the bundled arrangement fees have been recognized ratably over the economic life of the hosting services.

Revenue Recognition Adjustments Related to Establishing Persuasive Evidence of an Arrangement

The Company historically has had, and continues to have, contractual arrangements with certain customers whereby there is an established master services agreement that includes general terms and conditions. Such master services agreements contemplate the delivery by the customer of purchasing documentation for purposes of completing orders, indicating the nature, price and quantity of products and services ordered.   In certain cases, the Company historically formed a view that persuasive evidence of an arrangement existed relating to such orders based upon its receipt from a customer of written confirmation of the order and commitment to pay the agreed price, such as a quote approval sent by the customer in response to a quote issued by the Company, but prior to that customer’s subsequent delivery to the Company an executed statement of work or, in some instances, a purchase order, pursuant to a master services agreement.

The Company has determined, in certain situations, to revise the timing of revenue recognition to when it received final formal contract documentation, which occurred in a future period. In those cases where the adjustment to defer revenue has been recorded prior to when cash payment was received from the customer, the balance sheet impact has been to reduce the related accounts receivable balance, whereas the balance sheet impact of these adjustments after the receipt of cash payment from the customer has been to increase accrued liabilities.

The Company also adjusted revenue recognition in connection with certain other transactions, including (i) where the payment obligation on the date of sale was found not to have been fixed and determinable; (ii) where collectibility was not reasonably assured; (iii) where the software delivered to the customer was ultimately deemed not to have met acceptance criteria; or (iv) where formal acceptance was not obtained. The Audit Committee Investigation discovered a few instances where there were additional arrangements entered into that were not properly disclosed to the Company’s accounting group and, consequently, its independent external auditors. Those instances affected a small percentage of the revenue being restated. Following such discovery, the Company’s management terminated for cause three employees who participated in, or condoned, such conduct.

In certain situations, these adjustments represent issues related to the timing of revenue recognition, while in other cases, these adjustments represent amounts that had subsequently been written-off to bad debt expense (whereby now both the revenue and the related bad debt expense has been reversed).

Adjustments Related to Accounting for Acquisitions and Divestiture

The Company has identified and corrected errors related to fees received under license agreements entered into with parties of certain historical acquisitions and a divestiture. In each case, the Company had originally treated the license agreement as a separate transaction and recorded the license fees on a gross basis as revenue. The Company has determined to revise its accounting treatment of the license arrangements, to record the license fees as part of the accounting for the acquisition or divestiture, as follows:

- In certain cases, the Company entered into a license agreement as part of settling prior intellectual property infringement claims against an acquired entity and/or its selling parent company and affiliates. Historically, the Company had recognized these license fees separately as revenue. However, the Company has determined to net these license fees against the consideration paid as part of the acquisitions, resulting in a reduction of the goodwill and/or intangible assets recorded in purchase accounting.
- The Company's consolidated joint venture Zentry LLC ("Zentry") and the Company's partner in that joint venture entered into a license agreement in December 2015 at the same time as the formation of the joint venture. Historically, the Company

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recorded the license fees as revenue separately from the Zentry formation. The Company has determined to net these license fees against the cash contributions paid as part of the joint venture formation, resulting in a reduction of the goodwill and intangible assets recorded in purchase accounting.

- The Company entered into a licensing agreement in December 2016 with Sequential Technology International, LLC ("STIN") shortly after closing the divestiture of its activation business to Sequential Technology International Holdings, LLC ("STIH"). Historically, the Company recorded the license fees as revenue separately from the accounting for the divestiture. The Company has determined to classify these license fees as additional gain on sale of the activation exception handling business.
- The Company made adjustments to reduce the contingent consideration payable to shareholders of Razorsight Corporation ("Razorsight"), which was acquired by the Company in August 2015, and the related losses previously recorded to adjust that liability to fair value, as a result of the determination that many of the sales of Razorsight software that had originally been included in the earn-out calculation have now been adjusted as part of the restatement.
- The Company made adjustments to record the fair value of the Company's guarantee of certain of STIN's debt as part of the divestiture of its activation exception handling business to STIH in December 2016, to record the sellers note extended in the transaction at fair value, and to adjust certain receivables and other assets sold in the transaction.
- The Company made certain adjustments to the opening balances of Openwave Messaging, Inc. ("Openwave") and SNCR, LLC ("SNCR, LLC"); impacting deferred revenue, goodwill and intangibles. Adjustments in deferred revenue and intangibles were reported post-acquisition as revenues and costs were realized.

Other Adjustments and Capitalized Software

The Company also identified and corrected certain errors in the amounts reported as capitalized software development. These adjustments were primarily around (i) the recognition of impairment or immediate expensing of certain previously capitalized software development costs and (ii) revisions of amounts capitalized and the timing of when such capitalized costs are amortized. Adjustments pertaining to capitalized software development were driven primarily due to misalignment on the unit of account being measured in tracking project progress and ultimately general release as well as the appropriateness of the capitalization of certain administrative costs.

The Company also identified and corrected certain other errors, primarily due to timing of recognition of (i) stock-based compensation arrangements, (ii) accruals and reserves and (iii) impairment charges. Impairment charges were primarily due to long-lived asset impairments realized on SNCR, LLC assets, due to continued delays in product development and sales. Additionally, the Company identified certain prior year balance sheet classification adjustments requiring, the most significant of which, a reclassification between cash and restricted cash due to certain contractual restrictions on cash balances, and reclassifications between treasury stock and additional paid-in-capital due to share issuances from the Company's common stock pool, rather than its treasury stock.

Income Taxes

The Company recorded adjustments to income taxes to reflect the impact of the restatement adjustments, as well as a discrete tax adjustment to record a valuation allowance at a specific foreign jurisdiction in an earlier year then the originally filed conclusion. See Note 17 - Income Taxes for discussion of the related impact to the Company's effective tax rate.

Quarterly Financial Information (Unaudited)

The net effect of the restatement on the Company's previously reported consolidated financial statements, as of the quarters ended March 31, June 30 and September 30, 2016 and 2015 (unaudited), are included in Note 19 - Summary of Quarterly Results of Operations (Unaudited). Form 10-Q's for the quarters ended March 31, 2017, June 30,

2017, and September 30, 2017 will be filed with the SEC concurrently with this Form 10-K.

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FORWARD-LOOKING STATEMENTS

The words "Synchronoss," "we," "our," "ours," "us" and the "Company," refer to Synchronoss Technologies, Inc. and its consolidated subsidiaries. We were incorporated in Delaware in 2000. All statements in this Form 10-K 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," "anticipates," "seeks," "strategies," "plans," "targets," "estimati 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. Past performance is not necessarily indicative of future results. 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. We encourage you to read Management's Discussion and Analysis of our Financial Condition and Results of Operations and our consolidated financial statements contained in this Form 10-K. We also encourage you to read Item 1A of Part I of this Form 10-K, entitled Risk Factors, which contains a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described in Item 1A of this Form 10-K, other unknown or unpredictable factors also could affect our results. Therefore, the information in this Form 10-K should be read together with other reports and documents that we file with the Securities and Exchange Commission from time to time, including on Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. 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.

This Form 10-K includes industry and market data that we obtained from periodic industry publications, third-party studies and surveys, filings of public companies in our industry and internal company surveys. These sources include government and industry sources. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe the industry and market data incorporated into this Form 10-K to be reliable, this information could prove to be inaccurate. Industry and market data could be wrong because of the method by which sources obtained their data and because information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, we do not know all of the assumptions regarding general economic conditions or growth that were used in preparing the forecasts from the sources relied upon or cited herein.

ITEM 1. BUSINESS

Intralinks Holdings, Inc.

On January 19, 2017, we acquired Intralinks Holdings, Inc. ("Intralinks") and subsequently sold it to Siris Capital Group, LLC ("Siris") on November 14, 2017. For additional information about our acquisition and sale of Intralinks, see Note 4 - Acquisitions of the Notes to Consolidated Financial Statements, in Part II, Item 8 of this Form 10-K.

Nasdaq Compliance

On May 16, 2017, we received notice from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") indicating that we were not in compliance with Nasdaq Listing Rule 5250(c)(1) (the "Rule"), which requires timely filing of periodic reports with the SEC, because we had not yet filed our Form 10-Q for the quarterly period ended March 31, 2017. The notice indicated that we had until July 17, 2017 to submit a plan to regain compliance with Nasdaq's continued listing requirements. On July 17, 2017, we timely submitted our plan to Nasdaq detailing how

we planned to regain compliance with Nasdaq’s continued listing requirements.

On July 26, 2017, the Nasdaq granted us an exception from its continued listing requirements until November 13, 2017 to file all delinquent periodic reports, including our delinquent Form 10-Q for the quarterly period ended March 31, 2017. In connection with our delinquency in filing our Form 10-Q for the quarterly period ended June 30, 2017, Nasdaq requested an update to our original plan to regain compliance with Nasdaq’s continued listing requirements.

On August 16, 2017, we received notice from the Nasdaq indicating that we were not in compliance with the Rule because we had not yet filed our Form 10-Q for the quarterly period ended June 30, 2017.

On November 15, 2017, we received a letter from the Staff of the Nasdaq notifying us that since we remain delinquent in filing our Form 10-Q for the quarterly periods ended March 31, 2017, June 30, 2017 and September 30, 2017, we had not regained compliance with the Rule. Previously, Nasdaq granted us an extension until November 13, 2017 to file all delinquent periodic

reports. As described in the letter, as a result of the continued delinquency, our common stock was subject to being delisted unless we timely requested a hearing before a Nasdaq Hearings Panel (the "Panel").

On December 6, 2017, the Company received a letter from the Nasdaq granting the Company's request to extend the stay of suspension pending a hearing before the Panel, in late January 2018. In early February 2018, the Nasdaq granted us an extension until May 10, 2018 to regain compliance with Nasdaq's listing requirements.

On May 4, 2018, the Company informed the Panel of its determination that it would be unable to satisfy the May 10, 2018 deadline. On May 11, 2018, the Company received a notification letter from the Panel indicating that trading in the Company's common stock was suspended effective at the open of business on May 14, 2018. The Panel also determined to delist the Company's shares from Nasdaq after applicable appeal periods have lapsed. The Company has appealed the decision to the Nasdaq Listing and Hearing Review Council. Trading in the Company's common stock on Nasdaq remains suspended and Nasdaq will not delist the Company's common stock during the appeal process. While the Company's common stock is suspended from trading on Nasdaq, the Company's shares are currently quoted on the OTC Markets under the trading symbol SNCR.

General

We are a global provider of cloud, digital, messaging and Internet of Things ("IoT") platforms, products and solutions for operators, enterprises, original equipment manufacturers ("OEMs") and technology providers. Through our customers, we help hundreds of millions of subscribers and customers worldwide make use of their connected devices driving billions of transactions across the world's leading networks.

We deliver platforms, products and solutions including: cloud-based sync, backup, storage and content engagement; multi-channel messaging communications and commerce solutions and digital technology management solutions including activation, data orchestration and automation.

These technologies supply service enablement and service delivery to a diverse group of customers in a converging technology space including: communication service providers ("CSP"); cable operators/multi-services operators ("MSO"); OEMs with embedded connectivity (e.g. smartphones, laptops, tablets and mobile internet devices such as automobiles, wearables for personal health and wellness, connected homes and cities), multi-channel retailers, medium and large enterprises and their consumers as well as other customers to accelerate and monetize value-add services for secure and broadband networks and connected devices.

Our products and platforms are designed to be carrier-grade, highly available, flexible and scalable to enable multiple converged communication services to be managed across multiple distribution channels including e-commerce, m-commerce, telesales, customer stores, indirect and other retail outlets allowing us to meet the rapidly changing and converging services and connected devices offered by our customers. Our products, platforms and solutions enable our customers to acquire, retain and service subscribers quickly, reliably and cost-effectively with white label and custom-branded solutions. Our customers can simplify the processes associated with managing the customer experience for procuring, activating, connecting, backing-up, synchronizing and social media and enterprise-wide sharing/collaboration with connected devices and contents from these devices and associated services. The extensibility, scalability, reliability and relevance of our platforms enable new revenue streams and retention opportunities for our customers through new subscriber acquisitions, sale of new devices, accessories and new value-added service offerings in the Cloud, while optimizing their cost of operations and enhancing customer experience. We currently operate in and market our solutions and services directly through our sales organizations in North America, Europe and Asia-Pacific.

Our industry-leading customers include Tier 1 mobile service providers such as AT&T Inc., Verizon Wireless, Vodafone, Orange, Sprint and Telstra, Tier 1 cable operators/MSOs and wireline operators like AT&T Inc., Comcast, Cablevision, Charter, CenturyLink, Mediacom and Level 3 Communications and large OEMs such as Apple and Ericsson. These customers utilize our platforms, technology and services to service both consumer and business customers.

Our Synchronoss Personal Cloud™, Messaging and Digital, enterprise-facing 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 solutions and technology to automate the process of activation and content, communications and commerce management for their subscriber's devices while delivering additional communication services.

Our Synchronoss Personal Cloud™ solution seamlessly transfers content from an old device to a new device, syncs, backups and connects consumer's content from multiple smart devices to our cloud platform. This allows carrier customers to protect and manage their growing cache of personally generated, mobile content over long periods of time.

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Our Synchronoss Digital Platform orchestrates the complex and different back-end systems of communication service providers to provide a best-in-class ordering system by orchestrating the workflow and consolidated automated ordering & fulfillment, customer care services, and various other tasks via tailored data calls to native infrastructure and data lakes which hold a vast amount of raw data in its native format until it is needed. This allows CSPs, enterprises and OEMs using our platforms to realize the full benefits of their offerings with less information technology ("IT") investment, faster time to market and higher revenue. The platforms also support, among other automated transaction areas, credit card billing, inventory management, and trouble ticketing. In addition to this, the 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.

Our Synchronoss Messaging solutions give CSP, MSO and enterprise customers in the telecommunications, media and technology ("TMT") space a powerful, secure, white label messaging platform that enables peer to peer ("P2P") messaging across different channels including email, internet protocol ("IP") and rich communications services ("RCS") powered chat as well as automated messaging across various channels of our customers' business. Synchronoss Email powers hundreds of millions of mail boxes worldwide. Synchronoss Advanced Messaging platform enables advanced P2P capabilities via RCS and real time communications ("RTC") technology standards across connected devices. Additionally, our Advanced Messaging platform enables commerce across messaging channels and third parties or Application to Person ("A2P") dialogue. This capability enables our customers to enable third parties to dialogue and drive commerce to their subscribers and consumers.

Our Synchronoss IoT solutions feature unique deployments across our cloud, digital and messaging platforms, products and solutions to create device activations for emerging devices such as drones, connected automobiles and connected appliances, sensors, etc.; orchestration of back end and device data and the presentation of smart alerts in chat bots to create better management of IoT use cases in ecosystems such as smart cities and cloud storage and intelligent exchange of data from connected devices to IoT administrators.

Our Synchronoss Enterprise solutions secure an uncompromised digital experience for businesses and consumers through our identity and access management and secure mobility platforms. Our solutions are based on understanding the behaviors of individuals through the capture of who they are, what they are doing and how, where and when they are doing it, allowing our platform to conduct fine grain policy execution, fraud and cybersecurity detection/prevention and productivity. Our identity and access solution supports both consumers by allowing them to self-register and verify their identity, while providing non-intrusive multi-factor authentication and businesses the ability to be sure the correct person is doing the transaction. In 2017, The secure mobility solution combines the identity platform with a bring your own device ("BYOD") platform that is based on a secure container for accessing data, applications, content and personal information management tools like email, calendar, messaging and notes.

Markets We Serve

Our platforms, products and solutions operate in a white label capacity suppling service enablement and delivery to a diverse range of customers who increasingly find themselves in a converging TMT, IoT and Enterprise markets.

Operators

CSPs and MSOs license and deploy white label implementations of our Synchronoss Cloud, Messaging and Digital platforms, products and solutions to their subscribers around the world. CSPs and MSOs market and re-sell the value-added services powered by our technology to their subscribers as part of stand-alone subscriptions, value-added bundles or use our technologies directly to enhance their digital offerings. CSPs and MSOs license Synchronoss Personal Cloud to enhance their value-added service offerings to subscribers who purchase and lease mobile devices and network connectivity - storing and syncing their user generated content (e.g., videos, photos, documents, contacts,

music etc.). CSPs and MSOs license Synchronoss messaging to enable white label multichannel messaging services including email and advanced P2P and A2P transactions. CSPs and MSOs also license Synchronoss Digital platforms, products and solutions to activate devices on their networks, automate order fulfillment and payment and orchestrate legacy data to create better, more streamlined internal workflows, customer care and billing.

Telecommunications, Media and Technology

Enterprises in the converged TMT space license white label instantiations of Synchronoss Cloud, Messaging and Digital platforms, products and solutions to power new digital experiences for their consumers and subscribers. TMT companies use Synchronoss Digital platforms, products and solutions to create efficient new digital work flows and customer experiences that make use of Synchronoss activation, automation and data orchestration capabilities to stream line and personalize customer experiences across digital touch points such as mobile devices (e.g. apps, mobile internet, messaging, web) creating new ways to interface with their consumers and subscribers that lower cost, increase revenue and satisfaction. TMT companies use Synchronoss

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Messaging platforms, products and solutions to engage in advanced, automated digital dialogue with their customers for self-care, commerce, service feedback and a host of other use cases.

Internet of Things

Companies in the TMT space as well as OEMs and technology suppliers use Synchronoss Cloud, Messaging and Digital platforms, products and solutions to enable consumer and machine to machine ("M2M") experiences across new connected devices in the IoT market (e.g. smart homes, connected automobiles, wearable devices, smart appliances, smart cities, drones, etc.). Synchronoss Cloud platforms, products and solutions provides a single-source storage solution for connected devices that don't have a native data storage solution. Synchronoss Messaging platforms, products and solutions enables dialogue between devices, nodes/sensors and end users of IoT transactions. Synchronoss Digital platforms, products and solutions provide data orchestration and transaction automation capabilities to enable more targeted and secure use of data across IoT devices, networks, nodes/sensors and human participants.

Enterprise

Enterprise companies license and deploy white label implementations of our Synchronoss Digital, Identity and Secure Mobility platforms to enable secure transactions and communications between enterprise employees, internal systems and secure, regulated documents. Our enterprise solutions validate the identity and authenticity of an enterprise participant in secure data rooms and enable them to conduct digital business with less friction and secure protocol increasing security, productivity and employee satisfaction simultaneously.

Synchronoss Platforms, Products and Solutions

Our platforms, products and solutions offer flexible, scalable, extensible and relevant solutions backed by service level agreements ("SLA's") and exception handling.

Our Synchronoss Personal Cloud™, Messaging, Digital and Enterprise platforms, products and solutions provide highly scalable automated on-demand, end-to-end order processing, transaction management, service provisioning, device activation, intelligent connectivity and content transfer, synchronization and social media, identity and access management, secure mobility management as well as enterprise-wide sharing/collaboration through multiple channels including e-commerce, m-commerce, telesales, enterprise, indirect, and retail outlets. Our technologies are designed to be flexible and scalable across a wide range of existing communication services and connected devices, while offering a best-in-class experience for our customers and supporting traditional and non-traditional devices. The extensible nature of our platforms enables our customers to rapidly respond to the ever changing and competitive nature of the telecommunications, enterprise and mobile marketplaces.

Our platforms, products and solutions manage transactions relating to a wide range of existing communications and digital content services across our customers. For example, we enable wireless providers to conduct business-to-consumer ("B2C"), business-to-business ("B2B"), enterprise 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, dynamically identify new revenue opportunities and rapidly deploy new services. They are also designed to provide customers the opportunity to improve performance and efficiencies for activation, content migration and connectivity management for connected devices.

Our various platforms are designed to be:

Carrier Grade: We design our platforms to handle high-volume transactions from carriers rapidly and efficiently, with virtually no down-time. Our platforms are also capable of simultaneously handling millions of device content related transactions on a daily basis to ensure that personal content on all subscriber devices stays fresh and synchronized with the Cloud.

Ease of Use: Our Platforms resolve complexity with back end data and system frameworks to create simple, easy use cases to end users and subscribers. Our Digital platform provides automation of device, product and service fulfillment - relieving manual work flows and providing economy of scale; it orchestrates data from various data and business silos to create new, elegant and powerful end user use cases that existing system frameworks cannot support. Our Messaging platform provides common onboarding for third party brands that allow them to create bots and other commerce instances and then manage them throughout the customer lifecycle. Our Cloud platform creates an easy cross platform sync and access to subscriber personal data.

Highly Automated: We design our platforms to eliminate manual processes and to automate otherwise labor-intensive tasks, thus improving operating efficiencies and order accuracy and cost reduction. By tracking every order and identifying those that

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are not provisioned properly, our platforms are 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 differentiates us from our competitors. In 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 efficiencies and reducing backlog. In the past couple years, if manual intervention is required, our exception handling services are performed through outsourced to centers located in Canada and the United States and, where applicable, to other cost-effective geographies. Additionally, our database is designed to preserve 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, delivery status, installation scheduling and content stored on the device to allow for the seamless activation and content transfer during the device purchase flow. Through our platforms, the device is automatically activated and consumer's content is available for use via the Cloud, ensuring continuity of service and reducing subscriber churn propensity. CSPs and multi-channel retailers can bundle additional applications during retail phone purchases, and also provide live updates to support new features and new devices. We have built our platforms using an open design with fully-documented software interfaces, commonly referred to as application programming interfaces (“API”). Our APIs enable our customers, strategic partners and other third parties to integrate our platforms with other software applications and to build best-in-class cloud-based applications incorporating third-party or customer-designed capabilities. Through our open design and alliance program, we believe 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 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. Our synchronization and activation platforms routinely support our customers' transactions at the highest level of demands when needed with our current production deployments. We continue to see the number of transactions for connected devices, such as smartphones, mobile Internet devices (“MID”), laptops, tablets and wirelessly enabled consumer electronics such as cameras, tablets, e-readers, personal navigation devices, global positioning system (“GPS”) enabled devices, and other connected consumer electronics, to be one of the fastest growing transaction types across all our platforms, products and services. Our Synchronoss Personal Cloud platform is deployed across more than 95 million devices, managing 20 billion entities in the Cloud and performing more than 4 million synchronizations per day.

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

Build Consumer Loyalty and Create New Revenue Streams: Our synchronization services help drive consumers to the CSPs, OEM or multi-channel retailers by presenting them with a branded application and fully-integrated Web portal that provides convenience, security, and continuity for end user customers, which we believe helps our customers by

further building the loyalty of their subscribers. Our Synchronoss Personal Cloud solution helps reduce subscriber churn by making it easy for subscribers to migrate smartphone content from an old device to a new device. Our Synchronoss Personal Cloud solution enables our carrier customers to sell premium value-add cloud storage solutions as well as cloud enabling premium partner opportunities. We are designing solutions that will allow carriers, OEMs and retail distributors to promote and fulfill new services through mobile channels to better monetize their cloud subscriber base.

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. With automated activation and integrated fall out support, our e-commerce platforms centralize customer service expectations, which we believe dramatically reduces our customers’ subscriber acquisition/retention costs in addition to operating expenses for training and staffing costs. We also provide our customers with the information and tools intended to more efficiently manage marketing and operational aspects of their business, as well as business intelligence required to do targeted up-selling of their products and services.

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Quick Concept to Market Delivery: The automation and ease of integration of our on-demand platform allows 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).

Extensible and Relevant: Our customers operate in dynamic and fast paced industries. Our platforms and solutions are built in a modular fashion, thereby conducive to be extended dynamically and enabling our customers to offer solutions that are relevant to current market situations, with the goal of providing them with the competitive edge required for them to be successful. The platforms are also designed to be highly customizable to each carrier’s specific back end systems as well as branding requirements.

Secure: By leveraging our identity and access management capabilities consumers can self register their identity, be verified and credentialed and manage their profile in order to have the best customer experience possible. This solution also supports identity proofing and scoring in order to conduct fraud and cyber security detection and prevention.

Synchronoss Cloud

Synchronoss Cloud platforms, products and solutions are designed to create a seamless customer experience for Operator subscribers from device purchase, service onboarding and ongoing content management.

Personal Cloud

Our Synchronoss Personal Cloud™ platform is designed to deliver an operator-branded experience for subscribers to backup, restore, synchronize and share their personal content across smartphones, tablets, computers and other connected devices from anywhere at any time. A key element of our Synchronoss Personal Cloud™ platform is that it extends a carrier’s or OEM’s visibility and reaches into all aspects of a subscriber’s use of a connected device. It introduces the notion of Connect-Sync-Activate for all devices. Once connected, most users of mobile devices avail themselves of content synchronization from the Cloud using policies that are appropriate and applicable to each specific device. Our Synchronoss Personal Cloud™ platform is specifically designed to support connected devices, such as smartphones, MIDs, laptops, tablets and wirelessly enabled consumer electronics such as wearables for health and wellness, cameras, tablets, e-readers, personal navigation devices, and GPS enabled devices, as well as connected automobiles. Our Synchronoss Personal Cloud™ solution features products that facilitate the transfer of mobile content from one smart device to another and the sync, backup, storage, content management and content engagement features for mobile content.

Our Synchronoss Personal Cloud™ platform is linked to a family of clients designed to enable a persistent relationship between a subscriber and their content across devices and time. Our platform supports clients and data backup across major operating systems including: iPhone operating system (“iOS”), Android, Windows and works with mobile smart devices, tablets and PCs/Web. Our platform and clients also support the backup, sync, upload and download of data classes including photos, videos, music, messages, documents, contacts and call logs. Our clients may also feature interactive features intended to stimulate daily use of the product such as Groups Spaces, smart push notifications, advanced sharing capabilities, smart album creation with more being added over time. Our Synchronoss Personal Cloud™ platform and clients may also integrate with select third party providers to co-opt features that drive third party application and service engagement which is designed to provide future monetization opportunities to third parties and carriers.

Mobile Content Transfer

Our Synchronoss Mobile Content Transfer™ solution is an easy to use product whose client enables a secure, peer-to-peer, wireless transfer of content from one mobile smart device to another in a carrier retail location or at home/work, etc. Our solution supports secure mobile content transfer across major operating systems including iOS, Android and Windows. Our Synchronoss Mobile Content Transfer™ solution can transfer select data classes that may include photos, videos, music, messages, documents, contacts and call logs, across operating systems with varying degrees of support in accordance with the openness of the platform.

Backup & Transfer

Our Synchronoss Backup & Transfer™ solution is a variation of Synchronoss Mobile Content Transfer™ that offers the same peer-to-peer transfer of select data classes across smart mobile devices and major operating systems and also offers the ability to send supported data classes that may include photos, videos, music, messages, documents, contacts and call logs up to the cloud for temporary storage and then restore the content back into the new device or to a new device with the same client. This capability supports care channel use cases of securing content during a device wipe and also creates a value added solution in the case of lost devices, cracked screens and other edge use cases. Furthermore, our Synchronoss Backup & Transfer™ solution gives the

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subscriber the capability to establish a cloud account at the point of transfer and an auto sync capability to keep content backed up to the cloud account going forward. This unified experience is designed to drive cloud enrollment at the point of transfer (often during a new line or upgrade) and provide an opportunity to get content into the Cloud to reduce the time of transfer for the next upgrade.

Out of Box Experience (“OOBE”)

Synchronoss OOBE is an integrated solution to allow Operators to integrate a first-use, branded set up experience on Android devices from retail and online purchases. Operators integrated this application into Android devices to allow for an easier to use experience for a streamlined device set up, promote value-added service applications for download and introduce the ability to store content in the Cloud - allowing an easier onboarding experience at the next device purchase and/or upgrade.

Synchronoss Digital

Activation Platform

Our Activation technology is a scalable and flexible platform that decouples the order processing customer experience from varied and legacy IT back office order management systems. This enables sale, delivery, and assurance of new “Complex Product” bundles quickly and cheaply, creates a uniform product portfolio and pricing schema across all Sales Channels and reduces cost while improving the customer experience by reducing error rates and throughput time in processing orders, alarms, etc. The platform is fully scalable, agile & adaptable to future products, services & channel changes, it serves as a future-proof activation platform with end-to-end channel visibility & analytics and features a flexible commercial model - Software as a service (“SaaS”) or product sale with professional services.

Our Activation Platform features the following components:

- Core Offers: Six modules allowing for service and product order capture and transaction processing may include: Order Manager, Orchestration Gateway, Work Flow Manager, Front End Portals, Visibility Manager, Product Catalogue

- Add-on Offers: Ten modules that are available to extend new functionality around value-added services as needed may include: Fraud Verification, Inbound Call Tracking Manager, Notification Manager, Visibility Manager, Interactive Voice Response (“IVR”) and Information and Communication Technology (“ICT”) Managers, Dynamic Work Queue Manager, Catalogue Manager, Bulk Order Process Manager, Identity Manager, Call to order capture manager

- Service-Based Offers: Operations work and program management services may include: Operation and Call Center Management, Sales Delivery and Program Management

- Custom Development: Value added applications for Enterprise and Consumers such as sales portals can be added to the Activation Platform to facilitate catalogue management, point of sale, customer self-care, and inventory management

Network Optimization

The Synchronoss Spatial Suite provides an accurate, scalable solution for optimizing every phase of the network asset lifecycle including planning, sales, marketing and customer service. 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 behaviors and trends, define their subscriber segments and pin-point areas where their business is changing or could be improved. These analytics enable our customers to upsell new and additional products and services in a targeted fashion that help increase their consumption of our product offerings. The automation and ease of integration of our platforms are designed to enable our customers to lower the cost of new subscriber acquisitions, enhance the accuracy and reliability of customer transactions thereby reducing the inbound service call volumes, and responding rapidly to competitive market conditions to create new revenue streams.

Advanced Analytics

Synchronoss Advanced Analytics is a patent pending insight generation system, applying machine learning and artificial intelligence to the uniquely valuable data sets from network, devices and applications to deliver measurable, business-specific

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outcomes that help our customers make better informed decisions in marketing, finance, customer experiences and IoT. Synchronoss Advanced Analytics combines an applied data science team, a proven and scalable data analysis platform and a highly flexible visualization interface into SaaS or success-based models to generate predictive insights and business results.

Synchronoss Advanced Analytics provides customers the ability to:

- Create new revenue streams and enable monetization of data assets
- Optimize network investments while maximizing margin and customer value
- Accurately measure campaign and program effectiveness across channels such as mobile, digital, care and retail
- Target prospects for acquisition more effectively and efficiently - improving customer retention and satisfaction

Synchronoss Advanced Analytics has offerings and solutions focused in the following verticals:

- Sales & Marketing: helps companies better target and refine promotional campaigns, improving key performance indicators (“KPI’s”) in customer acquisition and retention.
- Customer Experience: helps companies refine the effectiveness of digital customer experiences analyzing user responses, patterns and fail points to create better execution of products and services.
- Financial Assurance: is a comprehensive procurement-to-payment application suite that helps companies manage network expense and automate workflow, inventory management and governance.
- IoT: connects previously disparate data from M2M devices to create actionable insights and productized services for companies operating IoT solutions.

Synchronoss Messaging

Synchronoss Messaging platforms, products and solutions enable cross channel, secure communications across connected devices.

E-Mail

Email Suite, provides service providers a secure, white-label, back-end framework for a branded, email service that’s reliable, consistent, and safe. Our world-class email service has customers across the global market in North America, Europe, the Middle East and Africa (“EMEA”), Latin America and the Asia Pacific (“APAC”) region.

Our Email suite offers feature-rich, reliable, and secure messaging - on any device - through integrated email, chat, voice, and video messaging. This messaging synergy enables a simpler sharing of files and photos, more privacy, greater security commerce transactions, larger mailboxes, unlimited attachment sizes, faster search and retrieval, and seamless access from smartphones and tablets. Our Email solution offers leading anti-virus & anti-spam and malware technology to keep the integrity and security of the customer experience and subscriber data protection to carrier standards. Our Email solution is designed to feature a branded and customizable user interface (“UI”) for emails, contacts, calendars, and tasks, accessible via smartphone, tablet, and desktop devices. User Experience delivers highly intuitive and feature-rich mobile and desktop email experiences that match what any over-the-top (“OTT”) provider offers.

Advanced Messaging

Our Advanced Messaging platform supports advanced messaging in both RCS and RTC and enables commerce across channels via A2P experiences:

- P2P Advanced Messaging Client: Advanced Messaging supports an advanced P2P client based on RCS and RTC technologies with compelling data (chat), voice, group and video communication features. Our RCS/RTC client opens up new means of conversation providing richer communications, viral distribution via subscribers and provides new gateways for commerce that Short Message Service ("SMS") cannot provide.

- A2P Messaging Commerce: Our A2P solutions are an end-to-end set of capabilities to help Operators, TMT companies and third party brands establish an AI-driven dialogue with subscribers and consumers. The Advanced Messaging platform aggregates chat bot engines, software development kits ("SDK's") and API's exposing these tools to third party brands. This functions as an onboarding environment for chat bots, merchandising and advertising to function within a messaging environment. The platform collects user engagement data and through analytics powered dashboards, optimizing bot performance via campaign monitoring that ties into downstream third party customer relationship management ("CRM") operations.

IoT

Our IoT solutions use our Digital platform, products and solutions into IoT devices, ecosystems and administrative centers. Our solution powers an N-Tier Java application supporting a message passing paradigm to orchestrate automated transactions that may require some manual processing steps. Transactions supported are of a service lifecycle nature, including but not limited to, activation, registration, transfer of ownership, and rate plan changes.

Primary services are third-party Portals, an Orchestration Gateway, Connectors to third-party services, and a Customer Service Portal (aka, Order Manager). At various times in the life of this solution (since inception in 2014) there have been Synchronoss-built portals including the Geneva (Timex Ironman) Portal, AT&T DriveStudio Portal, and Jaguar Land Rover ("JLR") Portal. OEMs supported at one time or another include Automotive (Audi, Volvo, JLR) and Wearables (Timex Ironman Watch). Some of the other opportunities that were explored and prototyped were aftermarket head units (Pioneer), relationships with Volkswagen Group. Third party service connectors have been built for the (Timex Ironman/Qualcomm) Geneva Server, RACO, and Jasper to provide device specific support, and introductory service packages. Qualcomm's Geneva Server collected telemetry from the Timex Ironman. The Synchronoss built and maintained Geneva Portal and Orchestration Gateway provided a sophisticated user experience with a view into the telemetry by mapping runs, simple messaging, and alerting the runner's "Angel" in case of an emergency.

Primary use cases are:

- Bulk activation by OEMs for manufacturer funded introductory Wireless service.
- Registration of device/vehicle owners and contact information by the dealer when a car is sold.
- Reminders (email) are sent to device/vehicle owners as introductory period ends.
- Support for a catalog of carrier (AT&T Wireless) plans and services.
- Activation of new/changed plans and services.
- Transfer of integrated circuit card identifier ("ICCID") from one device owner to another.
- Status queries (e.g., is ICCID active, on what Vehicle Identification Number, introductory or upgraded)
- A variety of tools and services to support Customer Care use cases.

Synchronoss Enterprise Solutions

Our Synchronoss Enterprise platform, products and purpose-built industry solutions drive business outcomes for Enterprise customers including: improved employee productivity in a secure environment, greater agility and responsiveness to consumers, higher consumer loyalty and more revenue and proactively anticipating regulatory data/retention and privacy requirements.

Our Synchronoss Enterprise platform, products and industry solutions are targeted, initially at the following markets:

- Financial Services: Capital markets, banking and insurance.
- Healthcare: Providers and payers
- Life Sciences: Pharmaceuticals, device manufacturers and clinical research organizations

As of the end of 2017, there are three primary areas to this platform, which drives an uncompromised digital experience in select Enterprise vertical markets:

- Secure Mobility Management: a BYOD implementation that provides the rich integration and orchestration of secure mobile productivity software featuring fine grain activity capture and dynamic policy execution through best in class

mobility management, security and policy management tools and intelligent productivity through behavioral analytics

- Data & Analytics: solution which support fraud and cyber security detection/prevention, dynamic policy administration/execution and predictive productivity
- Identity and Access Management: solution that allows customers to self-register and verify their identity while providing non-intrusive multi factor authentication and enables businesses to allow them to be sure the consumer is the correct person doing authorized to conduct the transaction.

Demand Drivers for Our Business

Our products and services can manage a wide variety of transactions across multiple customer delivery channels and services, which we believe enables us to benefit from increased growth, complexity and technological change in the communications technology industry.

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As the TMT and IoT industries evolve, new access networks, connected devices and applications with multiple services and modes are emerging that will provide growth markets for Synchronoss. This proliferation of services and advancement of technologies is accelerating subscriber revenue growth, significantly expanding the types and volume of rich content accessed and stored by consumers, and increasing the number of transactions between our customers and their subscribers.

Growth of Two major Smartphone Platforms

As the mobile market matures, smartphones from Apple and Google dominate the world-wide Operator markets. Today, according to Gartner and Statista, Android and iOS combine for more than 99.5% of new smartphone sales with 1.7 billion smartphone shipments forecasted in 2020. With Smartphones being the primary access point in the digital services landscape, this creates a growing need for Synchronoss platforms, products and solutions. The rest of the world is catching up not only to smart phones but in the services that accompany them. In sizable, emerging, low Average Revenue per User (“ARPU”) markets such as Latin America, Global System for Mobile Communications Association (“GSMA”) estimates that almost 85 million new smartphones are in use in the region since 2016, with Brazil adding more than 20 million and Mexico 18 million. By 2020, the region is expected to have an adoption rate of 71%, ahead of the global average of 66% with an additional 170 million new smartphone users expected to be across the region by the end of the decade.

Growth in Data

In 1992, the Internet was handling 100 GB of data per day and twenty-five years later, it is more than 25,000 GB per second, primarily thanks to the use of mobile channels. The growth in smartphones and high speed network proliferation begets aggressive growth in data consumption and usage. According to marketingland, the mobile segment now represents 65 percent of digital media time. We believe this growth will increase the adoption of Synchronoss’ services such as cloud and messaging on the consumer end and in the Digital and IoT markets. Global monthly mobile data traffic is forecasted to double every two years from 2016 to 2021. Video is expected to consume more than 80% of consumer Internet traffic in 2021 and from 2018-2021, video consumption is expected to more than double from 75 PB per month to 159 PB.

User Generated Content

With the growth in data comes a commensurate growth in user generated content (“UGC”) which has a direct correlation on the adoption of cloud storage services. While subscribers still consume far more video than they produce, the amount of data produced is going up steadily. iCloud from Apple increased storage tiers, from 20GB to 50GB, and from 1TB to 2TB. Google Photos has more than 500 million users, with approximately 1.2 billion photos uploaded every day. While cloud storage has thrived on a primarily “freemium” model, the rate of storage hitting the consumer “pay wall” is on the rise. Business Insider estimates that eleven million subscribers, or 0.7% of the Dropbox base, now pay for cloud storage each month.

Data Security and Email Platforms

Service providers were at one point content to relinquish branded control of their email services to OTT providers (Yahoo, Google, etc.) but are now beginning to take a renewed interest in white label solutions due, in part to a recent history of security breaches from OTT providers. In the past five years (2013-2017), there were more than 40 data breaches that affected at least a million records each. The largest breaches were: Yahoo (1 billion), Friend Finder Networks (400 million), Adobe (152 million), eBay (145 million), Equifax (143 million), JP Morgan Chase (76 million), Target (70 million) and Sony (100 TB of data). According to Radacati, the worldwide market for Secure

Email Gateway solutions continues to show growth and is forecasted to grow to over $1.9 billion by 2020.

Big Data and Monetization

The scale of data circulating over wireless and broadband networks has given rise to the monetization of big data causing many to proclaim it as “Data is the new oil.” International Data Corporation (“IDC”) forecasts the market for big data and business analytics will grow to $203 billion by 2020. Data is being used to gather intelligence on consumers and deliver more effective and predictive services. According to the Boston Consulting Group, the application of personal data could deliver a €1 trillion annual economic benefit (roughly 8% of current Gross Domestic Product) to the EU-27 by 2020.

OTT IP Messaging

One of the most significant growth stories of the past two years has been the rise in Messaging applications and the Messaging as a Platform (“MaaP”) services that support them. This growth started in response to a free IP alternative to tariffed SMS followed

by IP feature growth which created a huge surge in IP Messaging usage. According to TechCrunch, WhatsApp has 1.5 billion users and 60 billion messages sent per day and Facebook Messenger has 1.3 billion users. Together, Facebook Messenger and WhatsApp alone out pace global SMS on a daily basis 3:1 (60 billion to 20 billion messages per day). Most of the growth in A2P messaging revenue has occurred in the APAC markets with sparks beginning to ignite in American and EMEA markets. Chinese messaging giant WeChat has one billion monthly active users. The LINE app generated more than $1.5 billion revenue in 2017 representing annual growth of approximately 19%. KakaoTalk generated more than $900 million revenue in 2017 or annual growth of approximately 14%. With the advent of automated chat bots from these messaging services, the pathway to future brand dialogue is being paved as the new norm. By 2020, it is expected that 85% of a customer's brand experience will occur without any human interaction.

Digital Transformation

Apple, Alphabet (Google), Microsoft, Amazon and Facebook are now five ("Big Five") of the six biggest companies in the world and are all digital companies. Their ten year rise to the top of global companies is sending shockwaves throughout the TMT and IoT markets to catch up. These companies are trying to transform themselves digitally not only to escape growth and margin pressures (in the case of Telcos) but also in a race to meet consumer expectations largely set by the Big Five companies mentioned above. According to the Boston Consulting Group, the average US household receives annual benefit of $970 from digital services. As an example, by 2022, it is expected that there will be over 70 million households in the U.S. with at least one voice-enabled smart speaker. This is more than the 66.6 million non-satellite Pay TV subscribers (Cable TV and Telco TV subscribers combined). This sudden evolution has created a thriving market place for platform, product and solution vendors to give existing companies a leg up in the digital arms race. As a result, Digital Journal expects Digital Transformation spending to be $1.3 trillion in 2018. But spending is not enough as 84% of companies fail at digital transformation, according to Forbes. This is especially telling that companies who have budget to catch up to the Big Five companies in the world will need large amounts of assistance. Creating a digital-worthy customer experience is not an inherent skill in most companies. As a result, Markets and Markets projects that the customer experience management market is projected to grow from an estimated $6 billion in 2017 to $17 billion by 2022, at a cumulative average growth rate of approximately 23%.

Propagation of 5G Network and IoT

Perhaps the biggest growth driver of the next five years will be the advent of the 5G Network and the epoch change in business that comes with it. Network operators will trial 5G in 2018, with the goal of launching in 2020. 5G tops out at 10 gigabits per second ("Gbps"). That means 5G is a hundred times faster than the current 4G technology-at its theoretical maximum speed. Perhaps the real value in 5G isn't the speed but the low latency. The 5G Network was designed around enabling use cases in the IoT marketplace and this network will set the IoT market on its way. Smart Cities will be a major driver and customer of the 5G networks. Gartner estimates that around 380 million connected things are in use in cities to deliver sustainability and climate change goals in 2017, and that this figure will increase to 1.39 billion units in 2020, representing 20 percent of all smart city connected things in use. The amount of data traffic will likely grow faster than the number of connections because of the increase of deployment of video applications on M2M connections and the increased use of applications, such as telemedicine and smart car navigation systems, which require greater bandwidth and lower latency. Moreover, more people are moving into urban environments where IoT and smart cities are growing. By 2050, there is expected to be 7.5 billion people living in urban environments, equivalent to the entire world population today. Simply put, cities will be forced to get more efficient causing a greater need for IoT device, ecosystem, network and administrative solutions.

Growth Strategy

Our growth strategy is to establish our platforms as the de-facto industry standard for CSPs, MSOs, OEMs, multi-channel retailers and TMT enterprise customers while investing in logical extensions of our product and

services portfolio into new markets. We will continue to focus our technology and development 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 our growth strategy are:

Consolidation of focus. We expect our growth strategy to gain more traction as we narrow the focus of our offerings away from secure Enterprise and into “consumer” markets in the Operator, TMT and IoT sectors. This added focus will streamline and strengthen our product investments and reinforce our reputation as a consumer-oriented technologies company.

Expand growth in our core product lines. Along with our re-focus to our core offerings and market we will aggressively seek opportunities to expand our existing offerings to new customers and deepen our relationship with existing customers.

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Expansion of Synchronoss Personal Cloud. We will expand our Synchronoss Personal Cloud platform, products and solutions to new service provider (CSP, MSO) customers. This sales and marketing push will reinforce major trends at work in the market: the increase of cloud adoption from OTT providers and the proven effectiveness (and consumer willingness) to pay for premium cloud storage. These two trends shift the perceived value of an Operator cloud to a profit center vs a cost center that should open new sales opportunities with new customers and in new markets. Additionally, we are increasing our efforts to partner with analogous partners in the Personal Cloud space with companies who provide other handset services to Operators. An example of this partnering effort in handset insurance. The bundling of personal cloud with handset insurance creates a “total protection” bundle which creates a better business model for operators and a better value for customers. Finally, as new markets emerge for Synchronoss, such as IoT, we believe our Personal Cloud solution is positioned as a significant value add to new devices such as Connected/Autonomous automobiles, drones and sensors who will benefit from smart, secure data storage and exchange.

Expansion of Digital. Our success in Digital services began with device and service activation through operators. With the advent of business and technology trends such as Digital Transformation, IoT, etc. our Digital line of products is poised for new growth due to the unique nature of the problems it solves for our customers at harnessing complex data and creating new experiences in the back office.

Expansion of Activation. The foundation of our Activation solution is activating devices and services directly for service provider customers. As service providers invest in digital transformation of their operations and cost structures, Activation of devices and services is positioned to help transition service providers’ digital footprint and decrease their overall cost structure. This case study is being aggressively marketed and sold by us to new service providers globally on the heels of this trend. Additionally, we are pursuing indirect methods of distribution through OEM and other technology channels who seek to activate devices and service plans on behalf of several Operators in the market. We believe our Activation platform is positioned well to bring new devices, sensors, nodes and more online in the IoT market. Finally, Activation is uniquely positioned to harness data from bespoke, complex sources in Operators and TMT customers to create new digital use cases in everything from automated self-care, personalized sales & marketing and other lower cost, high value digital interfaces with subscribers and consumers.

Expansion of Digital Channels. Our Digital Channels product provides a customized, predictive interface to purchasing devices and services from Operators and maintaining an effective, automated self-service environment. Digital Channels applies our Activation platform’s ability to sit over top of existing data silos as a “Logic Layer” and surgically extract data as needed to create a personalized account self-service portal for Operator’s B2B major accounts and consumer buy flows. As Operators expand their offerings and markets, the need to conflate different services into a single buy flow is imperative to making good use of their massive distribution channel. To that end, our Digital Channels product can provide an easy to use, powerful, personalized single interface, buy flow and self-service interface for a one-stop-shop and care interface online and on mobile applications. As an example, Digital Channels is being deployed by Sprint to combine their wireline, wireless and IoT product lines into a single B2B buy flow - saving them cost, decreasing time to market and unlocking new revenue.

Expansion of Digital Broker. Digital Broker enables Operators to onboard and manage independent software vendors (“ISV”) as a distribution channel to their Enterprise and small business customers. Digital Broker sits as a module on top of our Digital Channels product and gives B2B customers a turn key way to procure and manage their relationship with ISV’s directly. We believe this provides new revenue and functionality for Operators to offer their B2B subscribers and will create a stronger interest in our Digital Channels product.

Expansion of Messaging. As messaging grows in scale and potency to overtake social platforms in active users and ARPU, more companies are looking at messaging as not only a vital service for communications but for commerce.

Our Email and Advanced Messaging platforms, products and solutions are well positioned to help Operators, TMT Enterprise and IoT participants harness this new trend.

Expansion of Advanced Messaging. As noted in the demand drivers for our business, advanced (IP and RCS) messaging continues to surge ahead of social media in audience engagement and ARPU. Operator messaging revenue has been the biggest victim of the OTT digital revolution. According to Juniper Research, the consumer migration from operator voice and text services to OTT messaging services and social media cost network operators nearly $104 billion in 2017, equivalent to 12% of their service revenues. WhatsApp, Facebook Messenger, Instagram, WeChat have grown their revenues on the basis of forming open access communities that attract vast, captive, and engaged audiences that continue to glean new commercial opportunities. This multi-dimensional approach presents the future to mobile operators - for most, the response will be investments in RCS. Most have conceded that they are unlikely to return to the SMS glory days of old - RCS, despite ongoing issues related to its business case, seems to be the accepted, operator-wide response. There are however, a range of operators

that aren't content with RCS alone. Some operators are developing their own competitive OTT messaging offerings to try and claw back at least some of the revenue they've lost. Some operators are looking to join forces and build mobile-centric messaging communities that emulate OTT services, but have the potential to go even further. While they will likely not displace OTT messaging providers they are well positioned to obtain net/new revenue. We see opportunities for cooperation in markets as well as the use of MaaP to enhance carrier service and care offerings.

Expansion of Email. The year 2017 saw a shift, in the Operator community, away from a less expensive OTT email solution to white label due, in part to the business and brand implications of massive security breaches with Yahoo and others. Our email platform remains competitive in terms of feature sets, ability to scale, carrier grade security and ability to monetize communications channels. To that end, we have been working to secure and renew existing Operator/Service provider contracts to grow our base of messaging operations worldwide.

Geographic Market Expansion. Synchronoss is maintaining and growing its worldwide presence by reinforcing its leadership in the EMEA markets and solidifying its footholds in the APAC markets as well as re-entering the Latin America markets with Cloud platform offerings.

Diversification & Expansion of our customer base in TMT. Synchronoss is consolidating its focus on the consumer markets and moving away from the Secure Enterprise Market position we held in 2017. To accentuate this focus in the consumer markets, we are widening our product scope beyond Operators to the entire TMT industry as well as the IoT markets as they invest in digital transformation initiatives. This will provide a wide range of applicability for Synchronoss platforms, products and solutions throughout worldwide markets.

Expansion into Emerging Devices and Internet of Things Space. Various forecasts from industry leading sources have cited explosive growth in the non-traditional connected devices space. Such devices include connected cars, connected homes, health and wellness and health care domains and smart cities. We plan on expanding both our activation platforms (focused on the new activation needs emerging from such devices on the service provider networks) as well as our cloud (focused on storing data from the varying devices to be stored securely in the Cloud) and messaging platforms in an effort to capitalize on the growth emerging from these new opportunities.

Customers

Our industry-leading customers include Tier 1 mobile service providers such as AT&T Inc., Verizon Wireless, Vodafone, Orange, Sprint and Telstra, Tier 1 cable operators/MSOs and wireline operators like AT&T Inc., Comcast, Cablevision, Charter, CenturyLink, Mediacom and Level 3 Communications, and large OEMs such as Apple and Ericsson. These customers utilize our platforms, technology and services to service both consumer and business customers.

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 extend up to 60 months 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.

Our top five customers accounted for 73%, 74% and 82% of net revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of our revenues in 2017. The loss of Verizon as a customer would have a material negative impact on our company. However, we believe that Verizon would encounter substantial costs in replacing Synchronoss' solution.

Sales, Partnerships 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, enterprises, government and multi-channel 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, provisioning, and cloud-based content management architecture. Our sales teams are well trained in our Activation Services, Synchronoss Personal Cloud, Synchronoss Messaging and Synchronoss Digital Transformation platforms and on the market trends and conditions that our current and potential customers are facing. This enables them to easily identify and qualify opportunities that are appropriate for our platforms 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 programs.

Partnerships

We are establishing a dedicated partner outreach as a dedicated arm of growth for Synchronoss. The Synchronoss Partnership program will have three dedicated vectors of focus:

Go To Market/Channels: We are pursuing partnerships with technology companies who supply customers and hosted solutions to Synchronoss platforms, products and solutions. Synchronoss will supply value by introducing these partners to our pipeline of global customers and will receive the benefit of customers from our Technology partners who have interest in Synchronoss platform, products and solutions. These partnerships will provide new sales funnels and scale to Synchronoss offerings.

Technology Augmentation: We are pursuing partnerships with technology companies with complementary IP in platforms, products and solutions. Synchronoss is pursuing partnerships with a two-way value-add in technologies that supply strategic functionality to our mutual customers. These partnerships will provide ready-made technologies that allow our platforms, products and solutions to participate in new markets without the investment in new technology.

System Integrators: We are pursuing partnerships with system integrators (“SI”) and consulting firms in order to expose our platforms, products and solutions to a wider range of customers and supply our SI partners with ready-made IP to fulfill on their custom solutions. These partnerships will provide SI’s with turnkey technologies to fulfill vertical lines of solutions in the TMT and IoT space and will formulate the basis of a formal Synchronoss Partnership Program featuring toolkits, documentation, a dedicated extranet and other channel support.

Maintain Technology Leadership: We strive to 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.

Leverage and Enforce our Intellectual Property: We have a significant repository of granted and filed patents and trademarks, and we expect to use this as a differentiator of our products and services in the marketplace.

Marketing

We focus our outbound marketing efforts on increasing our visibility in the market through joint customer public relations, thought leadership through the analyst and media communities, presence at major industry trade shows (e.g. Consumer Electronics Show (“CES”), GSMA or Mobile World Congress (“MWC”) - Europe, Asia, America, TM Forum etc), and other customer events and forums. In addition, we maintain relationships with recognized trade media and industry analysts such as Allied Business Intelligence (“ABI”) Research, IDC, Gartner Inc., Forrester Research, Inc., Ovum, Frost & Sullivan and Yankee Group. Additionally, we focus marketing efforts on supporting new product initiatives, creating better understanding and awareness of our offerings and supporting new sales opportunities. We base our product management strategy on analysis of market requirements, customer needs, industry direction, competitive offerings and projected customer cost savings and revenue opportunities. Our team is active in numerous technology and industry forums such as TeleManagement Forum (“TM Forum”), Cellular Telecommunications Industry Association (“CTIA”) and the GSMA and we regularly get invited to speak at tradeshows such as the CES, CTIA,

MWC, Mobile Future Forward Series and Wireless Influencers Forum, in which we also demonstrate our solutions. We also manage and maintain our Web site, blog, social media profiles on LinkedIn, Twitter and Facebook, utilize search engine optimization ("SEO") and search engine marketing ("SEM"), publish product related content and educational white papers, videos and conduct seminars and user group meetings.

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, our proprietary exception handling, and the breadth of our Synchronoss Personal Cloud content synchronization and sharing capabilities, as well as on the basis of price, time-to-market, functionality, quality and breadth of product and service offerings.

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We believe the most important factors making us a strong competitor include:

- Breadth and depth of our transaction and content management solutions, including our exception handling technology
- Carrier grade nature and scalability of our solutions
- 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 consulting firms, technology companies, and smaller entrepreneurial companies that are focusing significant resources on developing and marketing products and services that will compete with our 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:

- OTT Providers: Cloud - iCloud, Google Photos, Dropbox, Funambol; Messaging - Line, WeChat, Facebook Messenger, iMessage, Jibe, Mavenir
- Consulting/Service Integrators: Accenture, Ernst & Young, Deloitte, Amdocs, Ericsson
- Internal resources - IT resources for CSP and MSO customers who have internal projects that replicate Synchronoss product scope

Employees

We believe that our growth and success are 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 that these 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 that are designed to continue to motivate, retain and reward our employees.

As of December 31, 2017, we had 1,428 full-time employees located in India, North America, Europe and Asia Pacific regions. None of our employees are covered by any collective bargaining agreements.

Geographic Information

Information regarding financial data by geographic location is set forth in Note 3 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K in sub-section “Segment and Geographic Information”.

Available Information

Our Web address is www.synchronoss.com. On this Web site, we post the following filings after they are electronically filed with or furnished to the SEC: Form 10-K, 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.

The reports filed with the SEC by us and by our officers, directors and significant shareholders are available for review on the SEC's website at www.sec.gov. You may also read and copy materials that we filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Synchronoss and Synchronoss Personal Cloud and other trademarks of Synchronoss appearing in this Form 10-K are the property of Synchronoss. Other trademarks or service marks that may appear in this Annual Report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Annual Report are referred to without the ®, ™ and SM symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

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ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. The following are certain risk factors that could affect our business, financial results and results of operations. You should carefully consider the following risk factors in connection with evaluating the forward-looking statements contained in this Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. The risks that we have highlighted here are not the only ones that we face. If any of the risks actually occur, our business, financial condition or results of operation could be negatively affected. In that case, the trading price of our stock could decline, and our stockholders may lose part or all of their investment.

Risks Related to Restatement and Failure to Timely File Required Reports

The restatement of our previously issued financial statements contained in this Form 10-K may lead to additional risks and uncertainties, including regulatory, stockholder or other actions, loss of investor confidence and negative impacts on our stock price.

Our Audit Committee, after consultation with management and discussing with outside counsel, external auditors and third-party consultants, concluded that our previously issued consolidated financial statements for the fiscal years ended December 31, 2014, 2015 and 2016 and respective quarterly periods should be restated for the reasons described in “Explanatory Note Regarding Restatement” preceding Part I, Item 1 and Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K includes restated audited financial statements and selected financial data (and related disclosures) for the fiscal years ended December 31, 2016, 2015, 2014 and 2013, as well as certain restated unaudited financial information for each of the quarterly and year-end periods in 2015 and 2016 and unaudited financial information for the first three quarterly and year-to-date periods in 2017. Financial information included in our previously filed Form 10-K and our Quarterly Reports on Form 10-Q as filed for the fiscal years ended December 31, 2016 and 2015, and all earnings press releases and similar communications issued by us, for such periods, should not be relied upon and are superseded in their entirety by this Form 10-K. This Form 10-K amends and restates, in its entirety, our Form 10-K for the years ended December 31, 2016 and 2015. We are filing this Form 10-K concurrently with our Form 10-Q for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017, and March 31, 2018 which were delayed due to the restatement.

Accordingly, this Form 10-K includes changes to: (1) our Consolidated Balance Sheets as of December 31, 2016 and 2015, and the related Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Stockholders’ Equity and Consolidated Statements of Cash Flows for each of the fiscal years ended December 31, 2016 and 2015; (2) our Selected Financial Data as of, and for our fiscal years ended, December 31, 2016, 2015, 2014 and 2013, in Part II, Item 6 of this Form 10-K; (3) our Management’s Discussion and Analysis of Financial Condition and Results of Operations, as of, and for our fiscal years ended December 31, 2016 and 2015, in Part II, Item 7 of this Form 10-K; (4) our unaudited quarterly financial information for each quarter for our fiscal years ended December 31, 2016 and 2015 in Note 19 - Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements, in Part II, Item 8 of this Form 10-K; (5) our Risk Factors, in Item 1A of this Form 10-K; and (6) our disclosures and conclusions regarding Controls and Procedures in Part II, Item 9A of this Form 10-K. See below and Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for a detailed discussion of the changes made as a result of the restatement.

As a result of this restatement and associated non-reliance on previously issued financial information, we have become subject to a number of additional costs and risks, including unanticipated costs for accounting and legal fees in connection with or related to the restatement and the remediation of our ineffective disclosure controls and

procedures and material weakness in internal control over financial reporting. Likewise, the attention of our management team has been diverted by these efforts. In addition, we could also be subject to additional shareholder, governmental, regulatory or other actions or demands in connection with the restatement or other matters. Any such proceedings will, regardless of the outcome, consume a significant amount of management's time and attention and may result in additional legal, accounting, insurance and other costs. If we do not prevail in any such proceedings, we could be required to pay damages or settlement costs. In addition, the restatement and related matters could impair our reputation or could cause our customers, shareholders, or other counterparties to lose confidence in us. Any of these occurrences could have a material adverse effect on our business, results of operations, financial condition and stock price.

In connection with the restatement of our financial statements for the Relevant Periods, our management identified material weaknesses in our internal control over financial reporting, as described in Item 9A, "Control and Procedures" of this Form 10-K. A material weakness is a deficiency, or combination of deficiencies in internal controls over financial reporting that results in a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Further, management determined that control deficiencies existed with respect to certain aspects of our historical

financial reporting and, accordingly, management has concluded that management's reports related to the effectiveness of internal and disclosure controls may not have been correct. We did not maintain effective internal control over financial reporting as of December 31, 2017 as set forth in Item 9A, "Controls and Procedures" of this Form 10-K.

The restatement of our previously issued consolidated financial statements has been time-consuming and expensive and could expose us to additional risks that would adversely affect our financial position, results of operations and cash flows as well as investor confidence in our Company and, as a result, the value of our common stock.

As described in the section entitled "Explanatory Note Regarding Restatement" preceding Part I, Item 1 and in Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K, we have restated our previously issued consolidated financial statements for the Relevant Periods. The restatement has been time-consuming and expensive and could expose us to a number of additional risks that would adversely affect our financial position, results of operations and cash flows as well as investor confidence in our Company and, as a result, the value of our common stock.

In particular, we have incurred, and continue to incur, significant expense, including audit, legal, consulting and other professional fees in connection with the restatement and the ongoing remediation of material weaknesses in our internal control over financial reporting. We have taken a number of steps that we have deemed appropriate and reasonable to strengthen our accounting function and reduce the risk of future restatements, including adding internal personnel and hiring outside consultants, as described in more detail in Item 9A. "Controls and Procedures" contained this Form 10-K. To the extent these steps are not successful, we may need to incur additional time and expense to address accounting issues that could arise in the future. Our management's attention has also been, and may further be, diverted from the operation of our business as a result of the time and attention required to address the ongoing remediation of material weaknesses in our internal controls.

In addition, we may be the subject of negative publicity and lack of confidence in our business as a result of the Restatement and related matters and may be adversely impacted by negative reactions from our shareholders, creditors, customers, suppliers, referral sources or other constituents important to our business. This negative publicity may impact our ability to attract and retain customers, employees and vendors. The occurrence of any of the foregoing could harm our business and reputation and adversely affect our financial position, results of operations and cash flows.

We are also subject to claims arising out of the misstatements contained in our previously issued financial statements. For additional information regarding this litigation, see Item 3. "Legal Proceedings" contained in this Form 10-K.

Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital, impacts our ability to obtain alternative financing and could have negative consequences under the terms of our existing credit agreements.

We did not file this Form 10-K or our Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2017, June 30, 2017, September 30, 2017 or March 31, 2018 within the timeframes required by the SEC. As a result of our late filings, we may be limited in our ability to access the public markets to raise debt or equity capital, which could prevent us from pursuing transactions or implementing business strategies that we believe would be beneficial to our business. We are ineligible to use shorter and less costly filings, such as Form S-3, or Form S-8, to register our securities for sale for a period of 12 months following the month in which we regain compliance with our SEC reporting obligations. We may be able to use Form S-1 to register a sale of our stock to raise capital or complete acquisitions, but doing so would likely increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

We have substantial indebtedness, and our failure to comply with the covenants and payment requirements of that indebtedness may subject us to increased interest expenses, lender consent and amendment costs or adverse financial consequences.

As of December 31, 2017, we had approximately $230.0 million in aggregate principal amount of our then outstanding issued $230.0 million aggregate principal amount of its 0.75% Convertible Senior Notes due in 2019 (the “2019 Notes”). To remedy issues we may encounter with meeting our debt obligations, or for other purposes, we may find it necessary to seek further refinancing of our indebtedness, and may do so with debt instruments that are more costly than our existing instruments (and which will rank senior to our equity securities), or we may issue additional equity securities which may dilute the ownership interests or value of our existing shareholders. These actions may decrease the value of our equity securities.

We received a notice of default from holders of more than 25% of the outstanding principal amount of the 2019 Notes on October 13, 2017. Based on the terms of the 2019 Notes, we were obligated to begin paying additional interest starting January 11, 2018 (the 90th day following our receipt of the notice of default).

On June 13, 2018, The Bank of New York Mellon ("BNY), in its capacity as trustee (the "Trustee") under the indenture dated as of August 12, 2014 (the "Indenture") governing the 2019 Notes, filed a verified complaint with the Court of Chancery of the State of Delaware (the "BNY Action"), alleging that an Event of Default under the Indenture has occurred as a result of our common stock ceasing to be listed or quoted on Nasdaq and that an Event of Default under the Indenture has occurred as a result of our failure to provide a notice of such Fundamental Change. We intend to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, we cannot predict the outcome of the BNY Action at this time, and we can give no assurance that the asserted claims will not have a material adverse effect on our financial position or results of operations. For additional information regarding this litigation, see Item 3. "Legal Proceedings" contained in this Form 10-K.

The restatement of our previously issued financial results may result in private litigation and could result in private litigation judgments that could have a material adverse impact on our results of operations and financial condition.

We are subject to stockholder derivative litigation relating to certain of our previous public disclosures. For additional discussion of this litigation, see Item 3. "Legal Proceedings" contained in this Form 10-K. Our management has been and may be required in the future to devote significant time and attention to this litigation, and this and any additional matters that arise could have a material adverse impact on our results of operations and financial condition as well as on our reputation. While we cannot estimate our potential exposure in these matters at this time, we have already incurred significant expense defending this litigation and expect to continue to need to incur significant expense in the defense. The existence of any litigation may have an adverse effect on our reputation with referral sources and our customers themselves, which could have an adverse effect on our results of operations and financial condition.

The restatement of our previously issued financial results could result in adverse determinations in litigation that could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows.

We may be subject to securities class action litigation and shareholder demands relating to the restatement. For additional discussion of legal proceedings related to the restatement, see Item 3. "Legal Proceedings" of this Form 10-K. We could also become subject to other litigation, arising out of the misstatements in our previously issued financial statements. Our management may be required to devote significant time and attention to these matters, and these and any additional matters that arise could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows. While we cannot estimate our potential exposure in these matters at this time, we expect to expend significant amounts of time and money defending the litigation.

We continue to incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to new and ongoing compliance initiatives.

We operate as a public company, and will continue to incur significant legal, accounting and other expenses as we comply with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act" or "SOX"), the Dodd-Frank Wall Street Reform and Consumer Protection Act and other public company disclosure and corporate governance requirements, as well as any new rules that may subsequently be implemented by the Securities and Exchange Commission and/or Nasdaq, the exchange on which our common stock is listed (Nasdaq: SNCR). These rules impose various requirements on public companies, including requirements related to disclosures, corporate governance and internal controls. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly and place significant strain on our personnel, systems and resources.

Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some

activities more time-consuming and costly. For example, we expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In connection with the restatement of certain of our financial statements, our management identified material weaknesses in our internal control over financial reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We are continuing to refine our disclosure controls and other procedures and taken other remedial actions that are designed to ensure that the information that we are required to disclose in the reports that we will file with the Securities and Exchange Commission is properly recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. We are also continuing to improve our internal control over financial

reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting. Further, Section 404 of Sarbanes-Oxley requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year, which is included in Item 9A “Controls and Procedures” in this Form 10-K. Our continued compliance with Section 404 will require that we continue to incur substantial expense and expend significant management time on compliance related issues.

As described in Item 9A “Controls and Procedures” in this Form 10-K, we determined that we did not maintain effective internal control over financial reporting as of December 31, 2017 due to the existence of certain material weaknesses. Further, additional material weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop, remediate or maintain effective controls, or any difficulties encountered in their implementation, remediation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement, remediate and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will be required to include in our periodic reports that will be filed with the SEC. If we are unable to remediate identified material weaknesses or if we were to discover additional weaknesses or ineffective disclosure controls and procedures or internal control over financial reporting, our investors could lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

Risks Related to Our Business and Industry

We recently consummated a number of significant transactions with respect to the strategic direction of our business. There can be no guarantee that this strategy will be successful or that we will experience consistent and sustainable profitability in the future as a result of our new strategy.

We have recently made a number of major announcements, including our divestiture of our activation exception handling business, which closed in December 2016, and our acquisition and subsequent divestiture of Intralinks during 2017. These transactions signify a pivot in our strategy to focus on our digital transformation, messaging and cloud businesses moving forward. In connection with the closing of our acquisition of Intralinks, we also appointed Ronald W. Hovsepian, the former President and Chief Executive Officer of Intralinks as our Chief Executive Officer. Mr. Hovsepian subsequently resigned in April 2017 and Stephen G. Waldis was re-appointed as our Chief Executive Officer. Mr. Glenn Lurie joined our Company in November 2017 as Chief Executive Officer and President and Mr. Waldis resigned as Chief Executive Officer and returned to his role as Executive Chairman of our Company.

We cannot guarantee that our strategy is the right one or that we will be effective in executing our strategy. Our strategy may not succeed for a number of reasons, including, but not limited to: general economic risks; execution risks with acquisitions; risks associated with sales not materializing based on a change in circumstances; disruption to sales; increasing competitiveness in the enterprise and mobile solutions markets; our ability to retain key personnel following acquisitions; the dynamic nature of the markets in which we operate; specific economic risks in different geographies and among different customer segments; changes in foreign currency exchange rates; uncertainty regarding increased business and renewals from existing customers; uncertainties around continued success in sales growth and market share gains; failure to convert sales pipeline into final sales; risks associated with successful implementation of multiple integrated software products and other product functionality risks; execution risks around

new product development and introductions and innovation; product defects; unexpected costs, assumption of unknown liabilities and increased costs for any reason; potential litigation and disputes and the potential costs related thereto; distraction and damage to sales and reputation caused thereby; market acceptance of new products and services; the ability to attract and retain personnel; risks associated with management of growth; lengthy sales and implementation cycles, particularly in larger organizations; technological changes that make our products and services less competitive; risks associated with the adoption of, and demand for, our model in general and by specific customer segments; competition and pricing pressure.

If one or more of the foregoing risks were to materialize, our business, results of operations and ability to achieve sustained profitability could be adversely affected.

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Our outstanding indebtedness and related obligations could adversely affect our financial condition and restrict our operating flexibility.

We have substantial debt and related obligations. In August 2014, we issued $230.0 million aggregate principal amount of the 2019 Notes. Our substantial level of debt and related obligations, including interest payments, covenants and restrictions, could have important consequences, including by:

- impairing our ability to invest in and successfully grow our business and make acquisitions;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, which could result in an event of default under the agreement governing the 2019 Notes;
- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, debt obligations and other general corporate requirements;
- hindering our ability to raise equity capital, because, in the event of a liquidation of our business, debt holders have priority over equity holders;
- increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to competitors that are less leveraged and are therefore we may be unable to take advantage of opportunities that our leverage prevents us from exploiting;
- imposing additional restrictions on the manner in which we conduct our business, including restrictions on our ability to pay dividends, incur additional debt and sell assets; and
- placing us at a possible disadvantage relative to less leveraged competitors and competitors that have better access to capital resources.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, operating results or cash flows and ability to satisfy our obligations under our indebtedness. Our failure to comply with the covenants under the agreements governing the 2019 Notes, the approval by our stockholders to approve a plan or proposal for the liquidation or dissolution of our Company or our common stock ceasing to be listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors) could result in an event of default and the acceleration of any debt then outstanding under the 2019 Notes, as the case may be. Any declaration of an event of default could significantly harm our business and prospects and could cause our stock price to decline. Insufficient funds may require us to delay, scale back or eliminate some or all of our activities.

We received a notice of default from holders of more than 25% of the outstanding principal amount of the 2019 Notes on October 13, 2017. Based on the terms of the 2019 Notes, we were obligated to begin paying additional interest starting January 11, 2018 (the 90th day following our receipt of the notice of default).

On June 13, 2018, the Trustee under the Indenture filed. the BNY Action. The BNY Action complaint alleges that a “Fundamental Change” has occurred under the Indenture as a result of our common stock ceasing to be listed or quoted on Nasdaq and that an Event of Default under the Indenture has occurred as a result of our failure to provide a notice of such Fundamental Change, which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K.

In addition, the Indenture issued in connection with the 2019 Notes has a change in control provision that provides that, upon the occurrence of a change in control, the 2019 Notes shall become due and payable.

We intend to reserve from time to time a certain amount of cash in order to satisfy the obligations relating to our debt, which could adversely affect the amount or timing of investments to grow our business.

The 2019 Notes are unsecured debt and are not redeemable by us prior to the maturity date. Holders of the 2019 Notes may require us to purchase all or any portion of their 2019 Notes at 100% of their principal amount, plus any unpaid interest, upon a fundamental change, change, which is generally defined to include a merger, liquidation or dissolution involving us or our common stock ceasing to be listed or quoted on the New York Stock Exchange or Nasdaq.

We intend to reserve from time to time a certain amount of cash in order to satisfy these obligations relating to the 2019 Notes, which could materially affect the amount or timing of any investments to grow our business. If any or all of the 2019 Notes are not converted into shares of our common stock before the maturity date, we will have to pay the holders the full aggregate principal amount of the 2019 Notes then outstanding. Any of the above payments could have a material adverse effect on our cash position. If we fail to satisfy these obligations, it may result in a default under the Indenture, which could result in a default under certain of our other debt instruments, if any. Any such default would harm our business and the price of our securities could fall. As

discussed above, a litigation is currently pending respecting the alleged occurrence of an Event of Default as defined in the Indenture. For additional information regarding this litigation, see Item 3. “Legal Proceedings” contained in this Form 10-K.

Our business may not generate sufficient cash flows from operations or future borrowings from institutional creditors or from other sources may not be available to us in amounts sufficient to enable us to repay our indebtedness or to fund our other liquidity needs, including capital expenditure requirements and share repurchase programs announced from time to time.

We cannot guarantee that we will be able to generate sufficient revenue or obtain enough capital to service our debt, fund our planned capital expenditures, and execute on our new business strategy. We may be more vulnerable to adverse economic conditions than less leveraged competitors and thus less able to withstand competitive pressures. Any of these events could reduce our ability to generate cash available for investment or debt repayment or to make improvements or respond to events that would enhance profitability. If we are unable to service or repay our debt when it becomes due, our lenders could seek to accelerate payment of all unpaid principal and foreclose on our assets, and we may have to take actions such as selling assets, seeking additional equity investments or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Additionally, we may not be able to take these types of actions, if necessary, on commercially reasonable terms, or at all. The occurrence of any of these events would have a material adverse effect on our business, results of operations and financial condition.

If we fail to compete successfully with existing or new competitors, our business could be harmed.

If we fail to compete successfully with established or new competitors, it could have a material adverse effect on our results of operations and financial condition. The communications and enterprise industries are highly competitive and fragmented, and we expect competition to increase. We compete with independent providers of information systems and services and with the in-house departments of our OEMs and communications services companies’ customers. Rapid technological changes, such as advancements in software integration across multiple and incompatible systems, and economies of scale may make it more economical for CSPs, MSOs or OEMs to develop their own in-house processes and systems, which may render some of our products and services less valuable or, eventually, obsolete. Our competitors include firms that provide comprehensive information systems and managed services solutions, BYOD providers, systems integrators, clearinghouses and service bureaus. Many of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources and strong name recognition.

Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our current or prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements and may be able to devote greater resources to the promotion and sale of their products. These relationships and alliances may also result in transaction pricing pressure, which could result in large reductions in the selling prices of our products and services. Our competitors or our customers’ in-house solutions may also provide services at a lower cost, significantly increasing pricing pressure on us. We may not be able to offset the effects of this potential pricing pressure. Our failure to adapt to changing market conditions and to compete successfully with established or new competitors may have a material adverse effect on our results of operations and financial condition. In particular, a failure to offset competitive pressures brought about by competitors or in-house solutions developed by our customers could result in a substantial reduction in or the outright termination of our contracts with some of our customers, which would have a significant, negative and material impact on our business.

The markets in which we market and sell our products and services are highly competitive, and if we do not adapt to rapid technological change, we could lose customers or market share, which could adversely affect our achievement of revenue growth.

The industries we serve are characterized by rapid technological change and frequent new service offerings and are highly competitive with respect to the need for innovation. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to these rapidly changing markets by continually improving the features, functionality, reliability and responsiveness of our products and services, and by developing new features, services and applications to meet changing customer needs and further address the markets we serve. Our ability to take advantage of opportunities in the markets we serve may require us to invest in development and incur other expenses well in advance of our ability to generate revenues from these offerings or services. We may not be able to adapt to these challenges or respond successfully or in a cost-effective way. Our failure to do so would adversely affect our ability to compete and retain customers and/or market share and could adversely affect our achievement of revenue growth. In addition, as we expand our service offerings, we may face competition from new and existing competitors. It is also possible that our customers could decide to create, invest in or collaborate in the creation of competitive products that might limit or reduce their need for our products, services and solutions. Further, we

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may experience delays in the development of one or more features of our offerings, which could materially reduce the potential benefits to us providing these services. In addition, our present or future service offerings may not satisfy the evolving needs of the industry in which we operate. If we are unable to anticipate or respond adequately to these evolving market needs, due to resource, technological or other constraints, our business and results of operations could be harmed. In addition, the arrival of new market entrants could reduce the demand for our services or cause us to reduce our pricing, resulting in a loss of revenue and adversely affecting our business, results of operations and financial condition. Also, the use of internal technologies, developed by our customers or their advisers, could reduce the demand for our services, result in pricing pressures or cause a reduction in our revenue. If we fail to manage these challenges adequately, our business, results of operations and financial condition could be adversely affected.

The success of our business depends on our ability to achieve or sustain market acceptance of our services and solutions at desired pricing levels.

Our competitors and customers may cause us to reduce the prices we charge for our services and solutions. Our current or future competitors may offer our customers services at reduced prices or bundling and pricing services in a manner that may make it difficult for us to compete. Customers with a significant volume of transactions may attempt to use this leverage in pricing negotiations with us. Also, if our prices are too high, current or potential customers may find it economically advantageous to handle certain functions internally instead of using our services. We may not be able to offset the effects of any price reductions by increasing the number of transactions we handle or the number of customers we serve, by generating higher revenue from enhanced services or by reducing our costs. If these or other sources of pricing pressure cause us to reduce the pricing of our service or solutions below desirable levels, our business and results of operations may be adversely affected.

If we do not continue to improve our operational, financial and other internal controls and systems to manage our growth and size, our business, results of operations and financial condition could be adversely affected.

Our historic and anticipated growth will continue to place significant demands on our management and other resources and will require us to continue to develop and improve our operational, financial and other internal controls. In particular, our growth will increase the challenges involved in:

- recruiting, training and retaining technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires;
- maintaining high levels of customer satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- preserving our culture, values and entrepreneurial environment; and
- effectively managing our personnel and operations and effectively communicating to our personnel worldwide our core values, strategies and goals.

In addition, the increasing size and scope of our operations increase the possibility that a member of our personnel will engage in unlawful or fraudulent activity, breach our contractual obligations, or otherwise expose us to unacceptable business risks, despite our efforts to train our people and maintain internal controls to prevent such instances. If we do not continue to develop and implement the right processes and tools to manage our enterprise, our business, results of operations and financial condition could be adversely affected.

Technology drives our products and services. If we fail to keep pace with technological advances in the industry, or if we pursue technologies that do not become commercially accepted, customers may not buy our products or use our services.

The telecommunications industry uses numerous and varied technologies, and large service providers often invest in several and, sometimes, incompatible technologies. The industry also demands frequent and, at times, significant technology upgrades. Furthermore, enhancing our services revenues requires that we develop and maintain leading tools. We will not have the resources to invest in all of these existing and potential technologies. As a result, we concentrate our resources on those technologies that we believe have or will achieve substantial customer acceptance and in which we will have appropriate technical expertise. However, existing products often have short product life cycles characterized by declining prices over their lives. In addition, our choices for developing technologies may prove incorrect if customers do not adopt the products that we develop or if those technologies ultimately prove to be unviable. Our revenues and operating results will depend, to a significant extent, on our ability to maintain a product portfolio and service capability that is attractive to our customers; to enhance our existing products; to continue to introduce new products successfully and on a timely basis and to develop new or enhance existing tools for our services offerings.

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The development of new technologies remains a significant risk to us, due to the efforts that we still need to make to achieve technological feasibility, due to rapidly changing customer markets; and due to significant competitive threats.

Our failure to bring these products to market in a timely manner could result in a loss of market share or a lost opportunity to capitalize on new markets for emerging technologies and could have a material adverse impact on our business and operating results.

The success of our business depends on the continued growth in demand for connected devices and the continued availability of high-speed access to the Internet.

The future success of our business depends upon the continued growth in demand for connected devices and business transactions on the Internet, and on our customers having high-speed access to the Internet, as well as the continued maintenance and development of the Internet infrastructure. While we believe the market for connected devices will continue to grow for the foreseeable future, we cannot accurately predict the extent to which demand for connected devices will increase, if at all and the ability to attract consumers who have historically purchased wireless services and devices through traditional retail stores. If the demand for connected devices were to slow down or decline, our business and results of operations may be adversely affected. If for any reason the Internet does not remain a widespread communications medium and commercial platform, the demand for our services would be significantly reduced, which would harm our business, results of operations and financial condition.

To the extent the Internet continues to experience increased numbers of users, frequency of use or bandwidth requirements, the Internet may become congested and be unable to support the demands placed on it, and its performance or reliability may decline. Any future Internet outages or delays could adversely affect our business, results of operation and financial condition.

Our business growth would be impeded if the performance or perception of the Internet was harmed by security problems such as “viruses,” “worms” or other malicious programs, reliability issues arising from outages and damage to Internet infrastructure, delays in development or adoption of new standards and protocols to handle increased demands of Internet activity, increased costs, decreased accessibility and quality of service, or increased government regulation and taxation of Internet activity. The Internet has experienced, and is expected to continue to experience, significant user and traffic growth, which has, at times, caused user frustration with slow access and download times. If Internet activity grows faster than Internet infrastructure or if the Internet infrastructure is otherwise unable to support the demands placed on it, or if hosting capacity becomes scarce, the growth of our business may be adversely affected.

Though acceptance of cloud-based software has advanced in recent years, some businesses may still be hesitant to adopt these types of solutions.

Our cloud-based service strategy may not be successful. We enable our customers to offer their subscribers the ability to backup, restore and share content across multiple devices through a cloud-based environment. Some businesses may still be uncertain as to whether a cloud-based service like ours is appropriate for their business needs. The success of our offerings is dependent upon continued acceptance by and growth in subscribers of cloud-based services in general and there can be no guarantee of the adoption rate by these subscribers. Many organizations have invested substantial personnel and financial resources to integrate traditional enterprise software into their organizations and, therefore, may be reluctant or unwilling to migrate to a cloud-based model for storing, accessing, sharing and managing their content. Because we derive, and expect to continue to derive, a substantial portion of our revenue and cash flows from sales of our cloud-based solutions, our success will depend to a substantial extent on the widespread adoption of cloud computing for companies in general. Our cloud strategy will continue to evolve, and we may not be

able to compete effectively, generate significant revenues or maintain profitability. While we believe our expertise, investments in infrastructure, and the breadth of our cloud-based services provides us with a strong foundation to compete, it is uncertain whether our strategies will attract the users or generate the revenue required to be successful. In addition to software development costs, we incur costs to build and maintain infrastructure to support cloud-based services. It is difficult to predict customer adoption rates and demand for our services, the future growth rate and size of the cloud computing market or the entry of competitive services. The expansion of a cloud-based enterprise software market depends on a number of factors, including the cost, performance and perceived value associated with cloud computing, as well as the ability of companies that provide cloud-based services to address security and privacy concerns. If we or other providers of cloud-based services experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based services as a whole, including our services, may be negatively affected. If there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, we could experience decreased revenue, which could harm our growth rates and adversely affect our business and operating results.

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Government regulation of the Internet and e-commerce and of the international exchange of certain information is subject to possible unfavorable changes, and our failure to comply with applicable regulations could harm our business and operating results.

As Internet commerce continues to evolve, increasing regulation by federal, state, local and foreign governments becomes more likely. For example, we believe increased regulation is likely in the area of data privacy. Further, laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for our products and services. In addition, taxation of products and services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting the exchange of information over the Internet could result in reduced growth or a decline in the use of the Internet and could diminish the viability of our Internet-based services, which could harm our business and operating results.

Our business depends substantially on customers renewing and expanding their subscriptions for our services. Any decline in our customer renewals and expansions would harm our future operating results.

We enter into subscription agreements with certain of our customers that are generally one to two years in length. As a result, maintaining the renewal rate of those subscription agreements is critical to our future success. We cannot provide assurance that any of our customer agreements will be renewed, as our customers have no obligation to renew their subscriptions for our services after the expiration of the initial term of their agreements. The loss of any customers that individually or collectively account for a significant amount of our revenues would have a material adverse effect on our results of operations or financial condition. If our renewal rates are lower than anticipated or decline for any reason, or if customers renew on terms less favorable to us, our revenue may decrease, and our profitability and gross margin may be harmed, which would have a material adverse effect on our business, results of operations and financial condition.

If we do not maintain the compatibility of our services with third-party applications that our customers use in their business processes or if we fail to adapt our services to changes in technology or the marketplace, demand for our services could decline.

Our solutions can be used alongside a wide range of other systems such as email and enterprise software systems used by our customers in their businesses. If we do not support the continued integration of our products and services with third-party applications, including through the provision of application programming interfaces that enable data to be transferred readily between our services and third-party applications, demand for our services could decline and we could lose sales or experience declining renewal rates. We will also be required to make our products and services compatible with new or additional third-party applications that are introduced to the markets that we serve and, if we are not successful, we could experience reduced demand for our services. In addition, prospective customers, especially large enterprise customers, may require heavily customized features and functions unique to their business processes. If prospective customers require customized features or functions that we do not offer and that would be difficult for them to develop and integrate within our services, then the market for our products and services may be adversely affected.

We may not currently or in the future appropriately leverage advances in technology to achieve or sustain a competitive advantage in products, services, information and processes. Our customers and users regularly adopt new technologies and industry standards continue to evolve. The introduction of products or services and the emergence of new industry standards can render our existing services obsolete and unmarketable in short periods of time. We expect others to continue to develop, introduce new and enhance existing products and services that will compete with our services. Our future success will depend, in part, on our ability to enhance our current services and to develop and

introduce new services that keep pace with technological developments, emerging industry standards and the needs of our customers. We cannot assure that we will be successful in cost-effectively developing, marketing and selling new services or service enhancements that meet these changing demands on a timely basis, that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these services, or that our new service and service enhancements will adequately meet the demands of the marketplace and achieve market acceptance. We also cannot assure that the features that we believe will drive purchasing decisions will in fact be the features that our potential customers consider most significant.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycles. Our customers' businesses are relatively complex and their purchase of the types of services that we offer generally involve a significant financial commitment, with attendant delays frequently associated with large financial commitments and procurement procedures within an organization. In addition, as we continue to further penetrate the enterprise and the size and complexity of our sales opportunities continue to expand, we have seen an increase

in the average length of time in our sales cycles. The purchase of the types of services that we offer typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue. In addition, the lengthening of our sales cycle contributes to an increased cost of sales, thereby reducing our profitability.

We traditionally have had substantial customer concentration, with a limited number of customers accounting for a substantial portion of our revenues.

Our top five customers accounted for 72% for the year ended December 31, 2017 compared to 74% for the year ended December 31, 2016. Of these customers, Verizon accounted for more than 10% of our revenues in 2017. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers.

It is not possible for us to predict the future level of demand for our services that will be generated by these customers or the future demand for the products and services of these customers in the end-user marketplace. In addition, revenues from these larger customers may fluctuate from time to time based on the commencement and completion of projects, the timing of which may be affected by market conditions or other factors, some of which may be outside of our control. Further, some of our contracts with these larger customers permit them to terminate our services at any time (subject to notice and certain other provisions). If any of our major customers experience declining or delayed sales due to market, economic or competitive conditions, we could be pressured to reduce the prices we charge for our services or we could lose the customer. Any such development could have an adverse effect on our margins and financial position and would negatively affect our revenues and results of operations and/or trading price of our common stock.

Our revenue for a particular period may be difficult to predict, and a shortfall in revenue may harm our operating results.

As a result of a variety of factors discussed in this report, our revenue for a particular quarter is difficult to predict, especially in light of a challenging and inconsistent global macroeconomic environment and related market uncertainty. Our revenue may grow at a slower rate than in past periods or decline as it has in the past on a year-over-year basis. Our ability to meet financial expectations could also be adversely affected if the nonlinear sales pattern seen in some of our past quarters recurs in future periods.

The timing of large orders can also have a significant effect on our business and operating results from quarter to quarter. From time to time, we receive large orders that have a significant effect on our operating results in the period in which the order is recognized as revenue. The timing of such orders is difficult to predict, and the timing of revenue recognition from such orders may affect period to period changes in revenue. As a result, our operating results could vary materially from quarter to quarter based on the receipt of such orders and their ultimate recognition as revenue.

We plan our operating expense levels based primarily on forecasted revenue levels. These expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue could lead to operating results being below expectations because we may not be able to quickly reduce these fixed expenses in response to short-term business changes.

Any of the above factors could have a material adverse impact on our operations and financial results.

If we do not meet our revenue forecasts, we may be unable to reduce our expenses in a timely fashion to avoid or minimize harm to our results of operations.

Our revenues are difficult to forecast and are likely to fluctuate significantly from period to period, particularly as we continue to implement our business strategy. We base our operating expense and capital investment budgets on expected sales and revenue trends, and many of our expenses, such as office and equipment leases and personnel costs, will be relatively fixed in the short term and will increase over time as we make investments in our business. Our estimates of sales trends may not correlate with actual revenues in a particular quarter or over a longer period of time. Variations in the rate and timing of conversion of our sales prospects into sales and actual revenues could cause us to plan or budget inaccurately and those variations could adversely affect our financial results. In particular, delays, reductions in amount or cancellation of customers’ contracts would adversely affect the overall level and timing of our revenues, and our business, results of operations and financial condition could be harmed. Due to the relatively fixed nature of many of our expenses, we may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall. In the course of our sales to customers, we may encounter difficulty collecting accounts receivable and could be exposed to risks associated with uncollectible accounts receivable. In the event we are unable to collect on our accounts receivable, it could negatively affect our cash flows, operating results and business.

Because we recognize revenue for certain of our products and services ratably over the term of our customer agreements, downturns or upturns in the value of signed contracts will not be fully and immediately reflected in our operating results.

We offer certain of our products and services primarily through fixed or variable commitment contracts and recognize revenue ratably over the related service period, which typically ranges from twelve to twenty-four months. As a result, some portion of the revenue we report in each quarter is revenue from contracts entered into during prior periods. Consequently, a decline in signed contracts in any quarter will not be fully and immediately reflected in revenue for that quarter, but may instead negatively affect our revenue in future quarters. In addition, we may be unable to adjust our cost structure to offset this reduced revenue. Similarly, revenue attributable to an increase in contracts signed in a particular quarter will not be fully and immediately recognized, as revenue from new or renewed contracts is recognized ratably over the applicable service period. Because we incur certain sales costs at the time of sale, we may not recognize revenues from some customers despite incurring considerable expense related to our sales processes. Timing differences of this nature could cause our margins and profitability to fluctuate significantly from quarter to quarter.

Our offerings of new services or products may be subject to complex revenue recognition standards, which could materially affect our financial results.

As we introduce new services or products, revenue recognition could become increasingly complex and require additional analysis and judgment. Additionally, for new contracts with existing customers, we may negotiate and revise previously used terms and conditions of our contracts with these customers and channel partners, which may also cause us to revise our revenue recognition policies. As our arrangements with customers change, we may be required to defer a greater portion of revenue into future periods, which could materially and adversely affect our financial results.

Failure to maintain the confidentiality, integrity and availability of our systems, software and solutions could seriously damage our reputation and affect our ability to retain customers and attract new business.

Maintaining the confidentiality, integrity and availability of our systems, software and solutions is an issue of critical importance for us and for our customers and users who rely on our systems to store and exchange large volumes of information, much of which is proprietary and confidential. There appears to be an increasing number of individuals, governments, groups and computer “hackers” developing and deploying a variety of destructive software programs (such as viruses, worms and other malicious software) that could attack our computer systems or solutions or attempt to infiltrate our systems. We make significant efforts to maintain the confidentiality, integrity and availability of our systems, solutions and source code. Despite significant efforts to create security barriers, it is virtually impossible for us to mitigate this risk entirely because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not recognized until launched against a target. Like all software solutions, our software is vulnerable to these types of attacks. An attack of this type could disrupt the proper functioning of our software solutions, cause errors in the output of our customers’ work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers and other destructive outcomes. If an actual or perceived breach of our security were to occur, our reputation could suffer, customers could stop buying our solutions and we could face lawsuits and potential liability, any of which could cause our financial performance to be negatively impacted. Though we maintain professional liability insurance that may be available to provide coverage if a cybersecurity incident were to occur, there can be no assurance that insurance coverage will be available or that available coverage will be sufficient to cover losses and claims related to any cybersecurity incidents we may experience.

There is also a danger of industrial espionage, cyber-attacks, misuse or theft of information or assets (including source code), or damage to assets by people who have gained unauthorized access to our facilities, systems or information,

which could lead to the disclosure of portions of our source code or other confidential information, improper usage and distribution of our solutions without compensation, illegal or inappropriate usage of our systems and solutions, jeopardizing of the security of information stored in and transmitted through our computer systems, manipulation and destruction of data, defects in our software and downtime issues. Although we actively employ measures to combat unlicensed copying, access and use of our facilities, systems, software and intellectual property through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. The occurrence of an event of this nature could adversely affect our financial results or could result in significant claims against us for damages. Further, participating in either a lawsuit to protect against unauthorized access to, usage of or disclosure of any of our solutions or any portion of our source code or the prosecution of an individual in connection with a cybersecurity breach could be costly and time-consuming and could divert management's attention and adversely affect the market's perception of us and our solutions.

A number of core processes, such as software development, sales and marketing, customer service and financial transactions, rely on our IT, infrastructure and applications. Defects or malfunctions in our IT infrastructure and applications could cause our service offerings not to perform as our customers expect, which could harm our reputation and business. In addition, malicious

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software, sabotage and other cybersecurity breaches of the types described above could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately downtimes, recovery costs and customer claims, any of which could have a significant negative impact on our business, financial position, profit and cash flows.

The confidentiality, integrity and availability of our systems could also be jeopardized by a breach of our internal controls and policies by our employees, consultants or subcontractors having access to our systems. If our systems fail or are breached as a result of a third-party attack or an error, violation of internal controls or policies or a breach of contract by an employee, consultant or subcontractor that results in the unauthorized use or disclosure of proprietary or confidential information or customer data (including information about the existence and nature of the projects and transactions our customers are engaged in), we could lose business, suffer irreparable damage to our reputation and incur significant costs and expenses relating to the investigation and possible litigation of claims relating to such event. We could be liable for damages, penalties for violation of applicable laws or regulations and costs for remediation and efforts to prevent future occurrences, any of which liabilities could be significant. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. We also cannot assure that our existing general liability insurance coverage, coverage for errors and omissions and cyber liability insurance will continue to be available on acceptable terms in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, litigation, regardless of its outcome, could result in a substantial cost to us and divert management’s attention from our operations. Any significant claim against us or litigation involving us could have a material adverse effect on our business, financial condition and results of operations.

We have implemented a number of security measures designed to ensure the security of our information, IT resources and other assets. Nonetheless, unauthorized users could gain access to our systems through cyber attacks and steal, use without authorization and sabotage our intellectual property and confidential data. Any security breach, misuse of our IT systems or theft of our or our customers’ intellectual property or data could lead to customer losses, non-renewal of customer agreements, loss of production, recovery costs or litigation brought by customers or business partners, any of which could adversely impact our cash flows and reputation and could have an adverse impact on our disclosure controls and procedures.

Undetected errors or failures found in our products and services may result in loss of or delay in market acceptance of our products and services that could seriously harm our business.

Our products and services may contain undetected errors or scalability limitations at any point in their lives, but particularly when first introduced or as new versions are released. We frequently release new versions of our products and different aspects of our platforms are in various stages of development. Despite testing by us and by current and potential customers, errors may not be found in new products and services until after commencement of commercial availability or use, resulting in a loss of or a delay in market acceptance, damage to our reputation, customer dissatisfaction and reductions in revenues and margins, any of which could seriously harm our business. Additionally, our agreements with customers that attempt to limit our exposure to liability claims may not be enforceable in jurisdictions where we operate, particularly in certain markets outside the United States.

Many of our current and planned products are highly complex and may contain defects or errors that are detected only after deployment in telecommunications networks. If that occurs, our reputation may be harmed.

Our products are highly complex, and we cannot assure customers that our extensive product development, production and integration testing is, or will be, adequate to detect all defects, errors, failures and quality issues that could affect customer satisfaction or result in claims against us. As a result, we might have to replace certain components and/or provide remediation in response to the discovery of defects in products that have been supplied to customers.

The occurrence of any defects, errors, failures or quality issues could result in cancellation of orders, product returns, diversion of our resources, legal actions by customers or customers' end users and other losses to us or to our customers or end users. These occurrences could also result in the loss of or delay in market acceptance of our products, in the loss of sales, or in the need to create provisions, which would harm our business and adversely affect our revenues and profitability.

Compliance with changing data protection and European privacy laws could require us to incur significant costs or experience significant business disruption and failure to so comply could result in an adverse impact on our business.

Our solutions provide our customers, for example, with access to websites to conduct e-commerce transactions or access to important data and central locations where they can post information and make it accessible to other parties they authorize. In connection with offering our solutions to customers and their invited guests, we collect user information related to the individuals

who access our software solutions and personal data about our and our affiliates' employees in the European Union ("EU").

EU Directive 95/46/EC (the "Directive"), which covers the protection of the processing of personal data about individuals and on the free movement of such data, has required European Union member states to implement data protection laws to meet the strict privacy requirements of the Directive. Among other requirements, the Directive has regulated transfers of personal data that is subject to the Directive, ("Personal Data") to countries, outside the European Economic Area, (the "EEA"), that have not been found to provide adequate protection to such Personal Data. We have in the past relied upon adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU Safe Harbor Framework as agreed to and set forth by the U.S. Department of Commerce and the European Union (the "Safe Harbor Framework"), which established a means for legitimating the transfer of Personal Data by data controllers in the EEA to the United States. However, as a result of the October 6, 2015 European Union Court of Justice, ("ECJ") opinion in Case C-362/14 (Schrems v. Data Protection Commissioner) the Safe Harbor Framework was struck down as a valid method of compliance with requirements set forth in the Directive (and member states' implementations thereof) regarding the transfer of Personal Data outside of the EEA.

The successor to the Safe Harbor Framework, the EU-US Privacy Shield Framework (the "Privacy Shield"), was adopted in July 2016. We certified to the Privacy Shield in October 2016. The adequacy of the Privacy Shield, however, is currently being challenged in European courts. We cannot be assured that the Privacy Shield will not follow the path of the Safe Harbor Framework and as such we will continue to face uncertainty as to whether our efforts to comply with our current obligations related to the transfer of Personal Data under European privacy laws will be sufficient. If we are investigated by a European data protection authority, we may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new customers.

We have undertaken efforts to conform transfers of Personal Data from the EEA based on current regulatory obligations, the guidance of data protection authorities and evolving best practices. Despite these efforts, including pursuant to the General Data Protection Regulation ("GDPR"), we may be unsuccessful in establishing conforming means of transferring such data from the EEA, including due to ongoing legislative activity, which may vary the current data protection landscape.

Effective as of May 25, 2018, the Directive (and member states' implementations thereof) was replaced by the requirements of Regulation (EU) 2016/679, the GDPR. The GDPR re-defines what information is considered to be Personal Data and applies to any company established in the EU, as well as companies outside the EU that collect and use Personal Data in connection with offering goods or services to individuals in the EU or that monitor the behavior or EU residents (for example, through monitoring of online activities). The GDPR increases data protection obligations for data processors and data controllers, including, for example, by imposing: specific and expanded disclosure obligations about how we may use Personal Data; limitations on how much information we can collect and for how long it can be retained; contract requirements with our data processing partners, even for existing relationships; requirements regarding our accountability and transparency related to Personal Data; and our mandatory data breach notification requirements. Given the breadth and depth of changes in these data protection and privacy obligations, our preparations to meet the GDPR's requirements requires a significant expenditure of time and resources, including reviewing the technologies, systems and procedures that we currently use against the GDPR's requirements. We have worked with a third party to assist us in undertaking a data protection review, and implementing any remedial changes designed to ensure GDPR compliance.

The GDPR expands the scope of direct liability to both data controllers and data processors. Depending on the nature of the violation, non-compliance could result in fines of up to €20 million or 4% of our total worldwide annual turnover, whichever is higher. Under the GDPR, supervisory data protection authorities can also conduct audits, issue

warnings and public censures, and order the temporary or permanent suspension of data transfers and/or data processing activities (that is, our business as it relates to EU data subjects would be shut down). Also, EU data subjects may seek enforcement of their individual rights through a supervisory authority or through a judicial remedy in national court. In addition to this private right of action for individuals, the GDPR also provides that data subjects may claim through the EU equivalent of consumer class actions.

Separate from the GDPR, there are other EU laws and regulations (and member states' implementations thereof) that apply to the protection of consumers and electronic communications and that are also evolving, which may apply to our businesses. For instance, the current European laws that cover the use of cookies and similar technology and marketing online or by electronic means are under reform. A draft of the new ePrivacy Regulation extends the strict opt-in marketing rules (with limited exceptions for business-to-business communications), alters rules on third-party cookies, web beacons and similar technology and significantly increases penalties. We cannot yet determine the impact such future laws, regulations and standards may have on our business. Such laws and regulations are often subject to differing interpretations and may be inconsistent among jurisdictions.

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We may incur substantial expense in attempting to comply with the new obligations imposed by the GDPR and we may be required to make significant changes in our business operations and product and services development, all of which may adversely affect our revenues and our business.

We may also experience hesitancy, reluctance or refusal by European or multi-national customers to continue to use our services due to the potential risk exposure that these customers might face as a result the current or future data protection obligations imposed on them by certain data protection authorities. These customers may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain or otherwise objectionable and therefore decide not to do business with us.

We and our customers are at risk of enforcement actions taken by certain EU data protection authorities until such time as we may be able to ensure that all transfers of Personal Data to us from the EEA, and our use, disclosure and retention of such Personal Data are conducted in compliance with all applicable regulatory obligations, the guidance of data protection authorities and evolving best practices. We may find it necessary to establish additional or different physical, technical or administrative procedures or systems to maintain Personal Data originating from the EU in the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business. As a result, we may be required to make significant changes in our business operations, all of which may adversely affect our revenues and our business overall.

Compromises to our privacy safeguards or disclosure of confidential information could impact our reputation.

Names, addresses, telephone numbers, credit card data and other personal identification information, (“PII”) are collected, processed and stored in our systems. Our treatment of this kind of information is subject to contractual restrictions and federal, state and foreign data privacy laws and regulations. We have implemented steps designed to protect against unauthorized access to such information and comply with these laws and regulations. Because of the inherent risks and complexities involved in protecting this information, the steps we have taken to protect PII may not be sufficient to prevent the misappropriation or improper disclosure of such PII. If misappropriation or disclosure of PII were to occur, our business could be harmed through reputational injury, litigation and possible damages claimed by the affected end customers, including in some cases costs related to customer notification and fraud monitoring, or potential fines from regulatory authorities. We may need to incur significant costs or modify our business practices and/or our services in order to comply with these data privacy and protection laws and regulations in the future. Even the mere perception of a security breach or inadvertent disclosure of PII could adversely affect our business and results of operations. In addition, third party vendors that we engage to perform services for us may unintentionally release PII or otherwise fail to comply with applicable laws and regulations. Our insurance may not cover potential claims of this type or may not be adequate to cover all costs incurred in defense of potential claims or to indemnify us for all liability that may be imposed. Concerns about the security of online transactions and the privacy of PII could deter consumers from transacting business with us on the Internet. The occurrence of any of these events could have an adverse effect on our business, financial position, and results of operations.

Downgrades in our credit ratings may increase our future borrowing costs, limit our ability to raise capital, cause our stock price to decline or reduce analyst coverage, any of which could have a material adverse impact on our business.

Credit rating agencies review their ratings periodically and, therefore, the credit rating assigned to us by each of the rating agencies may be subject to revision at any time. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, our financial position, conditions in and periods of disruption in any of our principal markets and changes in our business strategy. If weak financial market conditions or competitive dynamics cause any of these factors to deteriorate, we could see a reduction in our corporate credit rating. Since investors, analysts and financial institutions often rely on credit ratings to assess a company’s creditworthiness and risk profile, make investment decisions and establish threshold requirements for investment guidelines, our ability to raise

capital, our access to external financing, our ability to refinance our indebtedness, our stock price and analyst coverage of our stock could be negatively impacted by a downgrade to our credit rating.

Changes in laws, regulations or governmental policy applicable to our customers or potential customers may decrease the demand for our solutions or increase our costs.

The level of our customers' and potential customers' activity in the business processes our services are used to support is sensitive to many factors beyond our control, including governmental regulation and regulatory policies. Many of our customers and potential customers in the telecommunications and other industries are subject to substantial regulation and may be the subject of further regulation in the future. Accordingly, significant new laws or regulations or changes in, or repeals of, existing laws, regulations or governmental policy may change the way these customers do business and could cause the demand for and sales

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of our solutions to decrease. Any change in the scope of applicable regulations that either decreases the volume of transactions that our customers or potential customers enter into or otherwise negatively impacts their use of our solutions would have a material adverse effect on our revenues or gross margins, or both. Moreover, complying with increased or changed regulations could cause our operating expenses to increase as we may have to reconfigure our existing services or develop new services to adapt to new regulatory rules and policies, either of which would require additional expense and time. Additionally, the information provided by, or residing in, the software or services we provide to our customers could be deemed relevant to a regulatory investigation or other governmental or private legal proceeding involving our customers, which could result in requests for information from us that could be expensive and time consuming for us to address or harm our reputation since our customers rely on us to protect the confidentiality of their information. These types of changes could adversely affect our business, results of operations and financial condition.

Fraudulent Internet transactions could negatively impact our business.

Our business may be exposed to risks associated with Internet credit card fraud and identity theft that could cause us to incur unexpected expenditures and loss of revenues. Under current credit card practices, a merchant is liable for fraudulent credit card transactions when, as is the case with the transactions we process, that merchant does not obtain a cardholder’s signature. Although our customers currently bear the risk for a fraudulent credit card transaction, in the future we may be forced to share some of that risk and the associated costs with our customers. To the extent that technology upgrades or other expenditures are required to prevent credit card fraud and identity theft, we may be required to bear the costs associated with such expenditures. In addition, to the extent that credit card fraud and/or identity theft cause a decline in business transactions over the Internet generally, both the business of our customers and our business could be adversely affected.

Consolidation in the communications industry or the other industries that we serve can reduce the number of actual and potential customers and adversely affect our business.

There has been, and there continues to be, merger, acquisition, alliance and consolidation activity among our customers. Mergers, acquisitions, alliances or consolidations of companies in the communications industry or other industries that we serve, have reduced and may continue to reduce the number of our customers and potential customers for our solutions, resulting in a smaller market for our services, which could have a material adverse impact on our business and results of operations. In addition, it is possible that the larger institutions that result from mergers or consolidations could themselves perform some or all of the services that we currently provide or could provide in the future. Should one or more of our significant customers acquire, consolidate or enter into an alliance with an entity or decide to either use a different service provider or to manage its transactions internally, this could have a negative material impact on our business. Any such consolidations, alliances or decisions to manage transactions internally may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers or if our transaction volumes decline.

Failures or interruptions of our systems and services could materially harm our revenues, impair our ability to conduct our operations and damage relationships with our customers.

Our success depends on our ability to provide reliable services to our customers and process a high volume of transactions in a timely and effective manner. Although we operate disaster recovery solutions, our network operations are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. We could also experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of, among other things:

- damage to, or failure of, our computer software or hardware or our connections and outsourced service arrangements with third parties;
- errors in the processing of data by our systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- fire, cybersecurity attack, terrorist attack or other catastrophic event;
- increased capacity demands or changes in systems requirements of our customers; or
- errors by our employees or third-party service providers.

We rely on various systems and applications to support our internal operations, including our billing, financial reporting and customer contracting functions. The availability of these systems and applications is essential to us and delays, disruptions or performance problems may adversely impact our ability to accurately bill our customers, report financial information and conduct our business. Additionally, we may choose to replace or implement changes to these systems, including substituting traditional

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systems with cloud-based solutions, which could be time-consuming and expensive, and which could result in delays in the ongoing operational processes these software solutions support. Further, our cloud-based solutions may experience disruptions and outages that are beyond our control as we rely on third party vendors to support these solutions and assure their continued availability. We have also acquired a number of companies, products, services and technologies over the last several years. While we make significant efforts to address any IT security issues with respect to our acquisitions, we may still inherit certain risks when we integrate these acquisitions. In addition, our business interruption insurance may be insufficient to compensate us for losses or liabilities that may occur. Any interruptions in our systems or services could damage our reputation and substantially harm our business and results of operations.

The quality of our support and services offerings is important to our customers and if we fail to meet our service level obligations under our service level agreements or otherwise fail to offer quality support and services, we would be subject to penalties and could lose customers.

Our customers generally depend on our service organization to resolve issues relating to the use of our solutions. A high level of support is critical for the successful marketing and sale of our solutions. If we are unable to provide a level of support and service to meet or exceed the expectations of our customers, we could experience:

- loss of customers and market share;
- difficulty attracting or the inability to attract new customers, including in new geographic regions; and
- increased service and support costs and a diversion of resources.

Any of the above results would likely have a material adverse impact on our business, revenue, results of operations, financial condition and reputation.

In addition, we have service level agreements with many of our customers under which we guarantee specified levels of service availability. These arrangements involve the risk that we may not have adequately estimated the level of service we will in fact be able to provide. The importance of high quality customer support will increase as we expand our business and pursue new enterprise customers. If we fail to meet our service level obligations under these agreements, we would be subject to penalties, which could result in higher than expected costs, decreased revenues and decreased operating margins. We could also lose customers.

The financial and operating difficulties in the telecommunications sector may negatively affect our customers and our company.

The telecommunications sector has at times faced significant challenges resulting from significant changes in technology and consumer behavior, excess capacity, poor operating results and financing difficulties. The sector’s financial status has also at times been uncertain and access to debt and equity capital has been seriously limited. The impact of these events on us could include slower collection on accounts receivable, higher bad debt expense, uncertainties due to possible customer bankruptcies, lower pricing on new customer contracts, lower revenues due to lower usage by the end customer and possible consolidation among our customers, which will put our customers and operating performance at risk. In addition, because we operate in the communications sector, we may also be negatively impacted by limited access to debt and equity capital.

Our performance and growth depend on our ability to generate customer referrals and to develop referenceable customer relationships that will enhance our sales and marketing efforts. A failure to accomplish these objectives could materially harm our business.

In our business, we depend on end-users of our solutions to generate customer referrals for our services. We depend in part on members of the communications industry, financial institutions, legal service providers and other third parties who use our services to recommend them to a larger customer base than we can reach through our direct sales and internal marketing efforts. These referrals are an important source of new customers for our services and generally are made without expectation of compensation. We intend to continue to focus our marketing efforts on these referral partners in order to expand our reach and improve the efficiency of our sales efforts.

We also recognize that having respected, well known, market-leading customers who have committed to deploy our solutions within their organizations will support our marketing and sales efforts, as these customers can act as references for us and our product offerings. Our ability to establish and maintain these customer relationships is important to our future profitability. The willingness of these types of customers to provide referrals or serve as anchor or reference customers depends on a number of factors, including the performance, ease of use, reliability, reputation and cost-effectiveness of our services as compared to those offered by our competitors, as well as the internal policies of these customers. We may not be able to cultivate or maintain the strong relationships with customers that are necessary to develop those customer relationships into referenceable accounts.

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The loss of any of our significant referral sources, including our anchor customers, or a decline in the number of referrals we receive or anchor customers that we generate could require us to devote substantially more resources to the sales and marketing of our services, which would increase our costs, potentially lead to a decline in our revenue, slow our growth and generally have a material adverse effect on our business, results of operations and financial condition. In addition, the revenue we generate from our referral and anchor relationships may vary from period to period.

We rely in part on strategic relationships with third parties to sell and deliver our solutions. If we are unable to successfully develop and maintain these relationships, our business may be harmed.

In addition to generating customer referrals through third-party users of our solutions, we intend to pursue relationships with other third parties such as technology and content providers and implementation and distribution partners. Our future growth will depend, at least in part, on our ability to enter into and maintain successful strategic relationships with these third parties. Identifying partners and negotiating and documenting relationships with them requires significant time and resources, as does integrating third-party content and technology. Some of the third parties with whom we have strategic relationships have entered and may continue to enter into strategic relationships with our competitors. Further, these third parties may have multiple strategic relationships and may not regard us as significant for their businesses. As a result, they may choose to offer their services on terms that are unfavorable to us, terminate their respective relationships with us, pursue other partnerships or relationships, or attempt to develop or acquire services or solutions that compete with ours. Our relationships with strategic partners could also interfere with our ability to enter into desirable strategic relationships with other potential partners in the future. If we are unsuccessful in establishing or maintaining relationships with strategic partners on favorable economic terms, our ability to compete in the marketplace or to grow our revenue could be impaired, and our business, results of operations and financial condition would suffer. Even if we are successful, we cannot provide assurance that these relationships will result in increased revenue or customer usage of our solutions or that the economic terms of these relationships will not adversely affect our margins.

We are exposed to our customers' credit risk.

We are subject to the credit risk of our customers and customers with liquidity issues may lead to bad debt expense for us. Most of our sales are on an open credit basis, with typical payment terms between 45 and 60 days in the United States and, because of local customs or conditions, longer payment terms in some markets outside the United States. We use various methods to screen potential customers and establish appropriate credit limits, but these methods cannot eliminate all potential bad credit risks and may not prevent us from approving applications that are fraudulently completed. Moreover, businesses that are good credit risks at the time of application may become bad credit risks over time and we may fail to detect this change. We maintain reserves we believe are adequate to cover exposure for doubtful accounts. If we fail to adequately assess and monitor our credit risks, we could experience longer payment cycles, increased collection costs and higher bad debt expense. A decrease in accounts receivable resulting from an increase in bad debt expense could adversely affect our liquidity. Our exposure to credit risks may increase if our customers are adversely affected by a difficult macroeconomic environment, or if there is a continuation or worsening of the economic environment. Although we have programs in place that are designed to monitor and mitigate the associated risk, including monitoring of particular risks in certain geographic areas, there can be no assurance that these programs will be effective in reducing our credit risks or preventing us from incurring additional losses. Future and additional losses, if incurred, could harm our business and have a material adverse effect on our business operating results and financial condition. Additionally, to the degree that the current or future credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

Our reliance on third-party providers for communications software, services, hardware and infrastructure exposes us to a variety of risks we cannot control.

Our success depends on software, equipment, network connectivity and infrastructure hosting services supplied by, or leased from, our vendors and customers. In addition, we rely on third-party vendors to perform a substantial portion of our exception handling services. We may not be able to continue to purchase the necessary software, equipment and services from vendors on acceptable terms or at all. If we are unable to maintain current purchasing terms or ensure service availability with these vendors and customers, we may lose customers and experience an increase in costs in seeking alternative supplier services. Further, any changes in our third-party vendors could detract from management's ability to focus on the ongoing operations of our business or could cause delays in the operations of our business.

Our business also depends upon the capacity, reliability and security of the infrastructure owned and managed by third parties, including our vendors and customers that are used by our technology interoperability services, network services, number portability services, call processed services and enterprise solutions. We have no control over the operation, quality or maintenance of a significant portion of that infrastructure and whether those third parties will upgrade or improve their software, equipment and

services to meet our and our customers' evolving requirements. We depend on these companies to maintain the operational integrity of our services. If one or more of these companies is unable or unwilling to supply or expand its levels of services to us in the future, our operations could be severely interrupted. In addition, rapid changes in the communications industry have led to industry consolidation. This consolidation may cause the availability, pricing and quality of the services we use to vary and could lengthen the amount of time it takes to deliver the services that we use.

Any damage to, or failure or capacity limitations of, our systems and our related network could result in interruptions in our service that could cause us to lose revenue, issue credits or refunds or could cause our customers to terminate their subscriptions for our services, in each case adversely affecting our renewal rates. Since our customers use our service for important aspects of their businesses, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' businesses. As a result, we may lose revenue, issue credits or refunds or customers could elect not to renew our services or delay or withhold payments to us. We could also lose future sales or customers may make claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense or risk of litigation.

Additionally, third-party software underlying our services can contain undetected errors or bugs. We may be forced to delay commercial release of our services until any discovered problems are corrected and, in some cases, may need to implement enhancements or modifications to correct errors that we do not detect until after deployment of our services. In addition, problems with the third-party software underlying our services could result in:

- damage to our reputation;
- loss of or delayed revenue;
- loss of customers;
- warranty claims or litigation;
- loss of or delayed market acceptance of our services; or
- unexpected expenses and diversion of resources to remedy errors.

We are participants in several joint ventures, which may subject us to certain risks relating to our ability to perform our obligations under the joint ventures, including funding future joint venture capital requirements.

Entering into joint ventures and alliances entails risks, including difficulties in developing and expanding the business of a newly formed joint venture, funding capital calls for the joint venture, exercising influence over the management and activities of joint venture, quality control concerns regarding joint venture products and services and potential conflicts of interest with the joint venture and our joint venture partner. We cannot guarantee that the joint venture operations will be successful. Any inability to meet our obligations as a joint venture partner under the joint ventures could result in penalties and reduced percentage interest in the joint venture for our company. Also, we could be disadvantaged in the event of disputes and controversies with a joint venture partner, since one of our joint venture partner is a relatively significant customer of our products and services and future product and services of the joint venture.

If we are unable to protect our intellectual property rights, our competitive position could be harmed, or we could be required to incur significant expenses to enforce our rights.

Our success depends to a significant degree upon the protection of our software and other proprietary technology rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. We also regularly file patent applications to protect inventions arising from our research and development and have obtained a number of patents in the United States and other countries. There can be no assurance that our patent applications will be approved, that any issued patents will

adequately protect our intellectual property, or that our patents will not be challenged by third parties. Also, much of our business and many of our solutions rely on key technologies developed or licensed by third or other parties and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms. The steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or the reverse engineering of our solutions. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in other countries are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. For example, in June 2018, Dropbox, Inc., a public company that provides cloud-based file sharing products, filed a patent infringement lawsuit against us in the United States District Court of Northern California, claiming three counts of patent infringement and seeking injunctive relieve, among other remedies. We do not currently believe that this matter

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is likely to have a material adverse effect on our consolidated results of operation, cash flows, or our financial position, and we intend to vigorously defend this lawsuit, and believe we have valid defenses to the claims. This type of litigation could result in substantial costs and diversion of management resources, either of which could materially harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Claims by others that we infringe their proprietary technology could harm our business.

Third parties could claim that our current or future products or technology infringe their proprietary rights. We expect that software developers will increasingly be subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Furthermore, a party making a claim of this nature, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from offering our products or services. Any of these events could seriously harm our business.

We are generally obligated to indemnify our customers if our services infringe the proprietary rights of third parties and certain of our agreements with customers and partners include indemnification provisions under which we have agreed to indemnify the counter-party for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for financial and other damages caused by us to property or persons. Third parties may assert infringement claims against our customers or partners. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or partners, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or partners.

If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from offering our services and could therefore seriously harm our business.

We may seek to acquire companies or technologies, form joint ventures or make investments in other companies or technologies, which could disrupt our ongoing business, disrupt our management and employees, dilute our stockholders' ownership, increase our debt, and adversely affect our results of operations.

We have made, and in the future intend to form joint ventures, make acquisitions of and investments in companies, technologies or products in existing, related or new markets for us that we believe may enhance our market position or strategic strengths. However, we cannot be sure that any acquisition or investment will ultimately enhance our products or strengthen our competitive position. Acquisitions involve numerous risks, including but not limited to:

- diversion of management's attention from other operational matters;
- inability to identify acquisition candidates on terms acceptable to us or at all, or inability to complete acquisitions as anticipated or at all;
- inability to realize anticipated benefits or commercialize purchased technologies;
- exposure to operational risks, rules and regulations to the extent such activities are located in countries where we have not historically done business;
- unknown, underestimated and/or undisclosed commitments or liabilities;
- incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill;
- dilution of ownership of our current stockholders if we issue shares of our common stock;

- higher than expected transaction costs; and
- ineffective integration of operations, technologies, products or employees of the acquired companies.

In addition, acquisitions may disrupt our ongoing operations, increase our expenses and/or harm our results of operations or financial condition. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt (which may reduce our cash available for operations and other uses), an increase in contingent liabilities or an increase in amortization expense related to identifiable assets acquired, each of which could materially harm our business, financial condition and results of operations.

We make significant investments in new products and services that may not be profitable or align with our established company vision.

We intend to continue to make investments to support our business growth, including expenditures to develop new services

or enhance our existing services, enhance our operating infrastructure, market and sell our product offerings and acquire complementary businesses and technologies. These endeavors may involve significant risks and uncertainties, including failures to align new initiatives with our established corporate vision and direction, which could lead to a misapplication of our resources. These new investments are inherently risky and may involve distracting management from current operations, create greater than expected liabilities and expenses, provide us with an inadequate return on capital, include other unidentified risks and, ultimately, may generally not be successful. Further, our ability to effectively integrate new services and investments into our business may affect our profitability. Significant delays in new releases or significant problems in creating new products or services could adversely affect our revenue and financial performance.

Interruptions or delays in our service due to problems with our third-party web hosting facilities or other third-party service providers could adversely affect our business.

We rely on third parties for the maintenance of certain of the equipment running our solutions and software at geographically dispersed hosting facilities with third parties. If we are unable to renew, extend or replace our agreements with any of our third-party hosting facilities, we may be unable to arrange for replacement services at a similar cost and in a timely manner, which could cause an interruption in our service. We do not control the operation of these third-party facilities, each of which may be subject to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures or similar events. These facilities may also be subject to break-ins, sabotage, intentional acts of vandalism or similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster, cessation of operations by our third-party web hosting provider or a third party’s decision to close a facility without adequate notice or other unanticipated problems at any facility could result in lengthy interruptions in our service. In addition, the failure by these facilities to provide our required data communications capacity could result in interruptions in our service.

Due to the global nature of our operations, political or economic changes or other factors in a specific country or region could harm our operating results and financial condition.

We conduct significant sales and customer support operations in countries around the world. As such, our growth depends in part on our increasing sales into emerging countries. We also depend on non-U.S. operations of our contract manufacturers, component suppliers and distribution partners. Emerging countries in the aggregate experienced a decline in orders during fiscal 2017 and certain prior periods. We continue to assess the sustainability of any improvements in these countries and there can be no assurance that our investments in these countries will be successful. Our future results could be materially adversely affected by a variety of political, economic or other factors relating to our operations inside and outside the United States, including impacts from global central bank monetary policy; issues related to the political relationship between the United States and other countries that can affect the willingness of customers in those countries to purchase products from companies headquartered in the United States; and the challenging and inconsistent global macroeconomic environment, any or all of which could have a material adverse effect on our operating results and financial condition, including, among others, the following:

- Foreign currency exchange rates;
- Political or social unrest;
- Economic instability or weakness or natural disasters in a specific country or region, including the current economic challenges in China and global economic ramifications of Chinese economic difficulties; instability as a result of Brexit; environmental and trade protection measures and other legal and regulatory requirements, some of which may affect our ability to import our products, to export our products from, or sell our products in various countries;
- Political considerations that affect service provider and government spending patterns;
- Health or similar issues, such as a pandemic or epidemic;
- Difficulties in staffing and managing international operations; or

- Adverse tax consequences, including imposition of withholding or other taxes on our global operation.

Our expansion into additional international markets may be subject to uncertainties that could increase our costs to comply with regulatory requirements in foreign jurisdictions, disrupt our operations and require increased focus from our management.

Our growth strategy includes the growth of our operations in foreign jurisdictions. International operations and business expansion plans are subject to numerous additional risks, including economic and political risks in foreign jurisdictions in which we operate or seek to operate, potential additional costs due to localization and other geographic specific costs, difficulty in enforcing contracts and collecting receivables through some foreign legal systems, unexpected changes in legal and regulatory requirements, differing technology standards and pace of adoption, fluctuations in currency exchange rates, varying regional and geopolitical business conditions and demands. The difficulties associated with managing a large organization spread throughout various countries and potential tax issues, including restrictions on repatriating earnings and multiple conflicting, changing and complex tax laws and regulations, and the differences in foreign laws and regulations, including foreign tax, data privacy

requirements, anti-competition, intellectual property, labor, contract, trade and other laws. Additionally, compliance with international and U.S. laws and regulations that apply to our international operations may increase our cost of doing business in foreign jurisdictions. Violation of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, or prohibitions on the conduct of our business. As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

Fluctuations in foreign currency exchange rates could result in foreign currency transaction losses, which could harm our operating results and financial condition.

We consider the USA dollar to be our functional currency. However, given our international operations we currently have, and expect to have in the future, revenue and expenses and related assets and liabilities denominated in foreign currencies. Foreign currency transaction exposure results primarily from transactions with customers or vendors denominated in currencies other than the functional currency of the entity in which we record the transaction. Any fluctuation in the exchange rate of these foreign currencies may positively or negatively affect our business, financial condition and operating results.

We face exposure to movements in foreign currency exchange rates due to the fact that we have non-U.S. dollar denominated revenue worldwide. Weakening of foreign currencies relative to the U.S. dollar adversely affects the U.S. dollar value of our foreign currency denominated revenue and positively affects the U.S. dollar value of our foreign currency denominated expenses. If foreign currencies were to weaken or strengthen relative to the U.S. dollar, we might elect to raise or lower our international pricing, which could potentially impact demand for our services. Alternatively, we might opt not to adjust our international pricing as a result of fluctuations in foreign currency exchange rates, which could potentially have a positive or negative impact on our results of operations and financial condition.

Similarly, our financial performance may be impacted by fluctuations in currency exchange rates when it comes to our non-U.S. dollar denominated expenses. The third-party vendors and suppliers to whom we owe payments for non-U.S. dollar denominated expenses may, or may not, decide to increase or decrease their pricing to reflect fluctuations in foreign currency exchange rates.

If there continues to be volatility in foreign currency exchange rates, we will continue to experience fluctuations in our operating results due to revaluing our assets and liabilities that are not denominated in the functional currency of the entity that recorded the asset or liability. Further, as foreign currency exchange rates change, the translation of our non-U.S. denominated revenue and expenses into U.S. dollars affects the year-over-year comparability of our operating results.

We have experienced recent management changes.

On April 27, 2017, Ronald Hovsepian resigned his position as Chief Executive Officer. Our Board of Directors appointed Stephen G. Waldis as the Chief Executive Officer of the Company, effective April 27, 2017. Mr. Waldis continued as a member and Executive Chairman of the Board of Directors while serving as Chief Executive Officer between April 27, 2017 and November 13, 2017. Glenn Lurie was appointed as our Chief Executive Officer and member of the Board of Directors effective November 13, 2017. Upon Mr. Lurie’s appointment, Mr. Waldis resumed his position as only a member and Executive Chairman of the Board of Directors.

On February 27, 2017, Karen Rosenberger resigned from her position as EVP, Chief Financial Officer & Treasurer, and effective that date, John Frederick was subsequently appointed as Chief Financial Officer, and thereafter, resigned

from his position effective April 27, 2017. Our Board of Directors appointed Lawrence Irving as the Chief Financial Officer of the Company, effective April 27, 2017.

These changes have been disruptive to the management and operations of the Company and could have a material effect on our business, operating results and financial conditions. Additional turnover at the senior management level may create instability within the Company and our employees may decide to terminate their employment, which could further impede the Company's maintenance of its day to day operations. Such instability could impede our ability to implement fully our business plan and growth strategy, which would harm our business and prospects.

We must recruit and retain our key management and other key personnel and our failure to recruit and retain qualified employees could have a negative impact on our business.

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We believe that our success depends in part on the continued contributions of our senior management and other key personnel to generate business and execute programs successfully. In addition, the relationships and reputation that these individuals have established and maintain with our customers and within the industries in which we operate contribute to our ability to maintain good relations with our customers and others within those industries. The loss of any members of senior management or other key personnel could materially impair our ability to identify and secure new contracts and otherwise effectively manage our business. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash- and equity-based compensation. If we do not obtain the stockholder approval needed to continue granting equity compensation in a competitive manner, our ability to attract, retain, and motivate executives and key employees could be weakened. Further, in the technology industry, there is substantial and continuous competition for highly skilled business, product development, technical and other personnel. Competition for qualified personnel at times can be intense and as a result we may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our ability to meet our commitments and new product delivery objectives. If we are unable to maintain or expand our direct sales capabilities, we may not be able to generate anticipated revenues. In addition, if we are unable to maintain or expand our product development capabilities, we may not be able to meet our product development goals.

Further, we rely on the expertise and experience of our senior management team. Although we have employment agreements with our executive officers, none of them or any of our other management personnel is obligated to remain employed by us. The loss of services of any key management personnel could lower productive output, interrupt our strategic vision and make it more difficult to pursue our business goals successfully.

Our employee retention and hiring may be adversely impacted by immigration restrictions and related factors.

Competition for skilled personnel is intense in our industry and any failure on our part to hire and retain appropriately skilled employees could harm our business. Our ability to hire and retain skilled employees is impacted, at least in part, by the fact that a portion of our professional workforce in the United States is comprised of foreign nationals who are not United States citizens. In order to be legally allowed to work for us, these individuals generally hold immigrant visas (which may or may not be tied to their employment with us) or green cards, the latter of which makes them permanent residents in the United States.

The ability of these foreign nationals to remain and work in the United States is impacted by a variety of laws and regulations, as well as the processing procedures of various government agencies. Changes in applicable laws, regulations or procedures could adversely affect our ability to hire or retain these skilled employees and could affect our costs of doing business and our ability to deliver services to our customers. In addition, if the laws, rules or procedures governing the ability of foreign nationals to work in the United States were to change or if the number of visas available for foreign nationals permitted to work in the United States were to be reduced, our business could be adversely affected, if, for example, we were unable to hire or no longer able to retain a skilled worker who is a foreign national.

Employing foreign nationals may require significant time and expense and our foreign national employees may choose to leave after we have made this investment. While a foreign national who is working under an immigrant visa tied to his or her employment by us may be less likely to choose to leave our Company than a similarly situated employee who is a United States national or a green card holder (as leaving our employ could mean also having to leave the United States), this may not always be the case. Additionally, many of our foreign national employees hold green cards, which means that they have greater flexibility to leave our Company without facing the risk of also having to leave the United States.

Our use of “open source” software could negatively affect our ability to sell our services and subject us to possible litigation.

A portion of the technologies licensed by us incorporates “open source” software, and we may incorporate open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. If we fail to comply with these licenses, we may be subject to certain conditions, including requirements that we offer any of our services that incorporate the open source software at no cost. Additionally, we may be required to make publicly available any source code for modifications or derivative works we create based upon, incorporating or using the open source software and/or license those modifications or alterations on terms that are unfavorable to us. If an author or other third party that distributes open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from selling those of our services that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our services.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide technology support, maintenance, warranties or assurance of title or controls on the origin of the software.

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Our inability to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products and enhancements to our platforms or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our common stock could decline. In addition, the terms of any future issued equity securities could entitle the holders of those equity securities to rights, preferences and privileges superior to those of holders of our common stock. Furthermore, if we engage in debt financing, the holders of debt might have priority over the holders of common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness, including restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products and platforms;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or internationally; or
- respond to competitive pressures or unanticipated working capital requirements.

If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our Series A Convertible Participating Perpetual Preferred Stock (the “Series A Preferred Stock”) contains covenants that may limit our business flexibility.

On February 15, 2018, in accordance with the terms of that certain Securities Purchase Agreement dated as of October 17, 2017 with Silver Private Holdings I, LLC (“Silver”), an affiliate of Siris Capital Group, LLC, we issued to Silver 185,000 shares of our newly issued Series A Convertible Participating Perpetual Preferred Stock (the “Series A Preferred Stock”), par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to us of 5,994,667 shares of our common stock held by Silver. In connection with the issuance of the Series A Preferred Stock, we filed a Certificate of Designations with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock (the “Series A Certificate”). The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of our annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of our Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of our Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of our Series A Preferred Stock have the right to nominate at least one director, we are required to obtain the prior approval of Silver prior to taking certain actions, including:

(i) certain dividends, repayments and redemptions;

(ii) any amendment to our certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock;

(iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of us;

(iv) changes in the size of our Board of Directors;

(v) any amendment, alteration, modification or repeal of the charter of our Nominating and Corporate Governance Committee of the Board of Directors and related documents; and

(vi) any change in our principal business or the entry into any line of business outside of our existing lines of businesses.

In addition, in the event that we are in EBITDA Non-Compliance (as defined in the Series A Certificate or the undertaking of certain actions would result in Synchronoss exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of $10.0 million, enter or consummate any transaction

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where the fair market value exceeds $5.0 million individually or $10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of $25.0 million in a fiscal year.

There is no guarantee that the holders of the Series A Preferred Stock would approve any such restricted action, even where such an action would be in the best interests of our stockholders. Any failure to obtain such approval could harm our business and result in a decrease in the value of our common stock.

Our Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A Preferred Stock differing from those of our common stockholders.

The holders of our Series A Preferred Stock have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to stockholders before any payment may be made to holders of any other class or series of capital stock, an amount equal to the greater of the stated value of such holder's shares of Series A Preferred Stock or the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of such series of Series A Preferred Stock had been converted into common stock immediately prior to such liquidation, dissolution or winding up, plus accrued but unpaid dividends.

In addition, dividends on the Series A Preferred Stock accrue and are cumulative at the rate of 14.5% per annum, payable quarterly in arrears in cash or in-kind. The holders of our Series A Preferred Stock also have certain redemption rights, including the right to require us to repurchase all or any portion of the Series A Preferred Stock upon the occurrence of certain events.

These dividend and redemption obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Preferred Stock, including the requirement that we obtain the consent of the holders of Series A Preferred Stock prior to incurring additional indebtedness under certain circumstances, could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of shares of Series A Preferred Stock and holders of our common stock. The two members of our Board of Directors elected by the Series A Preferred Stock, Frank Baker and Peter Berger, are affiliated with Silver, which holds all outstanding shares of our Series A Preferred Stock. Notwithstanding the fact that all directors are subject to fiduciary duties to us and to applicable law, the interests of the directors elected by the holders of the Series A Preferred may differ from the interests of our security holders as a whole or of our other directors.

The implementation by us of a new revenue recognition standard in 2018 require substantial preparation and expenditures, and our failure to properly implement these standards in a timely manner could result in inaccurate revenue recognition and inappropriate disclosures and cause us to fail to meet our financial reporting obligations.

In May 2014, the Financial Accounting Standards Board ("FASB") issued revenue recognition guidance under Accounting Standards Update ('ASU") 2014-09, "Revenue from Contracts with Customers," ("ASC 606"), which is effective for our interim and annual periods beginning after December 15, 2017. Under this ASC 606 guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue that is recognized.

In order to be able to comply with the requirements of ASC 606 beginning in the first quarter of 2018, we have updated our processes and our internal controls over financial reporting. This has required, and will continue to require, additional investments by us, and may require incremental resources and system configurations that could

increase our operating costs in future periods. If we are not able to properly implement ASC 606 in a timely manner, the revenue that we recognize and the related disclosures that we provide under ASC 606 may not be complete or accurate, and we could fail to meet our financial reporting obligations in a timely manner, which could result in, among other things, regulatory discipline, failure to satisfy the requirements of our debt instruments and adverse movements in our stock price.

We continue to incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to new and ongoing compliance initiatives.

We operate as a public company, and will continue to incur significant legal, accounting and other expenses as we comply with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act” or “SOX”), the Dodd-Frank Wall Street Reform and Consumer Protection Act and other public company disclosure and corporate governance requirements, as well as any new rules that may subsequently be implemented by the Securities and Exchange Commission and/or Nasdaq, the exchange on which our common

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stock is listed (Nasdaq: SNCR). These rules impose various requirements on public companies, including requirements related to disclosures, corporate governance and internal controls. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly and place significant strain on our personnel, systems and resources.

Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. For example, we expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In connection with the restatement of certain of our financial statements, our management identified material weaknesses in our internal control over financial reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We are continuing to refine our disclosure controls and other procedures and taken other remedial actions that are designed to ensure that the information that we are required to disclose in the reports that we will file with the Securities and Exchange Commission is properly recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. We are also continuing to improve our internal control over financial reporting, as described more fully in Item 9A “Controls and Procedures” in this Form 10-K. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting. Further, Section 404 of Sarbanes-Oxley requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year, which is included in Item 9A “Controls and Procedures” in this Form 10-K. Our continued compliance with Section 404 will require that we continue to incur substantial expense and expend significant management time on compliance related issues.

As described in Item 9A “Controls and Procedures” in this Form 10-K, we determined that we did not maintain effective internal control over financial reporting as of December 31, 2017 due to the existence of certain material weaknesses. Further, additional material weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop, remediate or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will be required to include in our periodic reports that will be filed with the SEC. If we were to have ineffective disclosure controls and procedures or internal control over financial reporting, our investors could lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock, and may cause us to lose public confidence in our financial reporting. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

Changes in, or interpretations of, accounting principles could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create

appropriate accounting principles. A change in these principles, or their interpretation, could have a significant effect on our reported results and may even retroactively affect previously reported results. Our accounting principles that recently have been or may be affected by changes in accounting principles are: (i) revenue recognition guidance; (ii)accounting for stock-based compensation; (iii) accounting for income taxes; (iv) accounting for business combinations and goodwill; and (v) accounting for foreign currency translation.

The impacts from recently-passed U.S. federal tax reform remain uncertain.

On December 22, 2017, President Trump signed into law the tax legislation commonly known as the "Tax Cuts and Jobs Act" (the “TCJA”) that significantly changes the U.S. Internal Revenue Code of 1986, as amended. The TCJA, which generally became effective on January 1, 2018, revises the U.S. tax code by, among other things, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense, expanded limitation on executive compensation and implementing a broadly territorial tax system. The TCJA also imposes a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries.

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While the TCJA is expected to have a favorable impact on our overall effective tax rate as reported under generally accepted accounting principles both in the first fiscal quarter of 2018 and subsequent reporting periods, the legislation also resulted in aggregate provisional tax benefit in the fourth quarter of 2017 of approximately $5.9 million, primarily related to the re-measurement of the net U.S. deferred tax liability. The TCJA was enacted late in 2017 and limited implementation guidance was provided. As clarified by the SEC in Staff Accounting Bulletin ("SAB") 118, we made provisional estimates on the impact to our deferred tax assets of the expanded limitation on executive compensation. Moreover, certain provisions of the TCJA, such as the Global Intangible Low-Tax Income ("GILTI") provision and any adverse impacts from new guidance on the implementation of the TCJA may create new pressure on our effective tax rate in future periods. It is also currently unknown if and to what extent various states will conform to the TCJA and the impact such changes in state-tax law may have.

The estimated impacts of the new law are based on our current knowledge and assumptions, and therefore the ultimate impacts remain uncertain. Given the significant complexity of the TCJA, anticipated guidance from the U.S. Treasury about implementing the TCJA, and the potential for new legislation or additional guidance from the Securities and Exchange Commission, the Financial Accounting Standards Board or other regulatory authorities related to the TCJA, recognized impacts in future periods could be significantly different from our current estimates. Such uncertainty may also result in increased scrutiny from, or disagreements with, tax authorities.

Changes in, or interpretations of, tax rules and regulations, could adversely affect our effective tax rates.

Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in tax laws or the interpretation of tax laws or by changes in the valuation of our deferred tax assets and liabilities. It is possible that future requirements, including the recently proposed implementation of International Financial Reporting Standards ("IFRS") could change our current application of U.S. GAAP, resulting in a material adverse impact on our financial position or results of operations. In addition, we are subject to the continued examination of our income tax returns by the Internal Revenue Service ("IRS"), and other tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations, if any, to determine the adequacy of our provision for income taxes. We believe our estimates to be reasonable, but there can be no assurance that the final determination of any of these examinations will not have an adverse effect on our operating results and financial position.

If we are required to collect sales and use taxes on the services we sell in additional jurisdictions, we may be subject to liability for past sales and our future sales could decrease.

We currently collect sales or use tax on our services in most states. Historically, with a few exceptions, we have not charged or collected value added tax on our services anywhere in the world. We may lose sales or incur significant expenses should tax authorities in other jurisdictions where we do business be successful in imposing sales and use taxes, value added taxes or similar taxes on the services we provide. A successful assertion by one or more tax authorities that we should collect sales or other taxes on the sale of our services could result in substantial tax liabilities for past sales, including interest and penalty charges, and could discourage customers from purchasing our services and otherwise harm our business. Further, we may conclude based on our own review that our services may be subject to sales and use taxes in other areas where we do business. Under these circumstances, we may voluntarily disclose our estimated liability to the respective tax authorities and initiate activities to collect taxes going forward.

It is not clear that our services are subject to sales and use tax in certain jurisdictions. States and certain municipalities in the United States, as well as countries outside the United States, have different rules and regulations governing sales and use taxes. These rules and regulations are subject to varying interpretations that may change over time and, in the future, our services may be subject to such taxes. Although our customer contracts typically provide that our customers are responsible for the payment of all taxes associated with the provision and use of our services, customers

may decline to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. In certain cases, we may elect not to request customers to pay back taxes. If we are required to collect and pay back taxes and associated interest and penalties, and if our customers fail or refuse to reimburse us for all or a portion of these amounts, or if we elect not to seek payment of these amounts, we will incur unplanned expenses that may be substantial. Moreover, imposition of such taxes on our services going forward will effectively increase the cost of our services to our customers and may adversely affect our ability to retain existing customers or gain new customers in jurisdictions in which such taxes are imposed. Any of the foregoing could have a material adverse effect on our business, results of operation or financial condition.

Economic, political and market conditions can adversely affect our business, results of operations and financial condition.

Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting. These include but are not limited to general economic and business conditions, the overall demand for cloud-based products and services, general political developments and currency exchange rate fluctuations. Economic uncertainty may exacerbate negative trends in consumer spending and may negatively impact the businesses of certain of our customers, which may cause a reduction in their use of our platforms or increase their likelihood of defaulting on their payment obligations, and therefore cause a reduction in our revenues. These conditions and uncertainty about future economic conditions may make it challenging for us to forecast our operating results, make business decisions and identify the risks that may affect our business, financial conditions and results of operations. In addition, these factors could result in quarterly fluctuations in our business performance. Finally, changes in these conditions may result in a more competitive environment, resulting in possible pricing pressures.

Catastrophic events may disrupt our business.

A natural disaster, telecommunications failure, power outage, cybersecurity attack, war, terrorist attack or other catastrophic event could cause us to suffer system interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data. An event of this nature could also prevent us from fulfilling customer orders or maintaining certain service level requirements, particularly in respect of our SaaS and hosted offerings. While we have developed certain disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of these types of events, a catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our business, operating results and financial condition could be adversely affected.

Risks Related to Our Common Stock

Our stock price may continue to experience significant fluctuations and could subject us to litigation.

Our stock price, like that of other technology companies, continues to fluctuate greatly. For example, upon the announcement of the resignation of our Chief Executive Officer and Chief Financial Officer in April 2017, our stock price dropped significantly. Our stock price, and demand for our stock, can be affected by many factors, such as unanticipated changes in management, quarterly increases or decreases in our earnings, speculation in the investment community about our financial condition or results of operations and changes in revenue or earnings estimates, announcement of new services, technological developments, alliances, or acquisitions by us. Additionally, the price of our common stock may continue to fluctuate greatly in the future due to factors that are non-company specific, such as the decline in the United States and/or international economies, acts of terror against the United States or other jurisdictions where we conduct business, war or due to a variety of company specific factors, including quarter to quarter variations in our operating results, shortfalls in revenue, gross margin or earnings from levels projected by securities analysts and the other factors discussed in these risk factors. In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition.

Fluctuation in market price and demand for our common stock may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. Causes of volatility in the market price of our stock could subject us to securities class action litigation. We are currently, and may in the future be, the subject of lawsuits that could require us to incur substantial costs defending against those lawsuits and divert the time and attention of our management.

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We currently have research coverage by securities and industry analysts, though we do not control these analysts and have no ability to ensure that they will continue to cover our common stock. If one or more of the analysts who covers us downgrades our stock or states a view that our business prospects are reduced, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, interest in the purchase of our stock could decrease, which could cause our stock price or trading volume, or both, to decline.

We face shareholder lawsuits and other potential liabilities that could materially adversely impact our business, financial condition and results of operations.

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We are, and may in the future be, the subject of various lawsuits. For additional information regarding this litigation, see Part II, Item 3 of this Form 10-K under "Legal Proceedings." The outcome and amount of resources needed to respond to, defend or resolve lawsuits is unpredictable and may remain unknown for long periods of time. Our exposure under these matters may also include our indemnification obligations, to the extent we have any, to current and former officers and directors and, in some cases former underwriters, against losses incurred in connection with these matters, including reimbursement of legal fees and other expenses. Although we maintain insurance for claims of this nature, our insurance coverage does not apply in all circumstances and may be denied or insufficient to cover the costs related to the class action and stockholder derivative lawsuits. In addition, these matters or future lawsuits involving us may increase our insurance premiums, deductibles or co-insurance requirements or otherwise make it more difficult for us to maintain or obtain adequate insurance coverage on acceptable terms, if at all. Moreover, adverse publicity associated with negative developments in pending legal proceedings could decrease customer demand for our services. As a result, the pending lawsuits and any future lawsuits involving us, or our officers or directors, could have a material adverse effect on our business, reputation, financial condition, results of operations, liquidity and the trading price of our common stock.

We are at risk of additional securities class action and derivative lawsuits.

Securities class action and derivative lawsuits are often filed against public companies following a decline in the market price of their securities. After our announcement regarding the departure of our Chief Executive Officer and Chief Financial Officer in April 2017, our stock price declined and we and certain of our officers and directors were named as parties in purported stockholder class actions and derivative lawsuits. Those class action lawsuits are ongoing. For additional information regarding this litigation, see Item 3. "Legal Proceedings" contained in this Form 10-K. Soon after the announcement of a restatement of our financial statements for the Relevant Periods, we and certain of our officers and directors were named as parties in a purported derivative lawsuit relating to the restatement, which are ongoing. We may experience stock price volatility in the future related to other matters. This risk is especially relevant for us because technology companies have experienced greater than average stock price volatility in recent years. We may be named in additional litigation, which could require significant management time and attention and result in significant legal expenses and may result in an unfavorable outcome, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Such litigation could result in additional substantial costs and a diversion of management's and the Board of Directors' attention and resources, which could harm our business.

We have never paid dividends on our capital stock and we do not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in our common stock will likely depend on whether the price of our common stock increases.

We have not paid dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, the terms of our outstanding indebtedness restrict our ability to pay dividends, and any future indebtedness that we may incur could preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be a shareholder's sole source of gain for the foreseeable future. Consequently, in the foreseeable future, a shareholder will likely only experience a gain from your investment in our common stock if the price of our common stock increases.

Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, therefore depressing the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change

of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and bylaws and credit agreements may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and bylaws:

- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of the stock to elect some directors;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following election;
- require that directors only be removed from office for cause;
- provide that vacancies on the board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;

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- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

The affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of our capital stock is generally necessary to amend or repeal the above provisions that are contained in our amended and restated certificate of incorporation. Also, absent approval of our board of directors, our amended and restated by-laws may only be amended or repealed by the affirmative vote of the holders of a majority of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease approximately 120,000 square feet of office space for our corporate headquarters in Bridgewater, New Jersey. We also lease a 100,000 square foot facility in Bangalore, India. In addition to the above office space, we lease offices in various states in the United States including California, Colorado, Maryland, Pennsylvania, Texas and Virginia and in certain countries including Australia, China, France, Ireland, Italy, Japan, Malta and the Philippines. Lease terms for our locations expire in the years between 2018 and 2029. We believe that the facilities we now lease are sufficient to meet our needs through at least the next twelve months. However, we may require additional office space after that time or if our current business plans change.

ITEM 3. LEGAL PROCEEDINGS

On May 1, 2017, May 2, 2017, June 8, 2017 and June 14, 2017, four putative class actions were filed against us and certain of our officers and directors in the United States District Court for the District of New Jersey (the "Securities Law Action"). After these cases were consolidated, the court appointed as lead plaintiff Employees' Retirement System of the State of Hawaii, which filed, on November 20, 2017, a consolidated amended complaint purportedly on behalf of purchasers of our common stock between February 3, 2016 and June 13, 2017. The consolidated amended complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and it alleges, among other things, that the defendants made false and misleading statements of material information concerning our financial results, business operations, and prospects. The plaintiff seeks unspecified damages, fees, interest, and costs. On February 2, 2018, the defendants filed a motion to dismiss the consolidated amended complaint in its entirety, with prejudice, which remains pending. We believe that the asserted claims lack merit, and we intend to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, we cannot predict the outcome of the actions at this time, and we can give no assurance that the asserted claims will not have a material adverse effect on our financial position or results of operations.

On September 15, 2017, October 24, 2017, October 27, 2017 and October 30, 2017, Synchronoss shareholders filed derivative lawsuits against certain of our officers and directors and the Company (as nominal defendant) in the United States District Court for the District of New Jersey (the "Derivative Suits"). These lawsuits purport to allege claims related to breaches of fiduciary duties and unjust enrichment. The allegations in the Derivative Suits relate to substantially the same facts as those underlying the Securities Law Action described above. The plaintiffs seek unspecified damages and for Synchronoss to take steps to improve its corporate governance and internal procedures. The plaintiffs in the Derivative Suits in which service of the complaints was effectuated have agreed to stay proceedings pending the court's decision on the defendants' motion to dismiss in the Securities Laws Action. We believe that the asserted claims lack merit, and we intend to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, we cannot predict the outcome of the Derivative Suits at this time, and we can give no assurance that the asserted claims will not have a material adverse effect on our financial position or results of operations.

On October 7, 2014, we filed an amended complaint in the United States District Court for the District of New Jersey (Civ Act. No. 3:14-cv-06220) against F-Secure Corporation and F-Secure, Inc. (collectively, "F-Secure"), claiming that F-Secure has infringed, and continues to infringe, several of our patents. In February 2015, we entered into a patent license and settlement agreement with F-Secure Corporation and F-Secure, Inc. whereby we granted each of these companies (but not their subsidiaries or affiliates) a limited license to our patents. As a result of entering into the

patent license and settlement agreement, the parties filed a joint stipulation to dismiss the above complaint.

Our 2011 acquisition agreement with Miyowa SA (“Miyowa”) provided that former shareholders of Miyowa would be eligible for earn-out payments to the extent specified business milestones were achieved following the acquisition. In December 2013, Eurowebfund and Bakamar, two former shareholders of Miyowa, filed a complaint against us in the Commercial Court of Paris, France claiming that they are entitled to certain earn-out payments under the acquisition agreement. We were served with a copy of this complaint in January 2014. On December 3, 2015, the Court dismissed all claims in the complaint against us. On December 19, 2015, the former shareholders of Miyowa filed an appeal with the Court of Appeal of Paris, France, appealing the Court’s decision. On January 11, 2018, the Court of Appeal of Paris, France, dismissed the appeal. The plaintiffs have informed us that they will not be appealing this decision.

On July 11, 2017, Shareholder Representative Services LLC, on behalf of the persons entitled to receive merger consideration (the “Sellers”) in connection with our acquisition of Razorsight, commenced arbitration against us with respect to a dispute over the amount due to the Sellers as additional consideration.   Under the Razorsight purchase agreement, the Sellers are entitled to a

percentage of any revenue recognized by us generated from the sale or licensing of Razorsight products in 2016 after a specific revenue threshold is obtained. The parties disagreed over the determination of the amount of revenue we recognized in 2016. The parties entered into an agreement resolving the arbitration in May 2018.

On June 13, 2018, BNY, in its capacity as the Trustee under the Indenture for our 2019 Notes, filed the "BNY Action. The BNY Action complaint alleges that the failure of our common stock to be listed or quoted on Nasdaq constituted a "Fundamental Change" under the Indenture, which, if true, following notice from holders of more than 25% of the outstanding principal under the Notes would trigger the acceleration of the principal and interest outstanding under the 2019 Notes. The complaint seeks a declaratory judgment that (i) a Fundamental Change occurred, (ii) we improperly failed to issue a Fundamental Change Company Notice (as defined in the Indenture), (iii) an Event of Default has occurred (as defined in the Indenture), (iv) the Notes have been accelerated, (v) outstanding principal and outstanding unpaid interest on the Notes became immediately due and payable as of June 11, 2018 and (vi) post-judgment interest shall accrue at the statutory rate from the date of declaratory judgment. We intend to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, we cannot predict the outcome of the BNY Action at this time, and we can give no assurance that the asserted claims will not have a material adverse effect on our financial position or results of operations.

Except as set forth above, we are not currently subject to any legal proceedings that could have a material adverse effect on our operations; however, we may from time to time become a party to various legal proceedings arising in the ordinary course of its business. The Company is currently the plaintiff in several patent infringement cases. The defendants in several of these cases have filed counterclaims. Although we cannot predict the outcome of the cases at this time due to the inherent uncertainties of litigation, we continue to pursue our claims and believe that the counterclaims are without merit, and we intend to defend all of such counterclaims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

Market Information

As of December 31, 2017, our common stock was traded and listed on the Nasdaq Global Select Market under the symbol "SNCR." The following table sets forth, for each period during the past two years, the high and low sale prices as reported by Nasdaq.

	Common Stock			
	2017		2016	
	High	Low	High	Low
First Quarter	$40.28	$23.59	$35.42	$20.33
Second Quarter	$24.92	$10.11	$37.98	$28.73
Third Quarter	$17.09	$8.71	$43.65	$31.45
Fourth Quarter	$15.69	$8.48	$49.94	$36.00

As of December 31, 2017, there were approximately 53 named holders of record of our common stock as according to our transfer agent. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by banks, brokers and other nominees. On December 31, 2017, the last reported sale price of our common stock as reported on the Nasdaq Global Select Market was $8.94 per share.

On May 11, 2018, the Company received a notification letter from Nasdaq indicating that trading in the Company's common stock was suspended effective at the open of business on May 14, 2018. The Panel also determined to delist the Company's shares from Nasdaq after applicable appeal periods have lapsed. The Company has appealed the decision to the Nasdaq Listing and Hearing Review Council. Trading in the Company's common stock on Nasdaq remains suspended and Nasdaq will not delist the Company's common stock during the appeal process. While the Company's common stock is suspended from trading on Nasdaq, the Company's shares are currently quoted on the OTC Markets under the trading symbol SNCR.

Dividend Policy

Common Stock

We have never declared or paid cash dividends on our common equity. We do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our Board of Directors may deem relevant.

Preferred Stock

There are no shares of preferred stock outstanding as of December 31, 2017 or 2016.

On February 15, 2018, the Company issued to Silver 185,000 shares of our newly issued Series A Preferred Stock, par value 0.0001 per share. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive, on each share of Series A Preferred Stock on a quarterly basis, an amount equal to the dividend rate of 14.5% divided by four and multiplied by the then-applicable Liquidation Preference (as defined in the Series A Certificate) per share of Series A Preferred Stock (collectively, the "Preferred Dividends"). The Preferred Dividends are due on

January 1, April 1, July 1 and October 1 of each year (each, a “Series A Dividend Payment Date”). The Company may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event we do not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of the Company’s common stock.

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Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on our common stock between December 31, 2012 and December 31, 2017, with the cumulative total return of (i) the Nasdaq Computer Index and (ii) the Nasdaq Composite Index, over the same period. This graph assumes the investment of $100 on December 31, 2012 in our common stock, the Nasdaq Computer Index and the Nasdaq Composite Index, and assumes the reinvestment of dividends, if any. The graph assumes the initial value of our common stock on December 31, 2012 was the closing sales price of $21.09 per share.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

Information used in the graph was obtained from Nasdaq, a source believed to be reliable, but we are not responsible for any errors or omissions in such information.

	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
Synchronoss Technologies, Inc.	100	147	198	167	182	42
Nasdaq Composite Index	100	138	157	166	178	229
Nasdaq Computer Index	100	132	158	168	189	262

Issuer Purchases of Equity Securities

During the year ended December 31, 2017, there were no repurchases of our common stock.

Equity Compensation Plan Information

For equity compensation information, refer to Part III, Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this Form 10-K.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our consolidated financial statements and related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial data included elsewhere in this Form 10 K. The selected statements of operations data for the years ended December 31, 2017, 2016 and 2015 and the selected balance sheet data as of December 31, 2017 and 2016 are derived from our consolidated audited financial statements. The Consolidated Balance Sheet as of December 31, 2016 and the Consolidated Statements of Operations for the years ended December 31, 2016 and 2015 have been restated, as described in Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K. The Consolidated Statements of Operations data for the years ended December 31, 2014 and 2013 and the balance sheet data as of December 31, 2015, 2014 and 2013 have been restated to reflect the impact of the adjustments resulting from the restatement. Such amounts are unaudited. Our historical results are not necessarily indicative of future results.

Restatement Background

In connection with the preparation of the Company's Form 10-Q for the first quarter of 2017, the Audit Committee, authorized the Audit Committee Investigation. The Audit Committee Investigation addressed transactions requiring restatement, other areas of accounting, internals control over financial reporting and employee conduct.

During the preparation of the Form 10-Q for the first quarter of 2017, the Company's new CEO and CFO, together with the Audit Committee, conducted a preliminary review of certain prior period accounting. Based on the results of that preliminary review, the Audit Committee directed that two complementary processes be undertaken. First, in the second quarter of 2017, the Audit Committee commenced an internal investigation of certain matters related to the accounting during prior periods. The investigation was undertaken with the assistance of outside counsel, who received assistance from outside forensic accounting consultants. The internal investigation is complete, although the Company's outside counsel continue to provide forensic and investigative support in connection with certain proceedings discussed in Part I, Item 3 "Legal Proceedings", in this Form 10-K.

Based on findings of the internal investigation, the Company disclosed as part of a Form 8-K filed on June 13, 2017 that it had identified errors in recognizing revenue for certain software license transactions, and that the impact of these errors, in the aggregate, was material to the Company's previously filed financial statements for fiscal years 2016 and 2015. In addition, the Company disclosed that it had determined that it had identified a material weakness in its internal controls in financial reporting related to revenue recognition.

As part of the second process, which the Company commenced in June 2017, the Audit Committee directed management to conduct a thorough review of the Company's financial records for fiscal years 2016, 2015 and 2014 to determine whether further adjustments were necessary. This review, which was conducted with the assistance of separate outside consultants, identified additional misstatements, including additional misstatements related to revenue recognition, as described further below. As a result of the identification of these additional adjustments, the Company disclosed as part of a Form 8-K filed on October 12, 2017 that the Company's financial statements for 2014 should no longer be relied upon and would require restatement.

As part of the Company's review of its financial records, the Company identified material weakness in internal control over financial reporting related to the control environment, risk assessment, information and communication, and monitoring. For further information regarding these material weaknesses, please see Item 9A "Controls and Procedures" in this Form 10-K.

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	Year Ended December 31,				
	2017	2016	2015†	2014† (Unaudited)	2013†
		(As Restated)	(As Restated)	(As Restated)	(As Restated)
	(In thousands, except per share data)				
Statements of Operations Data:					
Net revenues	$402,361	$426,294	$372,561	$233,416	$215,316
Loss from continuing operations	(129,602)	(122,604)	(37,113)	(81,450)	(29,280)
Net loss from continuing operations	(194,224)	(93,869)	(37,782)	(80,557)	(19,686)
Net (loss) income attributable to noncontrolling interests	(9,291)	(15,203)	(628)	—	—
Net loss from continuing operations attributable to Synchronoss	(184,933)	(78,666)	(37,154)	(80,557)	(19,686)
Net loss applicable to shares of common stock for diluted earnings per share	$(184,933)	$(78,666)	$(37,154)	$(80,557)	$(19,686)
Basic per share:					
Continuing operations	$(4.14)	$(1.81)	$(0.88)	$(1.99)	$(0.51)
Diluted:					
Continuing operations	$(4.14)	$(1.81)	$(0.88)	$(1.99)	$(0.51)
Weighted-average common shares outstanding:					
Basic	44,669	43,551	42,284	40,418	38,891
Diluted	44,669	43,551	42,284	40,418	38,891

† These amounts have been adjusted to exclude discontinued operations for the divestiture of the Company's BPO business in the fourth quarter of 2016. (See Note 4 - Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for additional information.)

	As of December 31,				
	2017	2016	2015	2014 (Unaudited)	2013
		(As Restated)	(As Restated)	(As Restated)	(As Restated)
	(In thousands)				
Balance Sheet Data:					
Cash, cash equivalents, restricted cash and marketable securities	$249,236	$226,913	$233,864	$290,377	$77,605
Working capital	178,493	186,488	265,975	287,938	91,695
Total assets	965,411	1,054,351	931,562	836,865	520,642
Contingent consideration obligation - long term	—	—	930	—	4,468
Lease financing obligation - long term	11,183	12,450	13,391	9,579	10,403
Convertible debt, net of debt issuance costs	227,704	226,291	224,878	223,465	—
Redeemable noncontrolling interest	25,280	25,280	25,280	—	—
Total stockholders' equity	463,587	529,797	505,323	463,464	436,276

Description of Restatement Matters and Restatement Adjustments

The individual restatement matters that underlie the restatement adjustments are described below. The restatement adjustments also affect periods prior to 2015 and such adjustments have been reflected in the restated opening stockholders' equity balances as of January 1, 2015.

Revenue Recognition Adjustments Related to Hosting Services

The Company typically sells hosting services to its subscription services customers, as well as to certain software license customers. As part of the Company's review of its historical accounting, it has determined that adjustments are required related to certain transactions in each of these two categories of customers that purchase hosting services.

It was observed that in certain instances, the Company has historically entered into hosting arrangements that included various components to the fee structure with certain fees accelerated during the initial years of the arrangement. Historically, the Company recognized the accelerated fees as billed and maintenance and support fees were recognized on a straight-line basis through the term of the arrangement. However, the Company has determined to revise its accounting treatment for certain hosting services to reflect revenue recognition on a straight-line basis for such fees over the appropriate period of time during which (i) the benefits of hosting services were provided to the customer or (ii) the customer benefited from the set-up fees. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby there has been a deferral of a portion of the accelerated fees out of the initial period of the arrangement, and recognition of those deferred amounts in the later periods of the hosting services arrangement.

In the case of certain perpetual software license customers, the Company historically recognized the perpetual software license fee revenue on an upfront basis. The Company has determined to revise its accounting treatment of that software license fee revenue to recognize it ratably over a period of time due to the inclusion of hosting services, as part of the same multiple element arrangement. In certain of these cases, the Company had entered into a separate hosting services contract with the customer that the Company has now determined should have been combined with the software license agreement and treated as part of a larger multiple element arrangement.

In accordance with the software revenue recognition rules, since the Company cannot establish vendor specific objective evidence of fair value of the hosting services, the software license element cannot be separated from the hosting services. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby the bundled arrangement fees have been recognized ratably over the economic life of the hosting services.

Revenue Recognition Adjustments Related to Establishing Persuasive Evidence of an Arrangement

The Company historically has had, and continues to have, contractual arrangements with certain customers whereby there is an established master services agreement that includes general terms and conditions. Such master services agreements contemplate the delivery by the customer of purchasing documentation for purposes of completing orders, indicating the nature, price and quantity of products and services ordered. In certain cases, the Company historically formed a view that persuasive evidence of an arrangement existed relating to such orders based upon its receipt from a customer of written confirmation of the order and commitment to pay the agreed price, such as a quote approval sent by the customer in response to a quote issued by the Company, but prior to that customer's subsequent delivery to the Company an executed statement of work or, in some instances, a purchase order, pursuant to a master services agreement.

The Company has determined, in certain situations, to revise the timing of revenue recognition to when it received final formal contract documentation, which occurred in a future period. In those cases where the adjustment to defer revenue has been recorded prior to when cash payment was received from the customer, the balance sheet impact has been to reduce the related accounts receivable balance, whereas the balance sheet impact of these adjustments after the receipt of cash payment from the customer has been to increase accrued liabilities.

The Company also adjusted revenue recognition in connection with certain other transactions, including (i) where the payment obligation on the date of sale was found not to have been fixed and determinable; (ii) where collectibility was not reasonably assured; (iii) where the software delivered to the customer was ultimately deemed not to have met acceptance criteria, or (iv) where formal acceptance was not obtained. The Audit Committee Investigation discovered a few instances where there were additional arrangements entered into that were not properly disclosed to the Company's accounting group and, consequently, its independent external auditors. Those instances affected a small percentage of the revenue being restated. Following such discovery, the Company's management terminated for cause three employees who participated in, or condoned, such conduct.

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In certain situations, these adjustments represent issues related to the timing of revenue recognition, while in other cases, these adjustments represent amounts that had subsequently been written-off to bad debt expense (whereby now both the revenue and the related bad debt expense has been reversed).

Adjustments Related to Accounting for Acquisitions and Divestiture

The Company has identified and corrected errors related to fees received under license agreements entered into with parties of certain historical acquisitions and a divestiture. In each case, the Company had originally treated the license agreement as a separate transaction and recorded the license fees on a gross basis as revenue. The Company has determined to revise its accounting treatment of the license arrangements to record the license fees as part of the accounting for the acquisition or divestiture, as follows:

- In certain cases, the Company entered into a license agreement as part of settling prior intellectual property infringement claims against an acquired entity and/or its selling parent company and affiliates. Historically, the Company had recognized these license fees separately as revenue. However, the Company has determined to net these license fees against the consideration paid as part of the acquisitions, resulting in a reduction of the goodwill and/or intangible assets recorded in purchase accounting.
- The Company’s consolidated joint venture Zentry and the Company’s partner in that joint venture entered into a license agreement in December 2015 at the same time as the formation of the joint venture. Historically, the Company recorded the license fees as revenue separately from the Zentry formation. The Company has determined to net these license fees against the cash contributions paid as part of the joint venture formation, resulting in a reduction of the goodwill and intangible assets recorded in purchase accounting.
- The Company entered into a licensing agreement in December 2016 with STIN shortly after closing the divestiture of its activation business to STIH. Historically, the Company recorded the license fees as revenue separately from the accounting for the divestiture. The Company has determined to classify these license fees as additional gain on sale of the activation exception handling business.
- The Company made adjustments to reduce the contingent consideration payable to shareholders of Razorsight, which was acquired by the Company in August 2015, and the related losses previously recorded to adjust that liability to fair value, as a result of the determination that many of the sales of Razorsight software that had originally been included in the earn-out calculation have now been adjusted as part of the restatement.
- The Company made adjustments to record the fair value of the Company’s guarantee of certain of STIN’s debt as part of the divestiture of its activation exception handling business to STIH in December 2016, to record the sellers note extended in the transaction at fair value, and to adjust certain receivables and other assets sold in the transaction.
- The Company made certain adjustments to the opening balances of Openwave and SNCR, LLC; impacting deferred revenue, goodwill and intangibles. Adjustments in deferred revenue and intangibles were reported post-acquisition as revenues and costs were realized.

Other Adjustments and Capitalized Software

The Company also identified and corrected certain errors in the amounts reported as capitalized software development. These adjustments were primarily around (i) the recognition of impairment or immediate expensing of certain previously capitalized software development costs and (ii) revisions of amounts capitalized and the timing of when such capitalized costs are amortized. Adjustments pertaining to capitalized software development were driven primarily due to misalignment on the unit of account being measured in tracking project progress and ultimately general release as well as the appropriateness of the capitalization of certain administrative costs.

The Company also identified and corrected certain other errors, primarily due to timing of recognition of (i) stock-based compensation arrangements, (ii) accruals and reserves and (iii) impairment charges. Impairment charges

were primarily due to long-lived asset impairments realized on SNCR, LLC assets, due to continued delays in product development and sales. Additionally, the Company identified certain prior year balance sheet classification adjustments requiring, the most significant of which a reclassification between cash and restricted cash due to certain contractual restrictions on cash balances, and reclassifications between treasury stock and additional paid-in-capital due to share issuances from the Company’s common stock pool, rather than its treasury stock.

Income Taxes

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The Company recorded adjustments to income taxes to reflect the impact of the restatement adjustments, as well as a discrete tax adjustment to record a valuation allowance at a specific foreign jurisdiction in an earlier year then the originally filed conclusion. See Note 17 - Income Taxes for discussion of the related impact to the Company's effective tax rate.

Quarterly Financial Information (Unaudited)

The net effect of the restatement on the Company's previously reported consolidated financial statements, as of the quarters ended March 31, June 30 and September 30, 2016 and 2015 (unaudited), are included in Note 19 - Summary of Quarterly Results of Operations (Unaudited). Form 10-Q's for the quarters ended March 31, 2017, June 30, 2017, and September 30, 2017 will be filed with the SEC concurrently with this Form 10-K.

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The following table presents the Consolidated Statement of Operations as previously reported, restatement adjustments and the consolidated statement of operations as restated for the year ended December 31, 2016:

		Adjustments					
	As Previously Reported **	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Restated
Net revenues	$476,750	$(39,492)	$ 9,435	$(20,399)	$ —	$ —	$426,294
Loss from continuing operations	(71,809)	(39,647)	13,905	(6,629)	(18,424)	—	(122,604)
Net (loss) income from continuing operations	(66,541)	(39,647)	14,158	(7,425)	(18,669)	24,255	(93,869)
Net loss attributable to noncontrolling interests	(11,596)	—	—	—	(3,607)	—	(15,203)
Net income (loss) from continuing operations attributable to Synchronoss	(54,945)	(39,647)	14,158	(7,425)	(15,062)	24,255	(78,666)
Net (loss) income applicable to shares of common stock for diluted earnings per share	(54,945)	(39,647)	14,158	(7,425)	(15,062)	24,255	(78,666)
Basic							
Continuing operations	$(1.26)						$(1.81)
Diluted							
Continuing operations	$(1.26)						$(1.81)
Weighted-average common shares outstanding:							
Basic	43,571						43,551

* Cost of services excludes depreciation and amortization which is shown separately.
** Certain amounts reflected in this column have been adjusted for retrospective application of discontinued operations.

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The following table presents the Consolidated Statement of Operations as previously reported, restatement adjustments and the Consolidated Statement of Operations as restated for the year ended December 31, 2015:

		Adjustments					
	As Previously Reported **	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Restated
Net revenues	$428,117	$(26,908)	$1,442	$(30,090)	$—	$—	$372,561
(Loss) income from continuing operations	15,131	(26,908)	4,484	(30,692)	872	—	(37,113)
Net (loss) income from continuing operations	6,415	(26,908)	3,898	(30,708)	1,175	8,346	(37,782)
Net income attributable to noncontrolling interests	6,052	—	—	—	(6,680)	—	(628)
Net income (loss) from continuing operations attributable to Synchronoss	363	(26,908)	3,898	(30,708)	7,855	8,346	(37,154)
Net (loss) income applicable to shares of common stock for diluted earnings per share	363	(26,908)	3,898	(30,708)	7,855	8,346	(37,154)
Basic							
Continuing operations	$0.01						$(0.88)
Diluted							
Continuing operations	$0.01						$(0.88)
Weighted-average common shares outstanding:							
Basic	42,284						42,284

* Cost of services excludes depreciation and amortization which is shown separately.
** Certain amounts reflected in this column have been adjusted for retrospective application of discontinued operations.

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The following table presents the Consolidated Statement of Operations (unaudited) as previously reported, restatement adjustments and the Consolidated Statement of Operations as adjusted for the year ended December 31, 2014:

(Unaudited)		Adjustments					
	As Previously Reported **	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Adjusted
Net revenues	$ 307,301	$ (14,563)	$ (53,322)	$ (6,000)	$ —	$ —	$ 233,416
Loss from continuing operations	(3,541)	(14,563)	(53,322)	(5,960)	(4,064)	—	(81,450)
Net (loss) income from continuing operations	(2,023)	(14,563)	(53,337)	(5,960)	(4,674)	—	(80,557)
Net income (loss) from continuing operations attributable to Synchronoss	(2,023)	(14,563)	(53,337)	(5,960)	(4,674)	—	(80,557)
Net (loss) income applicable to shares of common stock for diluted earnings per share	(2,023)	(14,563)	(53,337)	(5,960)	(4,674)	—	(80,557)
Basic							
Continuing operations	$ (0.05)						$ (1.99)
Diluted							
Continuing operations	$ (0.05)						$ (1.99)
Weighted-average common shares outstanding:							
Basic	40,418						40,418

* Cost of services excludes depreciation and amortization which is shown separately.

** Certain amounts reflected in this column have been adjusted for retrospective application of discontinued operations.

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The following table presents the Consolidated Statement of Operations (unaudited) as previously reported, restatement adjustments and the Consolidated Statement of Operations as adjusted for the year ended December 31, 2013:

(Unaudited)		Adjustments					
	As Previously Reported **	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Adjusted
Net revenues	$225,368	$(5,544)	$(4,508)	$ —	$ —	$ —	$215,316
(Loss) income from continuing operations	(19,305)	(5,544)	(4,508)	—	77	—	(29,280)
Net (loss) income from continuing operations	(9,711)	(5,544)	(4,508)	—	77	—	(19,686)
Net income (loss) from continuing operations attributable to Synchronoss	(9,711)	(5,544)	(4,508)	—	77	—	(19,686)
Net (loss) income applicable to shares of common stock for diluted earnings per share	(9,711)	(5,544)	(4,508)	—	77	—	(19,686)
Basic							
Continuing operations	$(0.25)						$(0.51)
Diluted							
Continuing operations	$(0.25)						$(0.51)
Weighted-average common shares outstanding:							
Basic	38,891						38,891

* Cost of services excludes depreciation and amortization which is shown separately.
** Certain amounts reflected in this column have been adjusted for retrospective application of discontinued operations.

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The following table presents the Consolidated Balance Sheet as previously reported, restatement adjustments and the Consolidated Balance Sheet as restated at December 31, 2016:

		Adjustments					
	As Previously Reported	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Restated
Balance Sheet Data:							
Cash, cash equivalents, restricted cash and marketable securities	$ 226,498	$ —	$ —	$ —	$ 415	$ —	$ 226,913
Working capital	210,846	(33,742)	(41,632)	20,720	26,913	3,383	186,488
Total assets	1,164,729	(344)	(36,509)	(67,748)	(18,003)	12,226	1,054,351
Lease financing obligation - long term	12,121	—	—	41	288	—	12,450
Convertible debt, net of debt issuance costs	226,291	—	—	—	—	—	226,291
Redeemable noncontrolling interest	49,856	—	—	(28,813)	4,237	—	25,280
Total stockholders' equity	657,115	(86,707)	(42,163)	(27,560)	(25,741)	54,853	529,797

The following table presents the Consolidated Balance Sheet as previously reported, restatement adjustments and the Consolidated Balance Sheet as adjusted at December 31, 2015:

		Adjustments					
	As Previously Reported (Adjusted)	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Adjusted
Balance Sheet Data:							
Cash, cash equivalents, restricted cash and marketable securities	$ 233,626	$ —	$ —	$ —	$ 238	$ —	$ 233,864
Working capital	326,765	(9,293)	(52,214)	2,033	(3,470)	2,154	265,975
Total assets	1,010,228	(64)	(29,251)	(66,028)	(188)	16,865	931,562
Contingent consideration obligation - long term	930	—	—	—	—	—	930
Lease financing obligation - long term	13,343	—	—	48	—	—	13,391
Convertible debt, net of debt issuance costs	224,878	—	—	—	—	—	224,878
Redeemable noncontrolling interest	61,452	—	—	(29,150)	(7,022)	—	25,280
Total stockholders' equity	609,814	(47,062)	(55,793)	(37,640)	3,985	32,019	505,323

The following table presents the Consolidated Balance Sheet (Unaudited) as previously reported, restatement adjustments and the Consolidated Balance Sheet as adjusted at December 31, 2014:

		Adjustments					
(Unaudited)	As Previously Reported (Adjusted)	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Adjusted

Balance Sheet Data:							
Cash, cash equivalents, restricted cash and marketable securities	$ 290,377	$ —	$ —	$ —	$ —	$ —	$ 290,377
Working capital	354,298	(5,326)	(58,941)	—	(4,677)	2,584	287,938
Total assets	862,822	—	(22,041)	(5,960)	(7,123)	9,167	836,865
Lease financing obligation - long term	9,204	—	—	—	375	—	9,579
Convertible debt, net of debt issuance costs	230,000	—	—	—	(6,535)	—	223,465
Total stockholders' equity	529,107	(20,152)	(60,238)	(5,960)	(3,901)	24,608	463,464

The following table presents the Consolidated Balance Sheet (Unaudited) as previously reported, restatement adjustments and the Consolidated Balance Sheet as adjusted at December 31, 2013:

(Unaudited)	As Previously Reported (Adjusted)	Adjustments Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Adjusted
Balance Sheet Data:							
Cash, cash equivalents, restricted cash and marketable securities	$ 77,605	$ —	$ —	$ —	$ —	$ —	$ 77,605
Working capital	98,786	(133)	(7,146)	—	(1)	189	91,695
Total assets	527,019	—	(4,677)	—	77	(1,777)	520,642
Contingent consideration obligation - long term	4,468	—	—	—	—	—	4,468
Lease financing obligation - long term	9,252	—	—	—	1,151	—	10,403
Total stockholders' equity	447,639	(5,589)	(7,146)	—	76	1,296	436,276

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. The discussions give effect to the restatement adjustments made to the previously reported Consolidated Financial Statements for the years ended December 31, 2016 and December 31, 2015. For additional information and a detailed discussion of the restatement, see "Note 2 Restatement of Previously Issued Consolidated Financial Statements" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K. The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the related notes included in Item 8 "Financial Statements and Supplementary Data" of this Form 10-K.

Restatement of Previously Issued Consolidated Financial Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations have been updated to reflect the effects of the restatement described in Note 2 - Restatement of Previously Issued Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K. Within this section, we have also included a discussion of restated results for the three unaudited quarters of fiscal 2016 and the three unaudited quarters of fiscal 2015. In addition, we have also included our restated financial statements for the unaudited quarters of fiscal 2016 and 2015 following our fiscal year 2016 financial statements in Item 8, "Financial Statements and Supplementary Data - Summary of Quarterly Financial Statements" in this Form 10-K.

In connection with the preparation of the Company's Form 10-Q for the first quarter of 2017, the Audit Committee authorized the Audit Committee Investigation. The Audit Committee Investigation addressed transactions requiring restatement, other areas of accounting, internals control over financial reporting and employee conduct.

During the preparation of the Company's Form 10-Q for the first quarter of 2017, the Company's new CEO and CFO, together with the Audit Committee, conducted a preliminary review of certain prior period accounting. Based on the results of that preliminary review, the Audit Committee directed that two complementary processes be undertaken. First, in the second quarter of 2017, the Audit Committee commenced an internal investigation of certain matters related to the accounting during prior periods. The investigation was undertaken with the assistance of outside counsel, who received assistance from outside forensic accounting consultants. The internal investigation is complete, although the Company's outside counsel continue to provide forensic and investigative support in connection with certain proceedings discussed in Part I, Item 3 "Legal Proceedings", in this Form 10-K.

Based on findings of the internal investigation, the Company disclosed as part of a Form 8-K filed on June 13, 2017 that it had identified errors in recognizing revenue for certain software license transactions, and that the impact of these errors, in the aggregate, was material to the Company's previously filed financial statements for fiscal years 2016 and 2015. In addition, the Company disclosed that it had determined that it had identified a material weakness in its internal controls in financial reporting related to revenue recognition.

As part of the second process, which the Company commenced in June 2017, the Audit Committee directed management to conduct a thorough review of the Company's financial records for fiscal years 2016, 2015 and 2014 to determine whether further adjustments were necessary. This review, which was conducted with the assistance of separate outside consultants, identified additional misstatements, including additional misstatements related to revenue recognition, as described further below. As a result of the identification of these additional adjustments, the Company disclosed as part of a Form 8-K filed on October 12, 2017 that the Company's financial statements for 2014 should no longer be relied upon and would require restatement.

As part of the Company’s review of its financial records, the Company identified material weakness in internal control over financial reporting related to the control environment, risk assessment, information and communication, and monitoring. For further information regarding these material weaknesses, please see Item 9A “Controls and Procedures” in this Form 10-K.

The individual restatement matters that underlie the restatement adjustments are described below. The restatement adjustments also affect periods prior to 2015 and such adjustments have been reflected in the restated opening stockholders’ equity balances as of January 1, 2015.

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Revenue Recognition Adjustments Related to Hosting Services

The Company typically sells hosting services to its subscription services customers, as well as to certain software license customers. As part of the Company's review of its historical accounting, it has determined that adjustments are required related to certain transactions in each of these two categories of customers that purchase hosting services.

It was observed that in certain instances, the Company has historically entered into hosting arrangements that included various components to the fee structure with certain fees accelerated during the initial years of the arrangement. Historically, the Company recognized the accelerated fees as billed and maintenance and support fees were recognized on a straight-line basis through the term of the arrangement. However, the Company has determined to revise its accounting treatment for certain hosting services to reflect revenue recognition on a straight-line basis for such fees over the appropriate period of time during which (i) the benefits of hosting services were provided to the customer or (ii) the customer benefited from the set-up fees. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby there has been a deferral of a portion of the accelerated fees out of the initial period of the arrangement, and recognition of those deferred amounts in the later periods of the hosting services arrangement.

In the case of certain perpetual software license customers, the Company historically recognized the perpetual software license fee revenue on an upfront basis. The Company has determined to revise its accounting treatment of that software license fee revenue to recognize it ratably over a period of time due to the inclusion of hosting services, as part of the same multiple element arrangement. In certain of these cases, the Company had entered into a separate hosting services contract with the customer that the Company has now determined should have been combined with the software license agreement and treated as part of a larger multiple element arrangement.

In accordance with the software revenue recognition rules, since the Company cannot establish vendor specific objective evidence of fair value of the hosting services, the software license element cannot be separated from the hosting services. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby the bundled arrangement fees have been recognized ratably over the economic life of the hosting services.

Revenue Recognition Adjustments Related to Establishing Persuasive Evidence of an Arrangement

The Company historically has had, and continues to have, contractual arrangements with certain customers whereby there is an established master services agreement that includes general terms and conditions. Such master services agreements contemplate the delivery by the customer of purchasing documentation for purposes of completing orders, indicating the nature, price and quantity of products and services ordered. In certain cases, the Company historically formed a view that persuasive evidence of an arrangement existed relating to such orders based upon its receipt from a customer of written confirmation of the order and commitment to pay the agreed price, such as a quote approval sent by the customer in response to a quote issued by the Company, but prior to that customer's subsequent delivery to the Company an executed statement of work or, in some instances, a purchase order, pursuant to a master services agreement.

The Company has determined, in certain situations, to revise the timing of revenue recognition to when it received final formal contract documentation, which occurred in a future period. In those cases where the adjustment to defer revenue has been recorded prior to when cash payment was received from the customer, the balance sheet impact has been to reduce the related accounts receivable balance, whereas the balance sheet impact of these adjustments after the receipt of cash payment from the customer has been to increase accrued liabilities.

The Company also adjusted revenue recognition in connection with certain other transactions, including (i) where the payment obligation on the date of sale was found not to have been fixed and determinable; (ii) where collectibility was not reasonably assured; (iii) where the software delivered to the customer was ultimately deemed not to have met acceptance criteria, or (iv) where formal acceptance was not obtained. The Audit Committee Investigation discovered a few instances where there were additional arrangements entered into that were not properly disclosed to the Company's accounting group and, consequently, its independent external auditors. Those instances affected a small percentage of the revenue being restated. Following such discovery, the Company's management terminated for cause three employees who participated in, or condoned, such conduct.

In certain situations, these adjustments represent issues related to the timing of revenue recognition, while in other cases, these adjustments represent amounts that had subsequently been written-off to bad debt expense (whereby now both the revenue and the related bad debt expense has been reversed).

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Adjustments Related to Accounting for Acquisitions and Divestiture

The Company has identified and corrected errors related to fees received under license agreements entered into with parties of certain historical acquisitions and a divestiture. In each case, the Company had originally treated the license agreement as a separate transaction and recorded the license fees on a gross basis as revenue. The Company has determined to revise its accounting treatment of the license arrangements to record the license fees as part of the accounting for the acquisition or divestiture, as follows:

- In certain cases, the Company entered into a license agreement as part of settling prior intellectual property infringement claims against an acquired entity and/or its selling parent company and affiliates. Historically, the Company had recognized these license fees separately as revenue. However, the Company has determined to net these license fees against the consideration paid as part of the acquisitions, resulting in a reduction of the goodwill and/or intangible assets recorded in purchase accounting.
- The Company's consolidated joint venture Zentry and the Company's partner in that joint venture entered into a license agreement in December 2015 at the same time as the formation of the joint venture. Historically, the Company recorded the license fees as revenue separately from the Zentry formation. The Company has determined to net these license fees against the cash contributions paid as part of the joint venture formation, resulting in a reduction of the goodwill and intangible assets recorded in purchase accounting.
- The Company entered into a licensing agreement in December 2016 with STIN shortly after closing the divestiture of its activation business to STIH. Historically, the Company recorded the license fees as revenue separately from the accounting for the divestiture. The Company has determined to classify these license fees as additional gain on sale of the activation exception handling business.
- The Company made adjustments to reduce the contingent consideration payable to shareholders of Razorsight, which was acquired by the Company in August 2015, and the related losses previously recorded to adjust that liability to fair value, as a result of the determination that many of the sales of Razorsight software that had originally been included in the earn-out calculation have now been adjusted as part of the restatement.
- The Company made adjustments to record the fair value of the Company's guarantee of certain of STIN's debt as part of the divestiture of its activation exception handling business to STIH in December 2016, to record the sellers note extended in the transaction at fair value, and to adjust certain receivables and other assets sold in the transaction.
- The Company made certain adjustments to the opening balances of Openwave and SNCR, LLC; impacting deferred revenue, goodwill and intangibles. Adjustments in deferred revenue and intangibles were reported post-acquisition as revenues and costs were realized.

Other Adjustments and Capitalized Software

The Company also identified and corrected certain errors in the amounts reported as capitalized software development. These adjustments were primarily around (i) the recognition of impairment or immediate expensing of certain previously capitalized software development costs and (ii) revisions of amounts capitalized and the timing of when such capitalized costs are amortized. Adjustments pertaining to capitalized software development were driven primarily due to misalignment on the unit of account being measured in tracking project progress and ultimately general release as well as the appropriateness of the capitalization of certain administrative costs.

The Company also identified and corrected certain other errors, primarily due to timing of recognition of (i) stock-based compensation arrangements, (ii) accruals and reserves and (iii) impairment charges. Impairment charges were primarily due to long-lived asset impairments realized on SNCR, LLC assets, due to continued delays in product development and sales. Additionally, the Company identified certain prior year balance sheet classification adjustments requiring, the most significant of which a reclassification between cash and restricted cash due to certain contractual restrictions on cash balances, and reclassifications between treasury stock and additional paid-in-capital due to share issuances from the Company's common stock pool, rather than its treasury stock.

Income Taxes

The Company recorded adjustments to income taxes to reflect the impact of the restatement adjustments, as well as a discrete tax adjustment to record a valuation allowance at a specific foreign jurisdiction in an earlier year then the originally filed conclusion. See Note 17 - Income Taxes for discussion of the related impact to the Company’s effective tax rate.

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Revenues

We generate a majority of our revenues on a per transaction or subscription basis, which is derived from contracts that extend up to 60 months from execution which provide various services including cloud-based solutions, activation solutions, messaging solutions and analytics.

The percentage of revenue derived from subscription revenue in each of the years ended December 31, 2017, 2016 and 2015, respectively was 66%, 60% and 58%. The percentage of revenue derived from professional services revenue in each of the years ended December 31, 2017, 2016 and 2015, respectively was 15%, 27% and 28%. The percentage of revenue derived from transaction revenue in each of the years ended December 31, 2017, 2016 and 2015, respectively was 8%, 9% and 11%. The percentage of revenue derived from license revenue in each of the years ended December 31, 2017, 2016 and 2015, respectively was 9%, 4% and 2%. The percentage of revenue derived from all other revenues in each of the years ended December 31, 2017, 2016 and 2015, respectively was 2%, 0% and 1%.

The future success of our business depends on the continued growth of B2B and Business to Business to Consumer driving customer transactions, and continued expansion of our platforms into the TMT market globally through Digital Transformation, Messaging, Cloud and IoT markets. As such, the volume of transactions and our ability to expand our footprint in TMT and globally may result in revenue fluctuations on a quarterly basis.

Most of our revenues are recorded in U.S. dollars but as we continue to expand our footprint with telecommunication and mobile carriers around the globe, we will become subject to currency translation that could affect our future net sales as reported in U.S. dollars.

Our top five customers accounted for 73%, 74% and 82% of net revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of our revenues in 2017. The loss of Verizon as a customer would have a material negative impact on our company. However, we believe that Verizon would encounter substantial costs in replacing Synchronoss' solution.

Key Developments

Intralinks Acquisition and Divestiture

On January 19, 2017, we completed the acquisition of Intralinks. In connection with the acquisition, we entered into a $900.0 million credit agreement with the lending institutions that were from time to time parties thereto and Goldman Sachs Bank USA ("Goldman"), as administrative agent, collateral agent, swingline lender and a letter of credit issuer (the "2017 Credit Agreement"). Intralinks is a global technology provider of SaaS solutions for secure enterprise content collaboration within and among organizations. Intralinks' cloud-based solutions enable organizations to securely manage, control, track, search, exchange and collaborate on sensitive information inside and outside the firewall. The total purchase price consideration consisted of the repayment of existing Intralinks indebtedness, and non-cash consideration for services rendered on unvested Intralinks equity awards that were converted into Synchronoss equity awards on the acquisition date. The acquisition was primarily funded from the proceeds of the 2017 Credit Agreement entered into on the date of acquisition.

On June 23, 2017, we received a non-binding indication of interest from Siris to acquire the Company. In light of the indication of interest, our Board of Directors decided to explore a broad range of strategic alternatives that would have the potential to unlock shareholder value. In October 2017, we concluded our review of strategic alternatives and determined that the best approach for us to achieve our goal of maximizing shareholder value was to focus on our core TMT business, divest non-core assets and improve our balance sheet strength, cash position and potential profitability.

Under the terms of certain definitive agreements, investment funds affiliated with Siris acquired all of the stock of our wholly-owned subsidiary, Intralinks, for consideration of cash and an investment in convertible preferred equity of the Company.

On October 17, 2017, we announced our entry into definitive agreements for the sale of Intralinks, and the right to sell a newly created series of preferred stock of Synchronoss to affiliates of Siris. Subject to the terms and conditions set forth in a share purchase agreement, dated as of October 17, 2017 (the “Share Purchase Agreement”), among Synchronoss, Intralinks and Impala Private Holdings II, LLC, an affiliate of Siris (“Impala”), Impala agreed to acquire from us the issued and outstanding shares of common stock of Intralinks for approximately $977.3 million in cash plus a potential contingent payment of up to $25.0 million, subject to an adjustment for cash, debt and working capital (the “Intralinks Transaction”). The total amount of funds used to complete the Intralinks Transaction and related transactions and pay related fees and expenses was approximately $1.0 billion, which was funded through a combination of equity and debt financing obtained by Impala.

On November 14, 2017, we completed the sale of Intralinks and on February 15, 2018, we completed the issuance of shares of a newly created series of preferred stock of Synchronoss to affiliates of Siris. In connection with the consummation of the Intralinks divestiture, we utilized a portion of the proceeds from the Intralinks divestiture to repay all outstanding obligations under our previously existing 2017 Credit Agreement, effective as of November 14, 2017. The aggregate payoff amount was approximately $898 million and included all accrued interest, fees and prepayment penalties.

Under the terms of a share purchase agreement, the Company also provided Siris with a Siris Put Right ("Siris Put Right"), which would allow Silver to put shares held at the time, to Synchronoss at price of $14.56 per share, or $87.3 million in the aggregate.

For further details, see Note 4 - Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

SNCR, LLC

On November 16, 2015, we formed a venture with Goldman, referred to as SNCR, LLC in order to develop and deploy the Synchronoss Secure Mobility Suite, leveraging the technology contributed by Goldman, providing a safe, secure mobile device environment that also effectively supports BYOD. We obtained a 67% interest in SNCR, LLC in exchange for a perpetual license for the use of Workspace.

During the fourth quarter of 2017, we entered into a termination agreement with Goldman to terminate the venture, and provide a perpetual, irrevocable license of the venture's intellectual property for use in Goldman's back-office. As part of the agreement, the Company was relieved of any future obligations to support Goldman's use of the software. The venture formally ended in the first quarter of 2018.

Other Acquisitions and Investments

On March 1, 2016, we acquired all outstanding shares of Openwave for $114.5 million, net of working capital adjustments and liabilities assumed, comprised of $92.5 million paid in cash and $22.0 million paid in shares of our common stock, based upon the average market value of the common stock for the ten trading days prior to the acquisition date. Openwave's product portfolio includes its core complete messaging platform optimized for today's most complex messaging requirements worldwide with a particular geographic strength in Asia Pacific. With this acquisition and combined with our current global footprint, we increased direct access to subscribers around the world for the Synchronoss Personal Cloud platform and bolstered our go-to-market efforts internationally.

On December 31, 2015, the Company formed a venture with MCI Communication Services and Verizon Patent and Licensing Inc. (collectively, "Verizon PLI"), referred to as Zentry with the goal of accelerating the Company's entrance into the enterprise market by adding identity management capabilities to the Synchronoss Secure Mobility Suite. The Company obtained a 67% interest in Zentry in exchange for $48.0 million. Concurrently with the formation of the venture, Zentry entered into a non-exclusive perpetual license agreement with Verizon Sourcing, LLC, in the amount of $23.0 million, for the continued use of software for the UIS platform. This transaction was executed for the benefit of the venture and entered into concurrently with the venture formation. Accordingly, the Company accounted for the license as a reduction in the purchase price. The reduction resulted in a net purchase price of $25.0 million.

On August 4, 2015, we acquired all outstanding shares of Razorsight for $25.3 million, net of liabilities assumed. Razorsight offers cloud-based analytics solutions for communications service providers. Their cloud-based products embed advanced statistical analysis and predictive analytics to proactively pinpoint customer attrition risk, revenue

opportunities, reduced telecommunication costs and better customer experiences. We believe that this acquisition strategically enhanced our product portfolio allowing us to reach a broader client base by expanding our value proposition and more deeply embedding our platforms.

On February 23, 2015, we acquired certain cloud assets from F-Secure, an online security and privacy company headquartered in Finland, for a final determined cash consideration of $49.5 million, net of liabilities assumed. This acquisition expanded our cloud services customer base.

Other Divestitures

On February 1, 2017, we completed the divestiture of our SpeechCycle business for consideration of $13.5 million to an unrelated third party. As part of the divestiture, we entered into a one-year transition services agreement with the acquirer to support various

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indirect activities such as customer software support, technical support services and maintenance and support services. We recorded a pre-tax gain of $4.9 million as a result of the divestiture which is included in other income (expense), net in the Consolidated Statement of Operations.

On December 29, 2016, we completed the divestiture of our Mirapoint business to an unrelated third party and recorded a pre-tax gain of $1.4 million on the sale, in other income.

On December 16, 2016, we divested of a portion of our carrier activation business to a newly formed entity named STIN with a total value of $140.8 million. In accordance with the arrangement we retained a 30% interest in STIN; the remaining 70% interest in STIN is owned by STIH, an unrelated third party formerly named Omniglobe. STIH financed the purchase of STIN with cash of $27.3 million (including $10.0 million attributable to a license), a new term loan, and a related party subordinated seller's note receivable in the amount of $69.8 million issued by the Company, which is secured by STIH's interest in STIN. The related party note receivable earns paid-in-kind ("PIK") interest at a rate equal to LIBOR plus 1100 basis points per annum and matures on June 16, 2022.

For further details regarding our recent acquisitions and divestitures, see Note 4 - Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Current Trends Affecting Our Results of Operations

Business from our Synchronoss Personal Cloud solution has been driven by the growth in mobile devices globally that are becoming content rich. As these devices replace other traditional devices like PC's, the ability to securely back up content from mobile devices, sync it with other devices and share it with family, friends and business associates have become essential needs and subscriber expectations. Such devices include smartphones, connected cars, personal health and wellness devices and connected home devices. The need for the contents of these devices to be stored in a common cloud are also expected to be drivers of our business in the longer term.

Business from our traditional Synchronoss Messaging business (Email) has been driven by a resurgence in the need for white label secure messaging platforms that favor the MNO's business objectives and are not beholden to the objectives of a sponsoring OTT platform. Messaging drives higher subscriber engagement than any other application in the market today and holds the potential to stimulate new revenue from traditional services and third party brands. OTT global success has driven MNO'S to look at opportunities to preempt and compete with the OTT'S which has potential opportunity for Synchronoss. Future growth will be driven by the need of TMT companies including (and especially) MNO's to embrace MaaP to converse with subscribers in an efficient, automated way (streamlining the costs and increasing the effectiveness of self-care, as well as the yield of cross-sell upselling of service plans, devices, bundles, etc). The Synchronoss Advanced Messaging Platform provides state of the art RCS-driven features including the ability to support advanced Peer to Peer communications and introduce new revenue streams driven by commerce and advertising via Application to Person capabilities.

Companies in the TMT market all face the dilemma of attempting to pivot their businesses to digital execution in order to create experiences that meet the expectations of their subscribers, generate new revenues and streamline costs creating healthier margins at a faster time to market than they have ever operated before. Their challenges feature the lack of skill set to conceptualize and run day to day digital operations and the lack of resources to integrate their legacy back end systems to enact digital experiences that achieve their business objectives. The growth of Synchronoss Digital Platforms will be driven by the ability to provide TMT companies' desire to obtain digital transformation solutions as quickly as possible while educating them on the ability to operate a digital business efficiently. Our Platform as a Service ("PaaS") model provides a desirable alternative to heavy CAPEX spending options often tried internally. The ability for our platforms to create low/no code, new customer digital journeys, virtually on the fly, give TMT Companies the ability to operate new experiences and businesses without heavily

investing in development resources.

Synchronoss Advanced Messaging, Cloud and Digital Platforms are poised to bring Internet of Things initiatives to life across MNO and TMT companies creating new use cases that will help stimulate the commercial growth of the robust potential of the IoT market. As new devices and sensors come online in connected cities, Synchronoss, partnering with carriers like AT&T, has technology to unify and harness data from legacy systems; provide analytic insights that fuel automated communications, via our Advanced Messaging Platform between sensors, devices and people; and create a common storage reservoir with our secure cloud. There is opportunity in many areas of the IoT ecosystem for Synchronoss to support utilizing our Activation, Cloud and Analytics tools.

To support our growth, which will be driven by these favorable industry trends mentioned above, we will leverage modular components from our existing software platforms to build new products. We believe that these opportunities will continue to provide future benefits and position us for future revenue growth. We are also making investments in research and development of new

products designed to enable us to grow rapidly in the mobile wireless market. Our purchase of capital assets and equipment may also increase based on aggressive deployment, subscriber growth and promotional offers for free or bundled storage by our major Tier 1 carrier customers.

We continue to expand our platforms into the converging TMT, MNO, Digital and IoT spaces to enable connected devices to do more things across multiple networks, brands and communities. Our initiatives with AT&T, Verizon, Sprint, British Telecom, Softbank and other CSPs continue to grow both with regard to our current business as well as our new product offerings.We are also exploring additional opportunities through merger and acquisition activities to support our customer, product and geographic diversification strategies.

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Discussion of the Consolidated Statements of Operations

The following table presents an overview of our results of operations for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,			2017 vs 2016		2016 vs 2015	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
(in thousands)		(Restated)	(Restated)				
Net revenues	$402,361	$426,294	$372,561	$(23,933)	(6)%	$53,733	14 %
Cost of revenues*	181,453	194,684	154,810	(13,231)	(7)%	39,874	26 %
Research and development	90,850	114,493	92,763	(23,643)	(21)%	21,730	23 %
Selling, general and administrative	154,037	126,228	84,591	27,809	22 %	41,637	49 %
Net change in contingent consideration obligation	—	1,194	1,515	(1,194)	(100)%	(321)	(21)%
Restructuring charges	10,739	6,333	4,946	4,406	70 %	1,387	28 %
Depreciation and amortization	94,884	105,966	71,049	(11,082)	(10)%	34,917	49 %
Total costs and expenses	531,963	548,898	409,674	(16,935)	(3)%	139,224	34 %
Loss from continuing operations	$(129,602)	$(122,604)	$(37,113)	$(6,998)	6 %	$(85,491)	230 %

*Cost of revenues excludes restructuring charges and depreciation and amortization, which are shown separately.

Net revenues decreased $23.9 million to $402.4 million for the year ended December 31, 2017, compared to the same period in 2016 due to a $38.5 million decrease in Cloud revenue due primarily to a reduction in professional fees from one of our largest cloud customers that was preparing to reposition their cloud business to focus more on its premium subscriber base, a proactive decision we made to sunset a platform previously acquired which was being used by a number of smaller customers, and the decision by a larger international customer to insource their cloud offering onto an internally built solution; partially offset by a an $13.0 million increase in Messaging revenue from new sales in the Japanese market; and a $1.6 million increase in Digital Transformation revenue from an increase in digital activation and professional services revenue, partially offset by the divestiture of the SpeechCycle business.

Net revenues increased $53.7 million to $426.3 million for the year ended December 31, 2016 compared to the same period in 2015 due to a $40.9 million increase in Messaging revenue from the 2016 acquisition of Openwave; a $5.4 million increase in Digital Transformation revenue from digital activation and professional services revenue; and a $7.5 million increase in Cloud revenue from increases in license and professional services.

Cost of revenues decreased $13.2 million to $181.5 million for the year ended December 31, 2017 compared to the same period in 2016 and increased $39.9 million to $194.7 million for the year ended December 31, 2016 compared to the same period in 2015. The decrease in 2017 was due to cost cutting initiatives which reduced the following: (i) $11.2 million of customer related hosting fees and telecommunications costs and (ii) $7.5 million of personnel related costs. This was partially offset by an increase of $6.2 million due to higher use of outside consultants. The increase in 2016 over the prior year period was primarily due to increased personnel costs, outside consulting fees and hosting due the acquisition of Openwave and the launch of our enterprise business unit.

Research and development expense decreased $23.6 million to $90.9 million for the year ended December 31, 2017, compared to the same period in 2016 and increased $21.7 million to $114.5 million for the year ended December 31, 2016 compared to the same period in 2015. The decrease in 2017 was driven primarily by a reduction of $12.0 million in outside consulting fees, a $9.7 million of personnel and related costs and a $2.9 million reduction in stock-based compensation through cost cutting efforts employed in outsourced research and development and through restructuring initiatives implemented in December 2016 and early 2017. The increase in 2016 was primarily due to a $12.1 million increase in outside consulting fees and $9.1 million in increased personnel costs as a result of the launch

of our Enterprise solution and our Openwave acquisition.

Selling, general and administrative expense increased $27.8 million to $154.0 million for the year ended December 31, 2017, compared to the same period in 2016 and increased $41.6 million to $126.2 million for the year ended December 31, 2016 compared to the same period in 2015. The 2017 increase was primarily due to $38.8 million increased professional fees related to our financial restatement process and acquisition costs, partially offset by decreases of $6.1 million in stock-based compensation and $5.4 million in personnel related costs. The Openwave acquisition, launch of our Enterprise solution in 2016 and various acquisitions in 2015 caused all categories of expense to increase in 2016, primarily increases of $15.5 million in personnel related costs, $9.7 million in merger and acquisition expense, $4.9 million in outside consulting costs, $4.1 million in professional services, $2.3 million in telecommunication and facility costs, $1.3 million in marketing expense and $1.0 million in stock based compensation.

Net change in contingent consideration obligation decreased $1.2 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. This was due to the level of achievement of the contractual milestones associated with the potential earn-out payments to the Razorsight shareholders. The performance period for this earn-out was complete as of December 31, 2016. The net change in contingent consideration obligation decreased by $0.3 million for the year ended December 31, 2016 in relation to an increase in our potential earn-out payment to the Razorsight shareholders due to the achievement of certain milestones.

Restructuring charges were $10.7 million, $6.3 million and $4.9 million for the years ended December 31, 2017, 2016 and 2015, respectively, which related to employment termination costs as a result of the work-force reduction plans initiated in connection with acquisition and divestiture activities. We commenced separate plans in January 2015, March 2016, December 2016, March 2017, June 2017 and December 2017 and were designed to reduce operating costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or in the subsequent quarter.

Depreciation and amortization expense decreased $11.1 million to $94.9 million for the year ended December 31, 2017, compared to the same period in 2016, and was primarily driven by approximately $11.1 million of asset impairment realized in 2016 related to our investments in SNCR, LLC including our Synchronoss Workspace platform. Depreciation and amortization expense increased $34.9 million to $106.0 million for the year ended December 31, 2016 compared to the same period in 2015 and primarily due to increases in depreciable fixed assets necessary for the continued expansion of our platforms and amortization of intangible assets acquired in recent acquisitions and ventures.

Interest income increased $10.6 million to $12.5 million for year ended December 31, 2017, compared to the same period in 2016, primarily due to interest earned on our related party PIK note extended in connection with the sale of our BPO business. Interest income in 2016, was relatively flat against 2015.

Interest expense increased $48.4 million to $55.8 million for the year ended December 31, 2017, compared to the same period in 2016 due to incremental interest related to the 2017 Credit Agreement and waiver fees and subsequent default interest paid due to our delayed filings during 2017. Interest expense increased $1.7 million to $7.4 million for the year ended December 31, 2016, compared to the same period in 2015 due primarily to an increase of approximately $0.9 million in contractual interest on amounts outstanding under the Amended Credit Facility.

Loss on extinguishment of debt was $29.4 million for the year ended December 31, 2017, compared to nil for the same period in 2016. The loss in 2017 related to the write-off of deferred financing charges and prepayment penalties repayment of the 2017 Credit Agreement in November 2017 in connection with the sale of Intralinks and the subsequent write-off of deferred financing charges associated with the credit agreement.

Other income (expense), net changed $18.7 million to a net other expense of $17.7 million for the year ended December 31, 2017, compared to a net other income of $1.0 million in the same period in 2016 due primarily to a $14.6 million impairment of our PIK note receivable from STIN, a $4.4 million loss on the change in fair value on our financial instruments and increased net losses from foreign currency exchange rate fluctuations, partially offset by a $4.9 million gain recognized on the sale of our SpeechCycle business in 2017. Other income increased by $0.4 million for the year ended December 31, 2016, compared to the same period in 2015 due primarily to a $1.4 million gain on the sale of our Mirapoint business and a one-time $0.5 million benefit from the restructuring of specific facility leases, partially offset by net losses on foreign currency exchange rate fluctuations.

Equity method investment loss was $9.1 million for the year ended December 31, 2017, compared to nil for the same period in 2016. All earnings in 2017 related to our investment in STIN.

Income tax benefit during the year ended December 31, 2017 was $34.9 million. Our effective tax rate was approximately 15.2% for the year ended December 31, 2017, which was lower than our U.S. federal statutory rate due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. and the recording of a non-cash income tax provision to establish a valuation allowance. We considered all available evidence, including our historical profitability and projections of future taxable income together with new evidence, both positive and negative, that could affect the view of the future realization of deferred tax assets. As a result of our assessment, we recorded a $17.1 million valuation allowance which reduced the deferred tax asset related to our current net operating losses of certain domestic and foreign subsidiaries.

During the year ended December 31, 2016, we recognized $33.2 million of income tax benefit. Our effective tax rate was approximately 26.0% for the year ended December 31, 2016, which was lower than our U.S. federal statutory rate due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S., the unfavorable impact of the fair market value adjustment for the Razorsight contingent consideration obligation and the recording of a non-cash income tax provision

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to establish a valuation allowance. We considered all available evidence, including our historical profitability and projections of future taxable income together with new evidence, both positive and negative, that could affect the view of the future realization of deferred tax assets. As a result of our assessment, we recorded a $3.2 million valuation allowance.

Quarterly Results of Operations

In connection with our delinquency in filing our Form 10-Q for the periods ended March 31, 2017, June 30, 2017 and September 30, 2017, we are including quarterly and year-to-date commentary for each of the above-mentioned periods within this Form 10-K. We will also file a separate Form 10-Q for each quarterly period in 2017.

Three months ended March 31, 2017 compared to the three months ended March 31, 2016 (Unaudited)

The following table presents an overview of our results of operations for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,		
	2017	2016	$ Change
(in thousands)		(Restated)	
Net revenues	$86,097	$78,246	$7,851
Cost of revenues*	46,055	46,151	(96)
Research and development	25,489	25,827	(338)
Selling, general and administrative	38,815	25,914	12,901
Net change in contingent consideration obligation	—	5	(5)
Restructuring charges	2,998	2,910	88
Depreciation and amortization	24,087	22,782	1,305
Total costs and expenses	137,444	123,589	13,855
Loss from continuing operations	$(51,347)	$(45,343)	$(6,004)

*Cost of revenues excludes depreciation and amortization which is shown separately.

Net revenues increased $7.9 million to $86.1 million for the three months ended March 31, 2017, compared to the same period in 2016 primarily due to an $11.7 million increase in Cloud revenue primarily attributable to the deferral in the first quarter of 2016 of revenue to future periods until the delivery of services was completed for revenue recognition, offset partially by a strategic decision to focus on tier 1 customer opportunities, a reduction in professional fees and the termination of a contract with an international carrier; and $4.6 million increase in Messaging revenue from new sales in the Japanese market; This was partially offset by a $8.5 million decrease in Digital Transformation revenue resulting from the deferral in the first quarter of 2017 of revenue to future periods where the collectability was not reasonably assured, a reduction in digital activation and professional services revenue and the divestiture of the SpeechCycle business.

Cost of revenues decreased $0.1 million to $46.1 million for the three months ended March 31, 2017, compared to the same period in 2016, due cost cutting initiatives which reduced customer related hosting fees and telecommunications costs by $4.3 million. This was primarily offset by a $2.4 million increase in outside consulting costs and a $1.7 million increase in hardware and software maintenance costs.

Research and development expense decreased $0.3 million to $25.5 million for the three months ended March 31, 2017, compared to the same period in 2016 primarily due to decreased outside consulting costs in the current year related to the 2016 launch of our Enterprise solution. This partially offset by a a full quarter of expenses incurred from Openwave operations, which primarily attributable to $1.1 million of personnel related costs.

Selling, general and administrative expense increased $12.9 million to $38.8 million for the three months ended March 31, 2017, compared to the same period in 2016. The increase was primarily driven by a $10.5 million increase in acquisition and divestiture related activities and a $1.9 million increase in professional fees.

Net change in contingent consideration obligation resulted in a slight decrease for the three months ended March 31, 2017, as compared to the same period in 2016 related to the fair value increase of the Razorsight earn-out in the prior year period.

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Restructuring charges were $3.0 million for the three months ended March 31, 2017 related to employment termination costs as a result of the work-force reduction plan started in March 2017 to reduce costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense increased $1.3 million to $24.1 million for the three months ended March 31, 2017, compared to the same period in 2016. This was primarily related to the incremental amortization related to acquired intangible assets.

Interest income increased $2.2 million to $2.9 million for the three months ended March 31, 2017, compared to the same period in 2016. Interest income increased primarily due to interest earned on our related party PIK note extended in connection with the sale of our BPO business.

Interest expense increased $9.0 million to $10.6 million for the three months ended March 31, 2017, compared to the same period in 2016 due primarily to a $8.3 million increase related to an increase in borrowings outstanding from a $900.0 million senior secured term loan (the “2017 Term Facility”), which was raised to fund the purchase of Intralinks, as well as $0.7 million related to the write off of unamortized debt issuance costs due to the decrease in the borrowing capacity of our revolving credit facility of up to $200.0 million (the “Revolving Facility”).

Other income (expense), net increased $4.6 million to a net other income of $4.2 million for the three months ended March 31, 2017, compared to a net other expense of $0.4 million in the same period in 2016. Other net income increased primarily due to the $4.9 million pre-tax gain recognized on the divestiture of our SpeechCycle business and to foreign currency exchange rate fluctuations.

Equity method investment losses were $0.7 million for the three months ended March 31, 2017, compared to nil for the same period in 2016. The earnings in 2017 related to our investment in STIN.

Income tax benefit of approximately $8.7 million and $15.5 million were recognized for the three months ended March 31, 2017 and 2016, respectively. Our effective tax rate was approximately 16.1% for the three months ended March 31, 2017, which was lower than our U.S. federal statutory rate primarily due to the impact of losses in foreign jurisdictions which have lower tax rate than the U.S.

Our effective tax rate was approximately 32.7% for the three months ended March 31, 2016, which was slightly lower than our U.S. federal statutory rate primarily due to the impact of losses in foreign jurisdictions which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

Three months ended March 31, 2016 compared to the three months ended March 31, 2015 (Unaudited)

The following table presents an overview of our restated results of operations for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,		
	2016	2015	$ Change
(in thousands)	(Restated)	(Restated)	
Net revenues	$78,246	$109,641	$(31,395)
Cost of revenues*	46,151	32,902	13,249
Research and development	25,827	21,953	3,874
Selling, general and administrative	25,914	19,132	6,782

Net change in contingent consideration obligation	5	—	5
Restructuring charges	2,910	3,205	(295)
Depreciation and amortization	22,782	14,182	8,600
Total costs and expenses	123,589	91,374	32,215
Loss from continuing operations	$(45,343)	$18,267	$(63,610)

*Cost of revenues excludes depreciation and amortization which is shown separately.

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Net revenues decreased $31.4 million to $78.2 million for the three months ended March 31, 2016, compared to the prior-year period primarily due to a $43.2 million decrease in Cloud revenue due primarily to the deferral in the first quarter of 2016 of revenue to future periods until the delivery of services was completed for revenue recognition, the termination of a contract with an international carrier, and a decrease in professional services; partially offset by a $6.8 million increase in Digital Transformation revenue from digital activation and professional services; and $5.0 million increase in Messaging revenue related to the 2016 acquisition of Openwave.

Cost of revenues increased $13.2 million to $46.2 million for the three months ended March 31, 2016, compared to the prior-year period, due to an increase of $6.3 million in hosting and telecommunication expense and $1.9 million in outside consulting fees primarily related to the launch of our enterprise solution in 2016. The increase was also driven by $2.7 million in incremental maintenance related to increased costs for service contracts due to the expansion of our operational footprint and approximately $1.3 million of additional personnel and related costs as a result of our recent acquisitions.

Research and development expense increased $3.9 million to $25.8 million for the three months ended March 31, 2016, compared to the same prior-year period primarily due to an increase of $3.9 million in outside consulting fees which was driven by the launch of our enterprise solution.

Selling, general and administrative expense increased $6.8 million to $25.9 million for the three months ended March 31, 2016, compared to the same prior-year period. The increase was primarily driven by increases of $4.0 million related to personnel and related costs, $2.2 million related to outside consultants utilized with our Openwave acquisition and the launch of our Enterprise solution in 2016. These increased costs merger and acquisition costs incurred during the quarter, were offset by a decrease of $1.6 million in professional service fees.

Net change in contingent consideration obligation resulted in a slight increase for the three months ended March 31, 2016, as compared to the same prior-year period related to the fair value increase of the Razorsight earn-out.

Restructuring charges were $2.9 million for the three months ended March 31, 2016 related to employment termination costs as a result of the work-force reduction plan started in March 2016 to reduce costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense increased $8.6 million to $22.8 million for the three months ended March 31, 2016, compared to the same prior-year period. This was primarily related to the increase in depreciable fixed assets necessary for the continued expansion of our platforms and amortization of our newly acquired intangible assets related to our recent acquisitions.

Interest income increased $0.2 million to $0.6 million for the three months ended March 31, 2016, compared to the same prior-year period. Interest income increased primarily due to higher average investment balances compared to the same period in 2015.

Interest expense increased $0.2 million to $1.6 million for the three months ended March 31, 2016, compared to the same prior-year period due primarily to an increased amounts outstanding under the 2013 Credit Facility.

Other income (expense), net increased $0.6 million to a net expense of $0.4 million for the three months ended March 31, 2016, compared to the same prior-year period. Other expense increased primarily due to foreign currency exchange rate fluctuations, specifically the strengthening of the British Pound Sterling against the U.S. Dollar.

Income tax benefit of approximately $15.5 million was recognized during the three months ended March 31, 2016 compared to $4.1 million of income tax expense during the three months ended March 31, 2015. Our effective tax rate was approximately 32.7% for the three months ended March 31, 2016, which was slightly lower than our U.S. federal statutory rate primarily due to the impact of losses in foreign jurisdictions which have lower tax rates than the U.S. Our effective tax rate was approximately 23.6% for the three months ended March 31, 2015, which was lower than our U.S. federal statutory rate primarily due to the impact of losses in foreign jurisdictions which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

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Summary of the three and six months ended June 30, 2017 and 2016 (Unaudited)

The following table presents an overview of our results of operations for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	$ Change	2017	2016	$ Change
(in thousands)		(Restated)			(Restated)	
Net revenues	$118,990	$121,101	$(2,111)	$205,087	$199,347	$5,740
Cost of revenues*	47,755	48,180	(425)	93,810	94,331	(521)
Research and development	20,819	28,047	(7,228)	46,308	53,874	(7,566)
Selling, general and administrative	29,353	29,880	(527)	68,168	55,794	12,374
Net change in contingent consideration obligation	—	3,110	(3,110)	—	3,115	(3,115)
Restructuring charges	6,405	1,139	5,266	9,403	4,049	5,354
Depreciation and amortization	23,552	24,093	(541)	47,639	46,875	764
Total costs and expenses	127,884	134,449	(6,565)	265,328	258,038	7,290
Loss from continuing operations	$(8,894)	$(13,348)	$4,454	$(60,241)	$(58,691)	$(1,550)

*Cost of revenues excludes depreciation and amortization which is shown separately.

Net revenues decreased $2.1 million to $119.0 million for the three months ended June 30, 2017, compared to the same period in 2016 primarily due to $4.3 million net increase in Digital Transformation revenue from an increase in digital activation and professional services revenue, and a decrease in revenue from the divestiture of the SpeechCycle business; $0.6 million decrease in Messaging revenue from new sales in the Japanese market; partially offset by $5.8M million decrease in Cloud revenue from a strategic decision to focus on tier 1 customer opportunities, a reduction in professional fees and the termination of a contract with an international carrier.

For the six months ended June 30, 2017, net revenues increased $5.7 million to $205.1 million compared to the same period in 2016 due to an $4 million increase in Messaging from a full quarter of Messaging revenue related to the 2016 acquisition of Openwave and from new sales in the Japanese market; and a $5.9 million increase in Cloud revenue attributable to the deferral of revenue to future periods until the delivery of services was completed for revenue recognition, offset partially by a strategic decision to focus on tier 1 customer opportunities, a reduction in professional fees and the termination of a contract with an international carrier; partially offset by a $4.2 million decrease in Digital Transformation revenue resulting from the deferral in the first quarter of 2017 of revenue to future periods where the collectability was not reasonably assured, a decrease in digital activation and professional services revenue, and a decrease in revenue from the divestiture of the SpeechCycle business.

Cost of revenue decreased $0.4 million to $47.8 million for the three months ended June 30, 2017 compared to the same period in 2016, primarily due to decreases of $2.6 million in related hosting and telecommunication costs, $1.6 million in personnel and related costs. This was partially offset by increases in outside consulting expenses of $3.0 million, professional service fees of $1.0 million and specific merger and acquisition expenses of $0.5 million, primarily driven by migration and integration costs associated with our Intralinks acquisition.

For the six months ended June 30, 2017, cost of revenue decreased $0.5 million to $93.8 million compared to the same period in 2016. The decrease in 2017 was due cost cutting initiatives which reduced the following: (i) $7.2 million of customer related hosting fees and telecommunications costs and (ii) $1.3 million of personnel related costs. This was primarily offset by increased use of outside consulting, professional service fees, which amounted to increase of $5.0 million and $1.1 million respectively. $2.1 million in increased maintenance costs also contributed to changes over prior period. These overall offsetting increases were driven migration and integration costs associated

with Intralinks acquisition.

Research and development expense decreased $7.2 million to $20.8 million for the three months ended June 30, 2017, compared to the same period in 2016 primarily due to the launch of our Enterprise solution and acquisition of Openwave in 2016 and the recent divestiture of our carrier activation business.The decrease in 2017 was driven primarily by a reduction of $3.2 million in outside consulting fees, and $3.1 million of personnel and related costs through cost cutting efforts employed in outsourced research and development and through restructuring initiatives implemented in December 2016 and early 2017.

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For the six months ended June 30, 2017, research and development expense decreased $7.6 million to $46.3 million compared to the same period in 2016 primarily due to the current quarter decreases described above.

Selling, general and administrative expense decreased $0.5 million to $29.4 million for the three months ended June 30, 2017, compared to the same period in 2016. The decrease was driven by a $3.1 million decrease in stock based compensation due to lower objectives being met on performance awards, which was predominately offset by an net increase in outside consulting expense and professional fees related to the Company's accounting review and delayed filing of our Form 10-Q in 2017.

For the six months ended June 30, 2017, selling, general and administrative expense increased $12.4 million to $68.2 million compared to the same period in 2016. The increase was primarily due to $11.1 million in merger and acquisition expense related to our Intralinks acquisition and a net increase in professional and consulting fees of approximately $5.4 million related to the Company's accounting review and delayed filing of our Form 10-Q in 2017. These were partially offset by $3.2 million of decreased stock based compensation expense and $0.7 million in personnel and related costs related to our current and prior year restructuring initiatives.

Net change in contingent consideration obligation resulted in a $3.1 million decrease for both the three and six months ended June 30, 2017, as compared to the same periods in 2016, due to the completion of the performance objectives in prior periods.

Restructuring charges increased by $5.3 million to $6.4 million for the three months ended June 30, 2017, compared to the same period in 2016. During the six months ended June 30, 2017, restructuring charges increased $5.4 million to $9.4 million, compared to the six months ended June 30, 2016. We commenced separate workforce reduction plans in March 2016, December 2016, March 2017 and June 2017 designed to reduce costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense decreased $0.5 million to $23.6 million for the three months ended June 30, 2017, compared to the same period in 2016 due primarily to intangible assets impairments incurred in 2016 which reduced the intangible asset base for 2017 expense and the sale of Speechcyle in the first quarter of 2017. For the six months ended June 30, 2017, depreciation and amortization expense increased $0.8 million to $47.6 million compared to the same period in 2016. The increase was primarily related to the increase in depreciable fixed assets necessary for the continued expansion of our platforms and amortization of our newly acquired intangible assets related to our recent acquisitions.

Interest income increased $2.4 million to $3.0 million for the three months ended June 30, 2017, compared to the three months ended June 30, 2016 and increased $4.7 million to $5.9 million for the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The change for the three and six month periods was primarily due to interest earned on our related party PIK note extended in connection with the sale of our BPO business.

Interest expense increased $10.0 million to $11.8 million for the three months ended June 30, 2017, compared to the same period in 2016 due primarily to an increase of approximately $10.3 million related to an increase in borrowings outstanding related to the 2017 Term Facility, which was raised to fund the purchase of Intralinks, partially offset by a decrease of $0.5 million in interest expense related to the Amended Credit Facility outstanding in the prior year period.

For the six months ended June 30, 2017, interest expense increased $19.1 million to $22.5 million compared to the same period in 2016 due primarily to an increase of approximately $18.0 million related to interest on our 2017 Term Facility and $0.7 million related to our new Revolving Facility.

Other income (expense), net changed $2.2 million to a net other expense of $1.6 million for the three months ended June 30, 2017, compared to a net other income of $0.7 million for the same period in 2016. Other expense increased primarily due to net losses on foreign currency fluctuations.

For the six months ended June 30, 2017, other income (expense), net changed $2.3 million to a net other income of $2.6 million compared to a net other expense of nearly zero in the same period in 2016. Other net income increased primarily due to the $4.9 million pre-tax gain recognized on the divestiture of our SpeechCycle business, partially offset by net losses on foreign currency fluctuations.

Equity method investment losses were $0.2 million and $1.0 million for the three and six months ended June 30, 2017, respectively, compared to nil for the same periods in 2016. The earnings in the three and six month periods of 2017 related to STIN.

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Income tax expense recognized was approximately $3.6 million during the three months ended June 30, 2017 compared to $0.4 million during the three months ended June 30, 2016. Our effective tax rate was approximately -18.7% for the three months ended June 30, 2017, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. Our effective tax rate was approximately -3% for the three months ended June 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

During the six months ended June 30, 2017, we recognized approximately $5.2 million of income tax benefit compared to $15.1 million during the six months ended June 30, 2016. Our effective tax rate was approximately 7.1% for the six months ended June 30, 2017, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. Our effective tax rate was approximately 24.6% for the six months ended June 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

Summary of the three and six months ended June 30, 2016 and 2015 (Unaudited)

The following table presents an overview of our results of operations for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	$ Change	2016	2015	$ Change
(in thousands)	(Restated)	(Restated)		(Restated)	(Restated)	
Net revenues	$121,101	$87,710	$33,391	$199,347	$197,351	$1,996
Cost of revenues*	48,180	35,945	12,235	94,331	68,847	25,484
Research and development	28,047	22,466	5,581	53,874	44,419	9,455
Selling, general and administrative	29,880	18,615	11,265	55,794	37,747	18,047
Net change in contingent consideration obligation	3,110	—	3,110	3,115	—	3,115
Restructuring charges	1,139	1,416	(277)	4,049	4,621	(572)
Depreciation and amortization	24,093	16,596	7,497	46,875	30,778	16,097
Total costs and expenses	134,449	95,038	39,411	258,038	186,412	71,626
Loss from continuing operations	$(13,348)	$(7,328)	$(6,020)	$(58,691)	$10,939	$(69,630)

*Cost of revenues excludes depreciation and amortization which is shown separately.

Net revenues increased $33.4 million to $121.1 million for the three months ended June 30, 2016, compared to the same prior-year period primarily due to a $21.8 million increase in Cloud revenue due primarily to the deferral in the first quarter of 2016 of revenue to future periods until the delivery of services was completed for revenue recognition, the termination of a contract with an international carrier ; $13.8 million increase in Messaging revenue from the acquisition of Openwave in 2016; and a $2.1 million net decrease in Digital Transformation revenue from a decrease in digital activation and professional services revenue.

For the six months ended June 30, 2016, net revenues increased $2.0 million to $199.3 million compared to the same prior-year period primarily due to an $18.8 million increase in Messaging revenue from the 2016 acquisition of Openwave; and a $4.7 million increase in Digital Transformation revenue attributable to digital activation and

professional services revenue; and a $21.4 million decrease in Cloud revenue due primarily to the deferral of revenue to future periods until the delivery of services was completed for revenue recognition, the termination of a contract with an international carrier and a decrease in subscription and professional services.

Cost of revenues increased $12.2 million to $48.2 million for the three months ended June 30, 2016, compared to the same prior-year period, due primarily to increases in personnel and related costs, migration and integration related to our Openwave acquisition and the launch of our enterprise solution during 2016. The impact of these activities resulted in increased personnel and related costs of $4.2 million, maintenance expenses $3.2 million, outside consulting expenses of $2.8 million and hosting and telecommunication expenses of $1.5 million.

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For the six months ended June 30, 2016, cost of revenues increased $25.5 million to $94.3 million compared to the same prior-year period, due primarily to increases in hosting and telecommunication costs of $7.8 million, maintenance of $5.9 million, personnel and related costs of $5.4 million, and outside consulting of $5.1 million, which were primarily driven by the migration and integration related to our Openwave acquisition and the launch of our enterprise solution during 2016.

Research and development expense increased $5.6 million to $28.0 million for the three months ended June 30, 2016, compared to the same prior-year period primarily due to an increase of $4.2 million in outside consultant expense and $1.4 million in personnel and related costs which was driven by the launch of our enterprise solution.

For the six months ended June 30, 2016, research and development expense increased $9.5 million to $53.9 million, compared to the same prior-year period primarily due to an increase of $8.1 million in outside consulting fees, and $2.2 million in personnel and related costs which was driven by the launch of our enterprise solution.

Selling, general and administrative expense increased $11.3 million to $29.9 million for the three months ended June 30, 2016, compared to the same prior-year period. The Openwave acquisition, launch of our Enterprise solution in 2016 and various acquisitions in 2015 caused all categories of expense to increase, primarily $3.5 million in personnel and related costs, $1.7million related to professional service fees, $1.5 million in outside consulting expense, $0.9 million in telecommunications and facility costs, $0.7 million merger and acquisition costs and $0.7 million in share-based compensation.

For the six months ended June 30, 2016, selling, general and administrative expense increased $18.0 million to $55.8 million compared to the same prior-year period. The Openwave acquisition, launch of our Enterprise solution in 2016 and various acquisitions in 2015 caused all categories of expense to increase, primarily $7.4 million in personnel and related costs, $3.7 million in outside consulting, $2.2 million increase in professional fees and other acquisition related costs, $1.4 million increase in share-based compensation and $1.1 million in hosting, telecommunication and facility costs.

Net change in contingent consideration obligation resulted in a $3.1 million increase for the three and six months ended June 30, 2016, as compared to the same prior-year periods. In both periods during 2016, the change was due to an increase in the probability of achieving the contractual milestones associated with the Razorsight earn-out. There was no contingent consideration balance for the three and six months ended June 30, 2015, prior to the acquisition of Razosight.

Restructuring charges decreased $0.3 million to $1.1 million for the three months ended June 30, 2016, compared to the same prior-year period. For the six months ended June 30, 2016, restructuring charges decreased $0.6 million to $4.0 million compared to the same prior-year period. We commenced separate workforce reduction plans in January 2015 and March 2016 that were designed to reduce costs and align our resources with our key strategic priorities. Restructuring charges fluctuations are largely due to the size of the plan. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense increased $7.5 million to $24.1 million for the three months ended June 30, 2016, compared to the same prior-year period. For the six months ended June 30, 2016, depreciation and amortization expense increased $16.1 million to $46.9 million compared to the same prior-year period. The increase related to both periods was primarily due to the increase in depreciable fixed assets necessary for the continued expansion of our platforms and amortization of our newly acquired intangible assets related to recent acquisitions.

Interest income increased $0.1 million to $0.6 million for the three months ended June 30, 2016, compared to the same prior-year period and increased $0.3 million to $1.2 million for the six months ended June 30, 2016, compared to the same prior-year period. The change for the three and six-month periods were due to an increase in our returns on our cash, cash equivalents and investment balances due to a change in our portfolio allocations.

Interest expense increased $0.4 million to $1.8 million for the three months ended June 30, 2016, compared to the same prior-year period due primarily to an increase of approximately $0.3 million related to the $50.0 million drawdown from the 2013 Credit Facility and an increase of approximately $0.1 million related to bond premium amortization.

For the six months ended June 30, 2016, interest expense increased $0.7 million to $3.4 million for the six months ended June 30, 2016, compared to the same prior-year period due primarily to an increase of approximately $0.4 million related to the $50 million drawdown from the 2013 Credit Facility and an increase of approximately $0.2 million related to bond premium amortization.

Other income (expense), net increased $0.2 million to $0.7 million for the three months ended June 30, 2016, compared to the same prior-year period due primarily to foreign currency fluctuations. For the six months ended June 30, 2016, other income (expense),

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net changed $0.4 million to a net other expense of $0.3 million compared to a net other income of $0.7 million for the same prior-year period. The change was primarily due to foreign currency fluctuations.

Income tax expense recognized was approximately $.4 million during the three months ended June 30, 2016 compared to $8.4 million in the three months ended June 30, 2015. Our effective tax rate was approximately -3% for the three months ended June 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. Our effective tax rate was approximately -113% for the three months ended June 30, 2015, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

During the six months ended June 30, 2016, we recognized approximately $15.1 million of income tax benefit compared to $12.5 million in income tax expenses during the six months ended June 30, 2015. Our effective tax rate was approximately 25.0% for the six months ended June 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions which have lower tax rates than the U.S. Our effective tax rate was approximately 126.6% for the six months ended June 30, 2015, which was higher than our U.S. federal statutory rate. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

Three and nine months ended September 30, 2017 and 2016 (Unaudited)

The following table presents an overview of our results of operations for the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	$ Change	2017	2016	$ Change
(in thousands)		(Restated)			(Restated)	
Net revenues	$91,015	$119,936	$(28,921)	$296,102	$319,283	$(23,181)
Cost of revenues*	45,576	49,139	(3,563)	139,386	143,470	(4,084)
Research and development	20,926	31,030	(10,104)	67,234	84,904	(17,670)
Selling, general and administrative	34,881	28,827	6,054	103,049	84,621	18,428
Net change in contingent consideration obligation	—	(1,349)	1,349	—	1,766	(1,766)
Restructuring charges	2,312	924	1,388	11,715	4,973	6,742
Depreciation and amortization	23,459	23,592	(133)	71,098	70,467	631
Total costs and expenses	127,154	132,163	(5,009)	392,482	390,201	2,281
Loss from continuing operations	$(36,139)	$(12,227)	$(23,912)	$(96,380)	$(70,918)	$(25,462)

*Cost of revenues excludes depreciation and amortization which is shown separately.

Net revenues decreased $28.9 million to $91.0 million for the three months ended September 30, 2017, compared to the same prior-year period, primarily due to a $25.8 million decrease in Cloud revenue from a strategic decision to focus on tier 1 customer opportunities, a reduction in professional fees and the termination of a contract with an international carrier; and a $3.9 million decrease in Messaging revenue from delays in the recognition of revenue due to the timing of the receipt of final acceptance from customers; partially offset by a $0.8 million increase in Digital Transformation revenue related to a decrease in revenue from the divestiture of the SpeechCycle asset offset by increases in digital activation and professional services revenue.

For the nine months ended September 30, 2017, net revenues decreased $23.2 million to $296.1 million, compared to the same prior-year period primarily due to a $3.4 million decrease in Digital Transformation revenue driven by from the deferral in Q1 2017 of revenue to future periods where the collectability was not reasonably assured, a decrease in digital activation and professional services services revenue, and a decrease in revenue from the divestiture of the SpeechCycle business; and a $19.9 million decrease in Cloud revenue attributable to the deferral of revenue to future periods until the delivery of services was completed for revenue recognition, a strategic decision to focus on tier 1 customer opportunities, a reduction in professional fees and the termination of a contract with an international carrier; partially offset by a $0.1 million increase in Messaging revenue from a full quarter of Messaging

revenue related to the 2016 acquisition of Openwave, delays in the recognition of revenue due to the timing of the receipt of final acceptance from customers, and decreases in subscription and professional services.

Cost of revenue decreased $3.6 million to $45.6 million for the three months ended September 30, 2017, compared to the same prior-year period, due primarily to decreases of $3.3 million in net repairs and maintenance expense, $2.1 million in telecommunication costs, $1.9 million in personnel and related costs and $0.5 million of decreased stock based compensation related to the prior year divestitures and previous restructuring initiatives. This was partially offset by increases in professional service fees of $2.6 million and outside consulting expenses of $1.7 million, which were primarily driven by increased software licensing fees for third party software integration costs for our expanded programs and integration costs associated with prior acquisitions.

For the nine months ended September 30, 2017, cost of revenue decreased $4.1 million to $139.4 million compared to the same prior-year period. The decrease in 2017 was due cost cutting initiatives which reduced the following: (i) $9.3 million of customer related hosting fees and telecommunications costs and (ii) $5.4 million of personnel related costs, included stock based compensation. This was partially offset by an increase of $6.6 million due to higher use of outside consultants and a $3.8 million increase in professional service fees.

Research and development expense decreased $10.1 million to $20.9 million for the three months ended September 30, 2017, compared to the same prior-year period primarily due to costs reductions related to the 2016 divestiture of our our carrier activation business, prior year restructuring initiatives and the 2016 launch of our Enterprise solution, which drove decreases of $5.3 million in personnel and related costs, $3.8 million in outside consulting fees and $1.3 million in stock based compensation.

For the nine months ended September 30, 2017, research and development expense decreased $17.7 million to $67.2 million, compared to the same prior-year period. The decrease in 2017 was driven primarily by a reduction of $8.7 million in outside consulting fees, a $7.3 million of personnel and related costs and a $2.1 million reduction in stock-based compensation through cost cutting efforts employed in outsourced research and development and through restructuring initiatives implemented in December 2016 and early 2017.

Selling, general and administrative expense increased $6.1 million to $34.9 million for the three months ended September 30, 2017, compared to the same prior-year period. The increase was primarily due to a $8.5 million increase in professional fees and outside consulting fees related to our financial restatement process and acquisition costs. These increases were slightly offset by decreases of $3.0 million in stock-based compensation expense and $0.5 million in personnel and related costs.

For the nine months ended September 30, 2017, selling, general and administrative expense increased $18.4 million to $103.0 million compared to the same prior-year period. The increase was primarily due to a $15.6 million increase in professional fees related to our financial restatement process and $10.9 million in acquisition and divestiture costs. These increased costs were partially offset by decreased stock-based compensation of $6.1 million, outside consulting expenses of $1.6 million and personnel and related costs of $1.2 million, resulting from our current and prior year divestitures and restructuring initiatives.

Net change in contingent consideration obligation resulted in a $1.3 million change to zero for the three months ended September 30, 2017, as compared to a credit of $1.3 million in the same prior-year period. For the nine months ended September 30, 2017, the net change in contingent consideration obligation resulted in a $1.8 million decrease as compared to the same prior-year period. These decreases were due to the completion of the earn-out periods in 2016.

Restructuring charges increased $1.4 million to $2.3 million for the three months ended September 30, 2017, compared to the same prior year period. For the nine months ended September 30, 2017, restructuring charges

increased $6.7 million to $11.7 million compared to the same prior-year period. We commenced separate workforce reduction plans in March 2016, December 2016, March 2017 and June 2017 that were designed to reduce costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense decreased $0.1 million to $23.5 million for the three months ended September 30, 2017, compared to the same prior-year period, due primarily to intangible assets impairments incurred in 2016 which reduced the intangible asset base for the comparable 2017 expense, net of increased depreciation on our newly acquired fixed assets. For the nine months ended September 30, 2017, depreciation and amortization expense increased by $0.6 million to $71.1 million compared to the nine months ended September 30, 2016. The increase during the year-to-date period was driven by increased depreciation on our newly acquired fixed assets, partially offset by decreases in intangible asset amortization due to prior year impairments.

Interest income increased $3.0 million to $3.3 million for the three months ended September 30, 2017, compared to the same prior-year period. For the nine months ended September 30, 2017, interest income increased $7.7 million to $9.2 million compared

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to the nine months ended September 30, 2016. The change for the three and nine month periods was primarily due to interest earned on our related party PIK note extended in connection with the sale of our BPO business.

Interest expense increased $24.0 million to $25.6 million for the three months ended September 30, 2017, compared to the same prior-year period due primarily to a $21.6 million increase in interest on borrowings outstanding related to our 2017 Term Facility and $2.0 million from the Revolving Facility. The 2017 Term Facility interest included $5.7 million of amendment fees and $2.5 million related to a contingent interest derivative.

For the nine months ended September 30, 2017, interest expense increased $43.0 million to $48.0 million compared to the same prior-year period due primarily to $39.6 million of increased interest on borrowings related to our 2017 Term Facility and $2.7 million from the Revolving Facility. The 2017 Term Facility interest included $5.7 million of amendment fees and $2.5 million related to a contingent interest derivative.

Other income (expense), net changed $0.4 million to a net other income of $0.3 million for the three months ended September 30, 2017, compared to a net other expense of $0.2 million for the same prior-year period. The change was primarily due to foreign currency fluctuation gains, partially offset by a one-time $0.5 million benefit from the restructuring of certain facility leases.

For the nine months ended September 30, 2017, other income (expense), net changed $2.8 million to a net other income of $2.9 million compared to a net other expense of $0.1 million for the nine months ended September 30, 2016. Other net income increased primarily due to the $4.9 million pre-tax gain recognized on the divestiture of our SpeechCycle business, partially offset by net losses on foreign currency fluctuations.

Equity method investment losses were $0.6 million and $1.6 million for the three and nine months ended September 30, 2017, compared to nil for the same periods in 2016. The earnings in the three and nine month periods of 2017 related to STIN.

Income tax benefit recognized was approximately $12.8 million during the three months ended September 30, 2017, compared to $3.6 million during the three months ended September 30, 2016. Our effective tax rate was approximately 22.3% for the three months ended September 30, 2017, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. Our effective tax rate was approximately 26% for the three months ended September 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

For the nine months ended September 30, 2017 and 2016, we respectively recognized approximately $18.0 million and $18.8 million in related income tax benefit. Our effective tax rate was approximately 13.7% for the nine months ended September 30, 2017, which was lower than our U.S. federal statutory rate. Our effective tax rate was approximately 25% for the nine months ended September 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

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Three and nine months ended September 30, 2016 and 2015 (Unaudited)

The following table presents an overview of our results of operations for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	$ Change	2016	2015	$ Change
(in thousands)	(Restated)	(Restated)		(Restated)	(Restated)	
Net revenues	$119,936	$88,747	$31,189	$319,283	$286,098	$33,185
Cost of revenues*	49,139	40,265	8,874	143,470	109,112	34,358
Research and development	31,030	24,151	6,879	84,904	68,570	16,334
Selling, general and administrative	28,827	20,339	8,488	84,621	58,086	26,535
Net change in contingent consideration obligation	(1,349)	—	(1,349)	1,766	—	1,766
Restructuring charges	924	359	565	4,973	4,980	(7)
Depreciation and amortization	23,592	19,588	4,004	70,467	50,366	20,101
Total costs and expenses	132,163	104,702	27,461	390,201	291,114	99,087
Loss from continuing operations	$(12,227)	$(15,955)	$3,728	$(70,918)	$(5,016)	$(65,902)

*Cost of revenues excludes depreciation and amortization which is shown separately.

Net revenues increased $31.2 million to $119.9 million for the three months ended September 30, 2016 compared to the same prior-year period, primarily due to a $18.7 million increase in Cloud revenue due primarily to the recognition of revenue deferred to future periods until the delivery of services was completed for revenue recognition, partially offset by the termination of a contract with an international carrier and a decrease in subscription and professional services; , an $13.3 million increase in Messaging revenue from the 2016 acquisition of Openwave, and a $0.9 million decrease in Digital Transformation revenue from a decrease in digital activation and professional services revenue.

For the nine months ended September 30, 2016, net revenues increased $33.2 million to $319.3 million, compared to the same prior-year period, due primarily to a $32.0 million increase in Messaging revenue from the 2016 acquisition of Openwave and a $3.8 million increase in Digital Transformation revenue from an increase in digital activation and professional services revenue; partially offset by a $2.6 million decrease in Cloud revenue from due primarily to the deferral of revenue to future periods until the delivery of services was completed for revenue recognition, the termination of a contract with an international carrier and a decrease in subscription and professional services.

Cost of revenues increased $8.9 million to $49.1 million for the three months ended September 30, 2016, compared to the same prior-year period, due primarily to costs related to our migration and integration of Openwave in 2016 and the launch of our Enterprise solution. The increase was driven by $4.7 million of personnel and related costs, $3.3 million of repair and maintenance expense related to the expansion of our operational footprint and $1.2 million of outside consulting fees as a result of increased usage of third party exception handling vendors. These increases were partially offset by a $0.4 million decrease in telecommunication expenses related to integration initiatives.

For the nine months ended September 30, 2016, cost of revenues increased $34.4 million to $143.5 million compared to the same prior-year period, due primarily to costs related to our migration and integration of Openwave in 2016 and the launch of our Enterprise solution. Personnel and related costs increased $10.2 million, of which $4.9 million related to increased headcount from the Openwave acquisition and remaining change related to the launch of our Enterprise solution. Equipment maintenance increased $8.3 million and telecommunication and facility costs increased $7.4 million due to the expansion of our operational footprint in 2016. Outside consulting expenses increased $6.3 million as a result of increased usage pertaining to recent acquisition.

Research and development expense increased $6.9 million to $31.0 million for the three months ended September 30, 2016, compared to the same prior-year period primarily due to increased headcount related to our acquisition of Openwave and the launch of our Enterprise solution during 2016, which drove a $3.3 million of increased personnel and related costs, $2.9 million of outside consultant expense and $0.4 million in stock-based compensation.

For the nine months ended September 30, 2016, research and development expense increased $16.3 million to $84.9 million compared to the same prior-year period. The increase in was primarily due to a $11.0 million increase in outside consulting fees and $5.5 million increase in personnel costs as a result of the launch of our Enterprise solution and our Openwave acquisition.

Selling, general and administrative expense increased $8.5 million to $28.8 million for the three months ended September 30, 2016, compared to the same prior-year period. The increase was driven by a $3.8 million increase in personnel and related costs which were impacted by increased headcount due to the launch of our Enterprise solution and our Openwave acquisition. There was an increase in professional services of $2.0 million related to accounting and legal costs resulting from our acquisitions and tax planning efforts. The remaining increase related primarily to prior year acquisitions and growth, which drove increases of $0.8 million in outside consulting fees, $0.6 million in telecommunication and facility costs, $0.5 million in marking expense and $0.4 million in merger and acquisition costs.

For the nine months ended September 30, 2016, selling, general and administrative expense increased $26.5 million to $84.6 million compared to the same prior-year period. The Openwave acquisition, launch of our Enterprise solution in 2016 and various acquisitions in 2015 caused all categories of expense to increase, primarily $11.2 million in personnel and related costs, $4.5 million in outside consulting, $2.6 million in merger and acquisition costs, $2.1 million of professional service fees, $1.7 million in telecommunication and facility costs, $1.1 million of marketing expense and a $1.1 million increase in share-based compensation. The remaining change related to various other operating expenses.

Net change in contingent consideration obligation resulted in a $1.3 million decrease for the three months ended September 30, 2016, as compared to the same prior-year period, driven by a reduction of the previously disclosed contingent consideration obligation due to a restatement adjustment related to achieving the contractual milestones associated with the Razorsight earn-out.

For the nine months ended September 30, 2016, the net change in contingent consideration obligation resulted in a $1.8 million increase as compared to the same prior-year period, driven by a reduction of the previously disclosed contingent consideration obligation due to a restatement adjustment related to achieving the contractual milestones associated with the Razorsight earn-out.

Restructuring charges increased $0.6 million to $0.9 million for the three months ended September 30, 2016, compared to the same prior-year period. For the nine months ended September 30, 2016 and 2015, restructuring charges remained flat at $5.0 million, respectively. We commenced separate workforce reduction plans in January 2015 and March 2016 that were designed to reduce costs and align our resources with our key strategic priorities. Material cash outlays for restructuring occur in the quarter in which the plan is initiated or the subsequent quarter.

Depreciation and amortization expense increased $4.0 million to $23.6 million for the three months ended September 30, 2016, compared to the same prior-year period. For the nine months ended September 30, 2016, depreciation and amortization expense increased $20.1 million to $70.5 million compared to the same prior-year period. The change in both periods was primarily related to the increase in depreciable fixed assets necessary for the continued expansion of our platforms and amortization of our newly acquired intangible assets related to our recent acquisitions.

Interest income decreased $0.3 million to $0.3 million for the three months ended September 30, 2016, compared to the same prior-year period and was driven by changes in our portfolio allocations compared to the respective prior year period. For the nine months ended September 30, 2016, interest income remained relatively flat at $1.5 million compared to the same prior-year period.

Interest expense increased $0.1 million to $1.6 million for the three months ended September 30, 2016, compared to the same prior-year period. For the nine months ended September 30, 2016, interest expense increased $0.8 million to $5.0 million compared to the same prior-year period due primarily to an increase of approximately $0.8 million related to the drawdown from the Amended Credit Facility.

Other income (expense), net decreased $0.8 million to a net expense of $0.2 million for the three months ended September 30, 2016, compared to the same prior-year period. The decrease was primarily due to a one-time $0.5 million benefit from the restructuring of certain facility leases and $0.2 million of rental income in 2016.

For the nine months ended September 30, 2016, other income (expense), net decreased $0.3 million to a net other expense of $0.1 million compared to the same prior-year period. The decrease was primarily due to a one-time $0.5 million benefit from the restructuring of certain facility leases.

Income tax benefit recognized was approximately $3.6 million during the three months ended September 30, 2016 compared to $7.8 million tax benefit during the three months ended September 30, 2015. Our effective tax rate was approximately 26.3% for the three months ended September 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. Our effective tax rate was approximately 43.8% for the three months ended September 30, 2015, which was higher than our U.S. federal statutory rate primarily due to the unfavorable

impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

During the nine months ended September 30, 2016, we recognized approximately $18.8 million of income tax benefit compared to $4.7 million in income tax expenses during the nine months ended September 30, 2015. Our effective tax rate was approximately 24.9% for the nine months ended September 30, 2016, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. Our effective tax rate was approximately -59.9% for the nine months ended September 30, 2015, which was lower than our U.S. federal statutory rate primarily due to the unfavorable impact of losses in foreign jurisdictions, which have lower tax rates than the U.S. We review the expected annual effective income tax rate and make changes on a quarterly basis as necessary based on certain factors such as changes in forecasted annual operating income, changes to the actual and forecasted permanent book-to-tax differences, and changes resulting from the impact of tax law changes.

Liquidity and Capital Resources

As of December 31, 2017, our principal sources of liquidity have been cash provided by operations and proceeds from divestitures. Our cash, cash equivalents, marketable securities and restricted cash balance was $249.2 million at December 31, 2017. We anticipate that our principal uses of cash in the future will be to fund the expansion of our business through both organic growth and acquisition activities and the expansion of our customer base. Uses of cash will also include facility and technology expansion, significant integration and restructuring activities, capital expenditures, and working capital.

At December 31, 2017, our non-U.S. subsidiaries held approximately $29.4 million of cash and cash equivalents that are available for use by all of our operations around the world. At this time, we believe the funds held by all non-U.S. subsidiaries will be permanently reinvested outside of the U.S. However, if these funds were repatriated to the U.S. or used for U.S. operations, certain amounts could be subject to U.S. tax for the incremental amount in excess of the foreign tax paid. Due to the timing and circumstances of repatriation of these earnings, if any, it is not practical to determine the unrecognized deferred tax liability related to the amount.

We believe that our existing cash, cash equivalents, marketable securities, expected positive cash flows generated from operations will be sufficient to fund our operations for the next twelve months based on our current business plans. Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Forward-Looking Statements" section of this MD&A and Part I, Item 1A. “Risk Factors”, some of which are outside of our control.

2017 Credit Agreement

On January 19, 2017, we completed the acquisition of Intralinks. In connection with the acquisition, we entered into the 2017 Credit Agreement which was comprised of the 2017 Term Facility with a maturity date of January 19, 2024 (the “2017 Term Facility”) and the Revolving Facility with a maturity date of January 19, 2022 (the “Revolving Facility”), (together, the “2017 Credit Agreement”, as defined previously). Obligations under the 2017 Credit Agreement were guaranteed by certain of our subsidiaries and secured by substantially all of the Company’s and its subsidiaries’ assets.

The 2017 Term Facility amortized at 1% per annum in equal quarterly installments with the balance payable on the maturity date. The proceeds of the 2017 Term Facility were used to: finance a portion of the cash consideration in the offer and the merger to purchase all of the outstanding shares of Intralinks common stock; to refinance certain of our

existing indebtedness, including the Amended Credit Agreement (the “Amended Credit Agreement”) with Wells Fargo Bank, National Association, as administrative agent (the “Administrative Agent”) and the several lenders party thereto dated July 7, 2016, the indebtedness of Intralinks (or our subsidiaries); and to pay related fees and expenses. The Revolving Facility included borrowing capacity available for letters of credit and for borrowings on same-day notice under swingline loans and borrowing thereunder could be used for working capital needs and other general corporate purposes.

The 2017 Term Facility initially bear an interest at a rate equal to, at our option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate, in each case, plus an applicable margin of 2.75% or 1.75%, respectively. The Revolving Facility initially bear an interest at a rate equal to, at our option, the adjusted LIBOR rate or an alternate base rate, in each case, plus an applicable margin of 2.50% or 1.50%, respectively, subject to step-downs based on our ratio of first lien secured debt to adjusted earnings before interest, tax, depreciation and amortization (“EBITDA”), as defined in the 2017 Credit Agreement. We paid a commitment fee in the range of 0.25% to 0.375% on the unused balance of the Revolving Facility. Interest was payable quarterly under the 2017 Credit Agreement.

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Subject to certain customary exceptions, the 2017 Term Facility was subject to mandatory prepayments in amounts equal to: (1) 100% of the net cash proceeds from any non-ordinary course sale or other disposition of assets (including as a result of casualty or condemnation) by Synchronoss or its subsidiaries subject to customary reinvestment provisions and certain other exceptions; (2) 100% of the net cash proceeds from incurrences of debt (other than permitted debt); and (3) a customary annual excess cash flow sweep at levels based on our applicable ratio of first lien secured debt to adjusted EBITDA, as defined in the 2017 Credit Agreement.

The 2017 Credit Agreement contained a number of customary affirmative and negative covenants and events of default, which, among other things, restricted our ability to incur debt, allow liens on assets, make investments, pay dividends or prepay certain other debt. The 2017 Credit Agreement also required us to comply with certain financial maintenance covenants, including a total gross leverage ratio and an interest charge coverage ratio.

Certain of the lenders under the 2017 Credit Agreement, or their affiliates, provided, and may in the future from time to time provide, certain commercial and investment banking, financial advisory and other services in the ordinary course of business for the registrant and its affiliates, for which they have in the past and may in the future receive customary fees and commissions.

As a result of our restatement, we were unable to comply with covenants requiring the timely delivery of audited financial statements and interim financial information. We obtained waivers to extend the dates by which the Company was required to deliver such financial information to June 30, 2017.

Waiver Agreement to 2017 Credit Agreement

On June 30, 2017, the Company, the Lenders and the Administrative Agent entered into a Limited Waiver to Credit Agreement (the “Waiver Agreement”) pursuant to which the Lenders agreed, subject to the limitations contained in the Waiver Agreement, to temporarily waive (the “Limited Waiver”) the anticipated event of default (the “Anticipated Event of Default”) resulting from our failure to deliver its first quarter 2017 financial statements, together with related items required under the 2017 Credit Agreement on or prior to June 30, 2017. In the absence of the Limited Waiver, after the occurrence of the Anticipated Event of Default the Lenders would be permitted to exercise their rights and remedies available to them under the 2017 Credit Facility with respect to an event of default. The Limited Waiver was designed to give us and the Lenders additional time to negotiate in good faith and document certain amendments to the 2017 Credit Facility.

As consideration for the Limited Waiver, we agreed to pay a consent fee to each Lender who consented to the Waiver Agreement in an amount equal to 0.15% of the aggregate principal amount of such consenting Lender’s revolving credit commitments and term loans outstanding under the 2017 Credit Agreement, which amount was credited against any consent fee that was required to be paid in connection with any subsequent waiver of the Anticipated Event of Default or related amendment of the 2017 Credit Agreement. In addition, we paid the reasonable fees and expenses of counsel and other costs and expenses requested by the Administrative Agent on behalf of the Lenders and certain other fees as set forth in the Waiver Agreement.

First Amendment to 2017 Credit Agreement

On July 19, 2017, we entered into a first amendment and limited waiver to the 2017 Credit Agreement (the “First Amendment”). Pursuant to the First Amendment, the lenders and administrative agent agreed to extend the time period for delivery of our quarterly financial statements for the quarters ended March 31, 2017 and June 30, 2017 (the “2017 Quarterly Financial Statements”) and to waive the default and event of default arising from our failure to deliver the 2017 Quarterly Financial Statements within the timeframe originally required by the 2017 Credit Agreement (or, at

our election, November 16, 2017, if prior to October 17, 2017 we pay a fee to the Lenders equal to 25 basis points on the aggregate principal amount of revolving commitments and terms loans outstanding).

The First Amendment effected various other changes to the terms of the Credit Agreement, including reducing revolving credit commitments from $200.0 million to $100.0 million (with a sub-limit on usage of $50.0 million until the earliest date by which the Company has delivered the 2017 Quarterly Financial Statements, the restated financial statements for the fiscal years ended December 31, 2016 and 2015 (and the respective quarterly periods) and certain information with respect to disclosing and remedying any material weaknesses in our internal control structure related to financial reporting).

Under the First Amendment, we were required to maintain a first lien secured net leverage ratio of no more than (x) 5.50 to 1 for any period ending from September 30, 2017 through March 31, 2019; (y) 5.00 to 1 for any period ending June 30, 2019 through December 31, 2019; and (z) 4.25 to 1 for any period ending March 31, 2020 and thereafter. We were also required to maintain a minimum interest coverage ratio of no less than 2.00 to 1.

Until the earlier of (A) the later of (i) December 15, 2017 and (ii) in the event that, prior to December 15, 2017, the Company has publicly announced a strategic transaction, or merger, business combination, acquisition or divestiture that would result in a change of control or a requirement to prepay the loans and terminate commitments under the Amended Credit Agreement, the date on which such transaction is consummated or abandoned (the "Initial Period End Date") and (B) June 15, 2018, term loans under the Amended Credit Agreement bear interest at a rate equal to, at our option, the adjusted LIBOR rate for an applicable interest period or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins increase to 5.75% and 4.75%, respectively, if our first lien secured net leverage ratio is less than or equal to 5.00 to 1, and to 6.75% and 5.75%, respectively, if our first lien secured net leverage ratio is greater than 5.00 to 1. The foregoing applicable margins are subject to a retroactive increase of 0.25% each if the Restated Financial Statements show an amount of net revenue for any fiscal year ended December 31, 2015, December 31, 2016 and, if applicable, December 31, 2014 that varies by greater than 15% of the net revenue set forth on Consolidated Balance Sheets and related Consolidated Statements of Operations of the Company for such fiscal year that had originally been filed with the Securities and Exchange Commission.

Until the Initial Period End Date, revolving loans under the Amended Credit Agreement bear interest at a rate equal to, at our option, the adjusted LIBOR rate or an alternate base rate (subject to a floor of 1.00% and 2.00%, respectively), in each case, plus an applicable margin of 4.50% or 3.50%, respectively. Thereafter, the applicable margins will be subject to step-downs based on our first lien secured net leverage ratio.

Until the Initial Period End Date, term loans under the Amended Credit Agreement are subject to a prepayment premium of 1.00% solely if prepaid with proceeds of a repricing transaction. Thereafter, the term loans will be subject to (x) a 2.00% prepayment premium for any voluntary prepayments (including upon a change of control) made through the one-year anniversary of the Initial Period End Date and (y) a 1.00% prepayment premium for any voluntary prepayments (including upon a change of control) made after the one-year anniversary of the Initial Period End Date and prior to the second anniversary thereof.

The Amendment also effected various other changes to the baskets and exceptions under the negative covenants of the Credit Agreement.

Our effective interest rate on the term loans was approximately 4.08% prior to the First Amendment and ranged from 5.74% to 5.76% from July 19, 2017 through November 2017. During 2017,we paid approximately $16.8 million in fees related to obtaining waivers, amendments, and consents in relation to the 2017 Credit Agreement as a result of the delay in the delivery of the 2017 Quarterly Financial Statements. These costs were recognized within the Interest expense line of the Consolidated Statements of Operations until the debt was repaid in the fourth quarter of 2017. The remaining balance was recognized within the Extinguishment of debt line item of the Consolidated Statements of Operations.

Repayment of 2017 Credit Agreement

In connection with the consummation of the Intralinks divestiture (See Note 4 - Acquisitions and Divestitures of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K), we utilized a portion of the proceeds from the Intralinks divestiture to repay all outstanding obligations under the 2017 Credit Agreement. In connection therewith, we delivered all notices and took all other actions to facilitate and cause the termination of the 2017 Credit Agreement, the repayment in full of all obligations then outstanding thereunder and the release of any security interests in connection therewith, effective as of November 14, 2017. The aggregate payoff amount was approximately $897.5 million and included all accrued interest, fees and prepayment penalties associated therewith. The Company incurred approximately $29.4 million of a loss on the extinguishment of the 2017 Credit Agreement for the year ended December 31, 2017.

Amended Credit Facility

On July 7, 2016, we entered into an Amended Credit Facility, with the Administrative Agent and several lenders party thereto, which was permitted to be used for general corporate purposes was a $250.0 million unsecured revolving line of credit that was set to mature on July 7, 2021 ("Amended Credit Facility"), subject to terms and conditions set forth therein. We paid a commitment fee in the range of 15 to 30 basis points on the unused balance of the revolving credit facility under the Amended Credit Facility. We had the right to request an increase in the aggregate principal amount of the Amended Credit Facility up to $350.0 million. Interest on the borrowings ranged from 1.94% to 2.03%.

On January 19, 2017, the Company repaid all outstanding obligations under the Amended Credit Facility with Wells Fargo Bank and the several lenders party thereto. The aggregate payoff amount was $29.0 million and included all accrued interest and associated prepayment penalties. For further details, see Note 11 - Debt of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Convertible Senior Notes

On August 12, 2014, we issued the 2019 Notes. The 2019 Notes mature on August 15, 2019, and bear interest at a rate of 0.75% per annum payable semi-annually in arrears on February 15 and August 15 of each year. We accounted for the $230.0 million face value of the debt as a liability and capitalized approximately $7.1 million of financing fees, related to the issuance. At December 31, 2017, the carrying amount of the liability was $227.7 million and the outstanding principal of the 2019 Notes was $230.0 million, with an effective interest rate of approximately 1.38%. For further details, see Note 11 - Debt of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

The 2019 Notes are our senior unsecured obligations and are convertible into shares of our common stock based on a conversion rate of 18.8072 shares per $1,000 principal amount of 2019 Notes which is equivalent to an initial conversion price of approximately $53.17 per share. We will satisfy any conversion of the 2019 Notes with shares of our common stock. The 2019 Notes are convertible at the note holders' option prior to their maturity and if specified corporate transactions occur. The issue price of the 2019 Notes was equal to their face amount.

Holders of the 2019 Notes who convert their notes in connection with a qualifying fundamental change, as defined in the related indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, following the occurrence of a fundamental change, holders may require that we repurchase some or all of the 2019 Notes for cash at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. As of December 31, 2017, none of these conditions existed with respect to the 2019 Notes and as a result, the 2019 Notes are classified as long term.

A fundamental change occurs when, among other things, our common stock ceases to be listed or quoted on Nasdaq. In May 2018, trading of the our common stock has been suspended on Nasdaq, however, it has not been delisted (see Note 21 - Subsequent Events Review of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.)

The 2019 Notes are our direct senior unsecured obligations and rank equal in right of payment to all of our existing and future unsecured and unsubordinated indebtedness.

At December 31, 2017, the carrying amount of the liability was $227.7 million and the outstanding principal of the 2019 Notes was $230.0 million, with an effective interest rate of approximately 1.38%. The fair value of the 2019 Notes was $218.5 million at December 31, 2017. The fair value of the liability of the 2019 Notes was determined using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar liabilities and therefore classified within Level 2 of the fair-value hierarchy.

We are required to meet all SEC filing requirements and deadlines in order to be in compliance with the 2019 Notes. In the event that we do not meet the filing requirements, the noteholders are entitled to receive additional interest of 0.25% up to 180 days from the date of the notice of default and 0.50% thereafter up to 360 days. The Company may agree to pay additional interest to the holders by notifying holders and the trustee within 90 days from the notice of default. If the Company decides to pay that interest, but has not remedied the event within 360 days from the notice of default, it will be in default. If the Company fails to elect to pay that additional interest, it will be in default if it does not remedy the event within the 90 days period.

We received a notice of default from holders of more than 25% of the outstanding principal amount of the 2019 Notes on October 13, 2017. Based on the terms of the 2019 Notes, the Company was obligated to begin paying additional interest starting January 11, 2018 (the 90th day following the Company's receipt of the notice of default).

We are required to record a derivative related to this contingent interest as a liability and expense in our financial statements. At December 31, 2017, the Company recorded a contingent interest derivative liability within accrued expenses and corresponding interest expense of approximately $0.2 million.

2013 Credit Facility

In September 2013, we entered into a Credit Facility (the “Credit Facility”) with JP Morgan Chase Bank, N.A., as the administrative agent, Wells Fargo Bank, National Association, as the syndication agent and Capital One, National Association and KeyBank National Association, as co-documentation agents. The Credit Facility, which was used for general corporate purposes, was a $100.0 million unsecured revolving line of credit that was set to mature on September 27, 2018. We paid a commitment fee in the range of 25 to 35 basis points on the unused balance of the revolving credit facility under this credit agreement. We had the right to request an increase in the aggregate principal amount of the Credit Facility up to $150.0 million.

Interest on the borrowing was based upon LIBOR plus a 2.25 basis point margin. All outstanding balances under the Credit Facility were repaid on July 7, 2016 and the 2013 Credit Facility was terminated and replaced with the Amended Credit Facility.

Share Repurchase Program

On February 4, 2016, we announced that our Board of Directors approved a share repurchase program under which we may repurchase up to $100.0 million of our outstanding common stock for 12 to 18 months following the announcement. In 2016, the Company repurchased approximately 1.3 million shares of the Company's common stock under this program for an aggregate repurchase price of $40.0 million. There were no repurchases in 2017.

Redeemable Shares

Under the terms of the Share Purchase Agreement, the Company issued Series A Preferred to Siris for consideration totaling $185.0 million, of which $97.7 million was paid in cash, with the remainder settled by Siris' delivery of 5,994,667 shares of Synchronoss common stock. The Share Purchase Agreement also provided Siris with an option to put those shares to Synchronoss at price of $14.56 per share, or $87.3 million in the aggregate, if the Share Purchase Agreement was terminated. The Share Purchase Agreement required the Company to establish an escrow account of $87.3 million on the earlier date of the sale of Intralinks to Siris or the termination of the Share Purchase Agreement to fund our obligation under the put option. The option is exercisable within five days of the termination of the Share Purchase Agreement.

Shares of Preferred Stock

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the "PIPE Purchase Agreement"), with Silver, on February 15, 2018, we issued to Silver 185,000 shares of our newly issued Series A Preferred Stock, par value $0.0001 per share, with an initial liquidation preference of $1,000 per share, in exchange for $97.7 million in cash and the transfer from Silver to us of the 5,994,667 shares of our common stock held by Silver (the "Preferred Transaction"). In connection with the issuance of the Series A Preferred Stock, we (i) filed the Series A Certificate and (ii) entered into an Investor Rights Agreement with Silver setting forth certain registration, governance and preemptive rights of Silver with respect to us (the "Investor Rights Agreement"). Pursuant to the PIPE Purchase Agreement, at the closing, we paid to Siris $5.0 million as a reimbursement of Silver's reasonable costs and expenses incurred in connection with the Preferred Transaction.

Certificate of Designation of the Series A Preferred Stock

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series A Preferred Stock are set forth in the Series A Certificate. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive Preferred Dividends. The Preferred Dividends are due on each Series A Dividend Payment Date. We may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event we do not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of our common stock.

Each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the "Conversion Price" (as that term is defined in the Series A Certificate) multiplied by the then applicable "Conversion Rate" (as that term is defined in the Series A Certificate). Each share of Series A Preferred Stock is initially convertible into 55.5556 shares of common stock, representing an initial "conversion price" of approximately

$18.00 per share of common stock. The Conversion Rate is subject to equitable proportionate adjustment in the event of stock splits, recapitalizations and other events set forth in the Series A Certificate.

On and after the fifth anniversary of February 15, 2018, holders of shares of Series A Preferred Stock have the right to cause us to redeem each share of Series A Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series A Preferred Stock is also redeemable at the option of the holder upon the occurrence of a "Fundamental Change" (as that term is defined in the Series A Certificate) at a specified premium. In addition, we are also permitted to redeem all outstanding shares of the Series A Preferred Stock at any time (i) within the first 30 months of the date of issuance for the sum of the then-applicable Liquidation Preference, accrued but unpaid dividends and a make whole amount and (ii) following the 30-month anniversary of the date of issuance for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends.

The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of our annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of our Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of our Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of Series A Preferred Stock have the right to nominate at least one director, we are required to obtain the prior approval of Silver prior to taking certain actions, including: (i) certain dividends, repayments and redemptions; (ii) any amendment to our certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock; (iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of us; (iv) changes in the size of our Board of Directors; (v) any amendment, alteration, modification or repeal of the charter of our Nominating and Corporate Governance Committee of the Board of Directors and related documents; and (vi) any change in our principal business or the entry into any line of business outside of our existing lines of businesses. In addition, in the event that we are in EBITDA Non-Compliance (as defined in the Series A Certificate) or the undertaking of certain actions would result in us exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of $10.0 million, enter or consummate any transaction where the fair market value exceeds $5.0 million individually or $10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of $25.0 million in a fiscal year.

Each holder of Series A Preferred Stock has one vote per share on any matter on which holders of Series A Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent. The holders of Series A Preferred Stock are permitted to take any action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or electronic transmission of the holders of the Series A Preferred Stock entitled to cast not less than the minimum number of votes that would be necessary to authorize, take or consent to such action at a meeting of stockholders. In addition to any vote (or action taken by written consent) of the holders of the shares of Series A Preferred Stock as a separate class provided for in the Series A Certificate or by the General Corporation Law of the State of Delaware, the holders of shares of the Series A Preferred Stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote on an as-converted basis with the holders of common stock) on all matters submitted to a vote or to the consent of the stockholders of the Company (including the election of directors) as one class.

Under the Series A Certificate, if Silver and certain of its affiliates have elected to effect a conversion of some or all of their shares of Series A Preferred Stock and if the sum, without duplication, of (i) the aggregate number of shares of our common stock issued to such holders upon such conversion and any shares of our common stock previously issued to such holders upon conversion of Series A Preferred Stock and then held by such holders, plus (ii) the number of shares of our common stock underlying shares of Series A Preferred Stock that would be held at such time by such holders (after giving effect to such conversion), would exceed the 19.9% of the issued and outstanding shares of our voting stock on an as converted basis (the “Conversion Cap”), then such holders would only be entitled to convert such number of shares as would result in the sum of clauses (i) and (ii) (after giving effect to such conversion) being equal to the Conversion Cap (after giving effect to any such limitation on conversion). Any shares of Series A Preferred Stock which a holder has elected to convert but which, by reason of the previous sentence, are not so converted, will be treated as if the holder had not made such election to convert and such shares of Series A Preferred Stock will remain outstanding. Also, under the Series A Certificate, if the sum, without duplication, of (i) the aggregate voting power of the shares previously issued to Silver and certain of its affiliates held by such holders at the record date, plus (ii) the aggregate voting power of the shares of Series A Preferred Stock held by such holders as of such record date, would exceed 19.99% of the total voting power of our outstanding voting stock at such record date, then, with respect

to such shares, Silver and certain of its affiliates are only entitled to cast a number of votes equal to 19.99% of such total voting power. The limitation on conversion and voting ceases to apply upon receipt of the requisite approval of holders of our common stock under the applicable listing standards.

Form of Investor Rights Agreement

Concurrently with the closing of the Preferred Transaction, Synchronoss and Silver entered into an Investor Rights Agreement. Under the terms of the Investor Rights Agreement, Silver and Synchronoss have agreed that, effective as of the closing of the Preferred Transaction, the Board of Directors of Synchronoss will consist of ten members. From and after the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate a member to the Board of Directors pursuant to the Series A Certificate, the Board of Directors of Synchronoss will consist of (i) two directors nominated and elected by the holders of shares of Series A Preferred Stock; (ii) four directors who meet the independence criteria set forth in the applicable listing standards (each of whom will be initially agreed upon by Synchronoss and Silver); and (iii) four other directors, two of whom shall satisfy the

independence criteria of the applicable listing standards and, as of the closing of the Preferred Transaction, one of whom shall be the individual then serving as chief executive officer of Synchronoss and one of whom shall be the current chairman of the Board of Directors of Synchronoss as of the date of execution of the Investors Rights Agreement. Following the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate at least one director to the Board of Directors of Synchronoss pursuant to the Series A Certificate, Silver will have the right to designate two members of the Nominating and Corporate Governance Committee of the Board of Directors.

Pursuant to the terms of the Investor Rights Agreement, neither Silver nor its affiliates may transfer any shares of Series A Preferred Stock subject to certain exceptions (including transfers to affiliates that agree to be bound by the terms of the Investor Rights Agreement).

For so long as Silver has the right to appoint a director to the Board of Directors of Synchronoss, without the prior approval by a majority of directors voting who are not appointed by the holders of shares of Series A Preferred Stock, neither Silver nor its affiliates will directly or indirectly purchase or acquire any debt or equity securities of Synchronoss (including equity-linked derivative securities) if such purchase or acquisition would result in Silver's Standstill Percentage (as defined in the Investor Rights Agreement) being in excess of 30%. However, the foregoing standstill restrictions would not prohibit the purchase of shares pursuant to the PIPE Purchase Agreement or the receipt of shares of Series A Preferred Stock issued as Preferred Dividends pursuant to the Series A Certificate, shares of Common Stock received upon conversion of shares of Series A Preferred Stock or receipt of any shares of Series A Preferred Stock, Common Stock or other securities of the Company otherwise paid as dividends or as an increase of the Liquidation Preference (as defined in the Series A Certificate) or distributions thereon. Silver will also have preemptive rights with respect to issuances of securities of Synchronoss in order to maintain its ownership percentage.

Under the terms of the Investor Rights Agreement, Silver will be entitled to (i) three demand registrations, with no more than two demand registrations in any single calendar year and provided that each demand registration must include at least 10% of the shares of Common Stock held by Silver, including shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock and (ii) unlimited piggyback registration rights with respect to primary issuances and all other issuances.

Discussion of Cash Flows

A summary of net cash flows follows (in thousands):

	Year ended December 31,			2017 vs 2016	2016 vs 2015
	2017	2016	2015	Change	Change
Net cash provided by (used in):		(Restated)	(Restated)		
Operating activities	$(18,248)	$104,559	$91,986	$(122,807)	$12,573
Investing activities	98,245	(39,775)	(195,080)	138,020	155,305
Financing activities	(35,664)	(370)	15,349	(35,294)	(15,719)

Our primary source of cash is receipts from revenue. The primary uses of cash are personnel and related costs, telecommunications and facility costs related primarily to our cost of revenue and general operating expenses including professional service fees, consulting fees, building and equipment maintenance and marketing expense. Other sources of cash are proceeds from the exercise of employee stock options. Other uses of cash include our stock repurchase program, merger and acquisition costs and purchases of property and equipment.

Cash flows from operating activities in 2017 decreased by $122.8 million in comparison to 2016 due to a $51.0 million decrease in cash earnings, due in part to higher cash interest and lower revenues. Additional decreases

were due to unfavorable changes in working capital of $71.8 million. Cash flows from operating activities in 2016 increased by $12.6 million compared to 2015 and reflects a $74.5 million increase in cash provided by changes in working capital, partially offset by a $61.9 million decrease in cash earnings.

Cash flows from investing activities in 2017 increased by $138.0 million in comparison to 2016 primarily due to the sale of Intralinks in 2017. Cash flows used by investing activities in 2016 increased by $155.3 million as compared to the prior year period primarily due to a reduction of purchases of marketable securities, proceeds from the sale of our BPO business and less cash used in acquisitions.

Cash flows from financing activities in 2017 decreased by $35.3 million in comparison to 2016 primarily due to a $39.0 million increase debt issuance costs and the payment of all outstanding borrowings on the revolving line of credit.

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Additionally , in 2016 the Company repurchased $40.0 million for common stock. Cash flows from financing activities in 2016 decreased $15.7 million primarily reduced proceeds from the exercise of stock options compared to 2015, partially offset by payments made on contingent consideration arrangements.

We believe that our existing cash and cash equivalents, cash generated from our existing operations, our available credit facilities and other available sources of financing will be sufficient to fund our operations for the next twelve months based on our current business plans.

Effect of Inflation

Although inflation generally affects us by increasing our cost of labor and equipment, we do not believe that inflation has had any material effect on our results of operations during 2017, 2016 and 2015. We do not expect the current rate of inflation to have a material impact on our business.

Contractual Obligations

Our contractual commitments consist of obligations under leases for office space, automobiles, convertible debt and its associated interest expense, co-location agreements, computer equipment and furniture and fixtures. The following table summarizes our long-term contractual obligations as of December 31, 2017 (in thousands).

	Payments Due by Period				
	Total	Less Than 1 Year	1—3 Years	4—5 Years	More Than 5 Years
Capital lease obligations [1]	$15,249	$2,465	$4,347	$2,563	$5,874
Convertible Senior Notes [2]	230,000	—	230,000	—	—
Interest [3]	2,803	1,725	1,078	—	—
Operating lease obligations	85,339	9,743	19,996	17,908	37,692
Purchase obligations [4]	16,875	7,888	8,987	—	—
Mandatorily redeemable financial instrument [5]	37,959	37,959	—	—	—
Other long-term liabilities [6]	4,542	3,466	1,076	—	—
Total	$392,767	$63,246	$265,484	$20,471	$43,566

(1) Amount includes the Pennsylvania facility lease and the VCHS data center.

(2) In the event the Company were to become delisted, amounts herein would become due immediately.

(3) Represents the interest on the Convertible Senior Notes. If the Company is delisted from Nasdaq, this becomes current.

(4) Amount represents obligations associated with colocation agreements and other customer delivery related purchase obligations .

(5) Amount represents the Siris Put Right provided to a third-party in relation to the sale of Intralinks in November 2017. See Note 4 - Acquisitions & Divestitures for further details.

(6) Amount represents unrecognized tax positions recorded in our balance sheet. Although the timing of the settlement is uncertain, we believe this amount will be settled within 3 years.

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Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements in accordance with U.S. GAAP requires us to utilize accounting policies and make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during a fiscal period. The SEC considers an accounting policy to be critical if it is important to a company's financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. We have discussed the selection and development of the critical accounting policies with the Audit Committee, and the Audit Committee has reviewed our related disclosures in this Form 10-K. Although we believe that our judgments and estimates are appropriate, correct and reasonable under the circumstances, actual results may differ from those estimates. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See "Risk Factors" for certain matters bearing risks on our future results of operations.

We believe the following to be our critical accounting policies because they are important to the portrayal of our consolidated financial condition and results of operations and they require critical management judgments and estimates about matters that are uncertain.

Revenue Recognition and Deferred Revenue

The Company generates revenue from the delivery of a range of products, solutions and services for operators, enterprises, OEMs and technology providers . We offer services principally on a Transactional or Subscription basis (SaaS) or in the form of Professional Services or Software Licenses. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, fees are fixed or determinable and collection is considered probable.

Transactional and Subscription Service Arrangements: Transaction service arrangements include services such as the processing of equipment orders, new account set-up and activation, number port requests, credit checks and inventory management. Subscription services include monthly active user fees, SaaS fees, hosting and storage and the related maintenance support for those services. Transaction revenues are principally based on a contractual price per transaction and are recognized based on the number of transactions processed during each reporting period. Subscription revenues are recorded either on a straight-line basis over the life of the contract or as a fixed monthly fee.

Professional Service and Software License Arrangements: Professional services include process and workflow consulting services and development services. Professional services when sold with transactional, subscription service or software licenses are accounted for separately when the professional services have value to the customer on a standalone basis and there is objective and reliable evidence of fair value of the professional services. If a professional service arrangement were not to qualify for separate accounting, we would recognize the professional service revenues ratably over the remaining term of the transaction or subscription agreement or over the life of a software implementation project.

Revenue from software license arrangements is recognized when the license is delivered to our customers and all of the software revenue recognition criteria are met. When software arrangements include multiple elements, the arrangement consideration is allocated at the inception to all deliverables using the residual method providing we have vendor specific objective evidence ("VSOE") on all undelivered elements.

While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above, as well as collectability. If management made different estimates or judgments, differences in the timing of the recognition of revenue could occur.

Deferred Revenue

Deferred revenues primarily represent billings to customers for services in advance of the performance of services, with revenues recognized as the services are rendered, and also include the fair value of deferred revenues recorded as a result of acquisitions.

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Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated bad debts resulting from the inability of our customers to make required payments. The amount of the allowance account is based on historical experience and our analysis of the accounts receivable balance outstanding. While credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit losses that we have in the past or that our reserves will be adequate. If the financial condition of one of our customers were to deteriorate, resulting in its inability to make payments, additional allowances may be required which would result in an additional expense in the period that this determination was made.

Allowance for Loan Losses

The Company's allowance for credit losses relates to the related party note receivable and is based on the probable estimated losses that may be incurred. The allowance is based on two basic principles of accounting: (1) ASC Topic 450, "Accounting for Contingencies", which requires that losses be accrued when they are probable of occurring and estimable, and (2) ASC Topic 310, "Accounting by Creditors for Impairment of a Loan", which requires that losses be accrued based on the differences between the value of collateral and the present value of future cash flows.

The allowance for loan losses is established to estimate losses that may occur by recording a provision for loan losses that is charged to earnings in the period known. The allowance is evaluated by management taking into consideration adverse situations that may affect the borrower's ability to repay and the estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Measured impairment and credit losses are charged against the allowance when management believes to the extent amounts are not collectible.

Stock-Based Compensation

As of December 31, 2017, we maintain eight stock-based compensation plans. We utilize the Black-Scholes pricing model to determine the fair value of stock options on the dates of grant. Restricted stock awards are measured based on the fair market values of the underlying stock on the dates of grant. We recognize stock-based compensation over the requisite service period with an offsetting credit to additional paid-in capital.

For our performance restricted stock awards, we estimate the number of shares the recipient is to receive by applying a probability of achieving the performance goals. The actual number of shares the recipient receives is determined at the end of the performance period based on the results achieved versus goals based on our performance targets, such as revenue and EBITDA. Once the number of awards is determined, the compensation cost is fixed and continues to be recognized using straight line recognition over the requisite service period for each vesting tranche.

During 2017, our Board approved the issuance of performance-based restricted stock to certain executives which are eligible to vest if the volume-weighted average closing price over 20 consecutive trading days equals or exceeds certain stock prices during the specific performance period from July 2017 to July 2019. We utilized the Monte Carlo simulation to estimate the fair value of the restricted stock on its grant date.

Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on our historical information of our stock. The average expected life was

determined using historical stock option exercise activity. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. We have never declared or paid cash dividends on our common or preferred equity and do not anticipate paying any cash dividends in the foreseeable future. Forfeitures are accounted for as they occur.

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Income Taxes

On December 22, 2017, the U.S. government enacted TCJA. The TCJA makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. These changes could have a material adverse impact on the value of our U.S. deferred tax assets and liabilities, result in significant one-time charges in the current or future taxable years and increase our future U.S. tax expense. Due to the complexities involved in accounting for the recently enacted TCJA, the SEC's Staff Accounting Bulletin ("SAB") 118 requires that the company include in its financial statements the reasonable estimate of the impact of the TCJA on earnings to the extent such reasonable estimate has been determined. Accordingly, the U.S. provision for income tax for 2017 is based on the reasonable estimate guidance provided by SAB 118. The Company is continuing to assess the impact from the TCJA and will record adjustments in 2018.

Since we conduct operations on a global basis, our effective tax rate has and will depend upon the geographic distribution of our pre-tax earnings among locations with varying tax rates. We account for the effects of income taxes that result from our activities during the current and preceding years. Under this method, deferred income tax liabilities and assets are based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse or be utilized. The realization of deferred tax assets is contingent upon the generation of future taxable income. A valuation allowance is recorded if it is "more likely than not" that a portion or all of a deferred tax asset will not be realized.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured by determining the amount that has a greater than 50 percent likelihood of being realized upon the settlement of the position. Components of the reserve are classified as current or a long term liability in the Consolidated Balance Sheets based on when we expect each of the items to be settled. We record interest and penalties accrued in relation to uncertain tax benefits as a component of interest expense. We expect that the amount of unrecognized tax benefits will change during 2018, we expect the change to have a $2.8 million impact on our results of operations and financial position.

While we believe we have identified all reasonably identifiable exposures and that the reserve we have established for identifiable exposures is appropriate under the circumstances, it is possible that additional exposures exist and that exposures may be settled at amounts different than the amounts reserved. It is also possible that changes in facts and circumstances could cause us to either materially increase or reduce the carrying amount of our tax reserves. In general, tax returns for the year 2014 and thereafter are subject to future examination by tax authorities.

Our policy has been to leave our cumulative unremitted foreign earnings invested indefinitely outside the United States, and we intend to continue this policy. Although the transition tax in the TCJA has removed U.S. federal taxes on distributions to the U.S. on a go forward, the Company continues to assert permanent reinvestment on foreign earnings. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

Business Combinations

We account for business combinations in accordance with the acquisition method. The acquisition method of accounting requires that assets acquired, and liabilities assumed and any noncontrolling interest in the aquiree (if any), be recorded at their fair values on the date of a business acquisition. Our consolidated financial statements and results of operations reflect an acquired business from the completion date of the transaction.

The judgments that we make in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. We generally use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes

that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We record contingent consideration resulting from a business combination at its fair value on the acquisition date. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as an adjustment to net change in contingent consideration obligation within the Consolidated Statements of Operations. Changes in the fair value of the contingent consideration obligation can result from updates in the achievement of financial or other operational targets and changes to the weighted probability of achieving those future targets. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, any change in the assumptions described above, could have a material impact on the amount of the net change in contingent consideration obligation that we record in any given period.

Discontinued Operations

Management classifies a disposal transaction as discontinued operation in the consolidated financial statements when it qualifies as a component of the Company, meets the held for sale criteria, is disposed of by sale, or is disposed of other than by sale and it represents a strategic shift that has a major effect on our operations and financial results. Insignificant and non-strategic shifting divestitures are not classified as within discontinued operations.

Investments in Affiliates and Other Entities

In the normal course of business, we enter into various types of investment arrangements, each having unique terms and conditions. These investments may include equity interests held by us in business entities, including general or limited partnerships, contractual ventures, or other forms of equity participation. Management determines whether such investments involve a variable interest entity ("VIE") based on the characteristics of the subject entity. If the entity is determined to be a VIE, then management determines if we are the primary beneficiary of the entity and whether or not consolidation of the VIE is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When we are deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a noncontrolling interest.

We generally account for investments that we make in VIEs in which we have determined that we do not have a controlling financial interest but have significant influence over and hold at least a 20% ownership interest using the equity method. Any such investment not meeting the parameters to be accounted under the equity method would be accounted for using the cost method unless the investment had a readily determinable fair value, at which it would then be reported.

If an entity fails to meet the characteristics of a VIE, management then evaluates such entity under the voting model. Under the voting model, we would consolidate the entity if it is determined that we, directly or indirectly, have greater than 50% of the voting shares, and determine that other equity holders do not have substantive participating rights.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired, including other definite-lived intangible assets. Our policy is to perform an impairment test of goodwill at least annually, and more

frequently if events or circumstances occurred that would indicate a reduced fair value in our reporting units could exist. Typically, we perform a qualitative assessment in the fourth quarter of the fiscal year to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value. As part of this qualitative assessment, we perform a quantitative assessment where necessary in substantiating our qualitative assessment.

During our qualitative assessment we make significant estimates, assumptions, and judgments, around the financial performance of the Company, changes in our share price, and forecasts of earnings, working capital requirements, and cash flows. We consider each reporting unit's historical results and operating trends as well as any strategic difference from our historical results when determining these assumptions.

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If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, we perform a quantitative goodwill impairment test. Fair value estimates used in the quantitative impairment test are calculated using a combination of the income and market approaches. The income approach is based on the present value of future cash flows of each reporting unit, while the market approach is based on certain multiples of selected guideline public companies or selected guideline transactions. The approaches incorporate a number of market participant assumptions including future growth rates, discount rates, income tax rates and market activity in assessing fair value and are reporting unit specific. If the carrying amount exceeds the reporting unit's fair value, we recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

The fair value measurement associated with the quantitative goodwill impairment test is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value goodwill could significantly increase or decrease the fair value estimates used for impairment assessments.

Capitalized Software Development Costs

Software development costs are accounted for in accordance with either ASC 985-20, "Software - Costs of Software to be Sold, Leased or Marketed," or ASC 350-40, "Internal-Use Software." Costs associated with the planning and designing phase of software development are classified as research and development costs and are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities and interest. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients.

Amortization is calculated on a solution-by-solution basis and is recognized over the estimated economic life of the software, typically ranging two to three years. Amortization begins when the software is substantially completed for its intended use. Costs incurred during the preliminary and post-implementation stages are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software, employee compensation and related expenses of personnel directly associated with the development activities and interest. Software development costs are evaluated for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Unrecoverable costs are reviewed annually and recognized in the period they become unrecoverable, as needed, and are recorded in the Consolidated Statements of Operations as depreciation and amortization expense.

Impairment of Long-Lived Assets

A review of long-lived assets for impairment is performed when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to the asset's carrying amount. If the undiscounted future cash flows are less than the carrying amount of the asset, the Company records an impairment loss equal to the amount by which the asset's carrying amount exceeds its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis.

This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value long lived assets could significantly increase or decrease the fair value estimates used for impairment assessments.

Long lived assets that do not have indefinite lives are amortized/depreciated over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company reevaluates the useful life determinations each year to determine whether events and circumstances warrant a revision to the remaining useful lives.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards see Note 3 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

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Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of and during the years ended December 31, 2017 and December 31, 2016 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 are material to our interests.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The following discussion about market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We deposit our excess cash in what we believe are high-quality financial instruments, primarily money market funds and certificates of deposit and, we may be exposed to market risks related to changes in interest rates. We do not actively manage the risk of interest rate fluctuations on our marketable securities; however, such risk is mitigated by the relatively short-term nature of these investments. These investments are denominated in United States dollars.

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations, while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short- and long-term investments in a variety of securities, which could include commercial paper, money market funds and corporate and government debt securities. Our cash, cash equivalents and marketable securities at December 31, 2017 and 2016 were invested in liquid money market accounts, certificates of deposit and government securities. All market-risk sensitive instruments were entered into for non-trading purposes.

Foreign Currency Exchange Risk

We are exposed to translation risk because certain of our foreign operations utilize the local currency as their functional currency and those financial results must be translated into U.S dollars. As currency exchange rates fluctuate, translation of the financial statements of foreign businesses into U.S. dollars affects the comparability of financial results between years.

We do not hold any derivative instruments and do not engage in any hedging activities to mitigate foreign currency exchange risk. Although our reporting currency is the U.S. dollar, we may conduct business and incur costs in the local currencies of other countries in which we may operate, make sales and buy materials and services. As a result, we are subject to currency translation risk. Further, changes in exchange rates between foreign currencies and the U.S. dollar could affect our future net sales, cost of sales and expenses and could result in exchange losses.

We cannot accurately predict future exchange rates or the overall impact of future exchange rate fluctuations on our business, results of operations and financial condition. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase and hedging activities may be considered if appropriate.

Interest Rate Risk

We are exposed to the risk of interest rate fluctuations on the interest income earned on our cash and cash equivalents. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents outstanding at December 31, 2017 would increase interest income by less than $2.5 million on an annual basis.

Borrowings under our convertible debt are at fixed rates of interest. As such, our net income is not sensitive to movements in interest rates. If interest rates increase, our debt obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Such increases in interest rates could have a material adverse effect on our cash flow and financial condition. As of December 31, 2017, we held a contingent derivative interest fair valued at $0.2 million.

Based on our outstanding borrowings at December 31, 2017, a one-percentage point change in interest rates would have affected interest expense on the debt by $0.0 million on an annualized basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Synchronoss Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Synchronoss Technologies, Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 29, 2018 expressed an adverse opinion thereon.

Restatement of 2016 and 2015 Financial Statements

As discussed in Note 2 to the consolidated financial statements, the 2016 and 2015 consolidated financial statements have been restated to correct various misstatements identified during the Company's internal investigation.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2001.
Iselin, New Jersey
June 29, 2018

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS (See Note 3)
(In thousands)

	December 31,	
	2017	2016 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$156,299	$169,801
Restricted cash**	89,826	41,632
Marketable securities	3,111	12,506
Accounts receivable, net of allowance for doubtful receivables of $3,107 and $1,459 at December 31, 2017 and December 31, 2016, respectively**	78,186	107,474
Prepaid and other current assets	43,557	38,277
Total current assets	370,979	369,690
Marketable securities	—	2,974
Property and equipment, net	111,825	158,205
Goodwill	237,303	224,651
Intangible assets, net	132,167	162,968
Deferred tax assets	—	13,286
Other assets	5,236	8,658
Note receivable from related party, net of allowance for loan losses of $14,562 at December 31, 2017**	73,984	70,269
Equity method investment	33,917	43,650
Total assets	$965,411	$1,054,351
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,959	$17,057
Accrued expenses	72,739	76,882
Deferred revenues	75,829	57,430
Contingent consideration obligation	—	2,833
Short-term debt	—	29,000
Mandatorily redeemable financial instrument	37,959	—
Total current liabilities	192,486	183,202
Lease financing obligation	11,183	12,450
Convertible debt, net of debt issuance costs	227,704	226,291
Deferred tax liabilities	13,735	3,508
Deferred revenues	25,241	65,630
Other liabilities	6,195	8,193
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	25,280	25,280
Stockholders' equity:		
Common stock, $0.0001 par value; 100,000 shares authorized, 52,024 and 50,388 shares issued; 46,965 and 45,292 outstanding at December 31, 2017 and December 31, 2016, respectively	5	5
Treasury stock, at cost (5,059 and 5,096 shares at December 31, 2017 and December 31, 2016, respectively)	(105,584)	(106,631)
Additional paid-in capital	597,553	571,153

Accumulated other comprehensive loss	(23,373)	(42,350)
Retained earnings	(5,014)	107,620
Total stockholders’ equity	463,587	529,797
Total liabilities and stockholders’ equity	$965,411	$1,054,351

** See Note 6 -Investments in Affiliates and Related Transactions for related party transactions reflected in this account

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (See Note 3)
(In thousands, except per share data)

	Year Ended December 31,		
	2017	2016 (Restated)	2015 (Restated)
Net revenues**	$402,361	$426,294	$372,561
Costs and expenses:			
Cost of revenues*	181,453	194,684	154,810
Research and development	90,850	114,493	92,763
Selling, general and administrative	154,037	126,228	84,591
Net change in contingent consideration obligation	—	1,194	1,515
Restructuring charges	10,739	6,333	4,946
Depreciation and amortization	94,884	105,966	71,049
Total costs and expenses	531,963	548,898	409,674
Loss from continuing operations	(129,602)	(122,604)	(37,113)
Interest income**	12,502	1,907	2,047
Interest expense	(55,771)	(7,414)	(5,711)
Loss on extinguishment of debt	(29,413)	—	—
Other (expense) income, net	(17,678)	1,022	607
Equity method investment loss	(9,125)	—	—
Loss from continuing operations, before taxes	(229,087)	(127,089)	(40,170)
Benefit for income taxes	34,863	33,220	2,388
Net loss from continuing operations	(194,224)	(93,869)	(37,782)
Net income from discontinued operations, net of taxes	75,495	90,560	40,267
Net (loss) income	(118,729)	(3,309)	2,485
Net (loss) income attributable to noncontrolling interests	(9,291)	(15,203)	(628)
Net (loss) income attributable to Synchronoss	$(109,438)	$11,894	$3,113
Basic †			
Continuing operations	$(4.14)	$(1.81)	$(0.88)
Discontinued operations	1.69	2.08	0.95
	$(2.45)	$0.27	$0.07
Diluted †			
Continuing operations	$(4.14)	$(1.81)	$(0.88)
Discontinued operations	1.69	2.08	0.95
	$(2.45)	$0.27	$0.07
Weighted-average common shares outstanding:			
Basic †	44,669	43,551	42,284
Diluted †	44,669	43,551	42,284

* Cost of services excludes depreciation and amortization which is shown separately.
** See Note 6 -Investments in Affiliates and Related Transactions for related party transactions reflected in this account
† See Note 3 - Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements.

Please note these references going forward in the Notes to Consolidated Financial Statements.

See accompanying notes to consolidated financial statements

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (See Note 3)
(In thousands)

	Year Ended December 31,		
	2017	2016 (Restated)	2015 (Restated)
Net (loss) income	$(118,729)	$(3,309)	$ 2,485
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	17,027	(4,114)	(17,705)
Unrealized gain (loss) on securities	18	3	(20)
Net gain (loss) on intra-entity foreign currency transactions	1,932	(725)	(1,335)
Total other comprehensive income (loss), net of tax	18,977	(4,836)	(19,060)
Comprehensive loss	(99,752)	(8,145)	(16,575)
Comprehensive (loss) income attributable to redeemable noncontrolling interests	(9,291)	(15,203)	(628)
Total comprehensive (loss) income attributable to Synchronoss	(90,461)	7,058	(15,947)

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(See Note 3)
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at Balance at December 31, 2014, as previously reported	46,444	$ 4	(3,733)	$(66,336)	$454,740	$ (20,014)	$160,713	$529,107
Cumulative restatement adjustments	176	—	(159)	(1,991)	2,408	1,560	(67,620)	(65,643)
Balance at January 1, 2015 (As Restated)	46,620	$ 4	(3,892)	$(68,327)	$457,148	$ (18,454)	$93,093	$463,464
Stock based compensation	—	—	—	—	30,780	—	—	30,780
Issuance of restricted stock	734	—	—	—	—	—	—	—
Issuance of common stock on exercise of options	879	—	—	—	19,936	—	—	19,936
ESPP compensation	—	—	—	—	624	—	—	624
Sale of treasury stock in connection with an employee stock purchase plan	54	—	—	—	1,902	—	—	1,902
Other	—	—	—	—	4	—	(4)	—
Adjustments to redemption value of noncontrolling interest	—	—	—	—	(628)	—	—	(628)
Net income attributable to Synchronoss	—	—	—	—	—	—	3,113	3,113
Total other comprehensive income (loss)	—	—	—	—	—	(19,060)	—	(19,060)
Tax benefit from stock option exercise	—	—	—	—	5,198	—	—	5,198
Balance at December 31, 2015 (As Restated)	48,287	$ 4	(3,892)	$(68,327)	$514,964	$ (37,514)	$96,202	$505,329
Cumulative effect of adjustment to retained earnings (ASU Adoption)	—	—	—	—	710	—	(476)	234
Stock based compensation	—	—	—	—	33,361	—	—	33,361
Issuance of restricted stock	585	—	—	—	—	—	—	—
Issuance of common stock on exercise of options	608	1	—	—	13,912	—	—	13,913
ESPP compensation	—	—	—	—	817	—	—	817
Issuance of common stock related to acquisition	840	—	—	—	22,000	—	—	22,000
Issuance of common stock to a subsidiary	20	—	—	—	—	—	—	—
Issuance of common stock to employee stock purchase plan	48	—	—	—	955	—	—	955

Repurchase of treasury shares	—	—	(1,262)	(40,025)	—	—	—	(40,025)
Sale of treasury stock in connection with an employee stock purchase plan	—	—	58	1,721	(493)	—	—	1,228
Other	—	—	—	—	130	—	—	130
Adjustments to redemption value of noncontrolling interest	—	—	—	—	(15,203)	—	—	(15,203)
Net income attributable to Synchronoss	—	—	—	—	—	—	11,894	11,894
Total other comprehensive income (loss)	—	—	—	—	—	(4,836)	—	(4,836)
Balance at December 31, 2016 (As Restated)	50,388	$ 5	(5,096)	$(106,631)	$571,153	$ (42,350)	$107,620	$ 529,797

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(See Note 2)
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016 (As Restated)	50,388	$ 5	(5,096)	$(106,631)	$571,153	$ (42,350)	$107,620	$529,797
Cumulative effect of adjustment to retained earnings (ASU Adoption)	—	—	—	—	—	—	(3,196)	(3,196)
Stock based compensation	—	—	—	—	28,446	—	—	28,446
Issuance of restricted stock	1,565	—	—	—		—	—	—
Issuance of common stock on exercise of options	104	—	—	—	2,460	—	—	2,460
ESPP compensation	—	—	—	—	495	—	—	495
Sale of treasury stock in connection with an employee stock purchase plan	—	—	36	1,047		—	—	1,047
Shares withheld for taxes in connection with issuance of restricted stock	(29)	—	—	—	(442)	—	—	(442)
Fair value of awards assumed on acquisition	—	—	—	—	4,701	—	—	4,701
Other	—	—	—	—	31	—		31
Adjustments to redemption value of noncontrolling interest	—	—	—	—	(9,291)	—	—	(9,291)
Net loss attributable to Synchronoss	—	—	—	—	—	—	(109,438)	(109,438)
Total other comprehensive income (loss)	—	—	—	—		18,977	—	18,977
Balance at December 31, 2017	52,028	$ 5	(5,060)	$(105,584)	$597,553	$ (23,373)	$(5,014)	$463,587

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (See Note 3)
(In thousands)

	Year Ended December 31,	Year ended	
	2017	2016	2015
Operating activities:		(Restated)	(Restated)
Net loss from continuing operations	$(194,224)	$(93,869)	$(37,782)
Net loss from discontinued operations	75,495	90,560	40,267
Gain (loss) on sale of discontinued operations, net of tax	(122,842)	(113,129)	—
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization expense	93,924	94,911	71,049
Impairment of long-lived assets and capitalized software	960	11,055	—
Change in fair value of financial instruments	4,367	—	—
Amortization of debt issuance costs	12,771	1,607	1,501
Extinguishment of debt	29,413	—	—
Accrued PIK interest	(12,090)	(34)	—
Allowance for loan losses	14,562	—	—
Earnings (loss) from equity method investments	9,125	—	—
Gain (loss) on disposals	(4,947)	(122)	16
Discontinued operations non-cash and working capital adjustments	48,647	371	—
Amortization of bond premium	244	1,416	1,705
Deferred income taxes	19,243	17,148	(453)
Non-cash interest on leased facility	1,203	1,392	924
Stock-based compensation	22,495	34,178	31,404
Contingent consideration obligation	(2,711)	1,194	(15)
Changes in operating assets and liabilities:			
Accounts receivable, net of allowance for doubtful accounts	29,283	(13,650)	(19,774)
Prepaid expenses and other current assets	(5,513)	31,648	(9,057)
Other assets	3,237	8,880	(3,751)
Accounts payable	(9,098)	(10,089)	(7,763)
Accrued expenses	(4,949)	(7,523)	(710)
Other liabilities	(3,337)	(6,558)	2,128
Deferred revenues	(23,506)	55,173	22,297
Net cash (used in) provided by operating activities	(18,248)	104,559	91,986
Investing activities:			
Purchases of fixed assets	(12,151)	(42,570)	(57,666)
Purchases of intangible assets and capitalized software	(9,119)	(7,677)	(2,553)
Proceeds from the sale of Speechcycle	13,500	—	—
Purchases of marketable securities available-for-sale	(219)	(13,445)	(139,569)
Maturities of marketable securities available-for-sale	12,371	82,904	106,210
Equity investment	608	—	—
Investing in discontinued operations	(13,721)	—	—
Investment In Note Receivable	(6,187)	—	—
Proceeds from the sale of discontinued operations	928,171	27,335	—
Businesses acquired, net of cash	(815,008)	(86,322)	(101,502)

Net cash provided by (used in) investing activities	98,245	(39,775)	(195,080)

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	Year Ended December 31, 2017	Year ended 2016 (Restated)	2015 (Restated)
Financing activities:			
Proceeds from the exercise of stock options	2,584	13,633	19,936
Taxes paid on withholding shares	(442)	—	—
Payments on contingent consideration obligation	(122)	—	(4,468)
Debt issuance costs related to the Credit Facility and Revolving Facility	(3,692)	(1,346)	—
Debt issuance costs related to the 2017 Term Facility	(19,887)	—	—
Debt amendment costs related to the 2017 Credit Agreement	(16,776)	—	—
Proceeds from issuance of long term debt	900,000	—	—
Repayment of long term debt	(900,000)	—	—
Borrowings on revolving line of credit	—	144,000	—
Repayment of revolving line of credit	(29,000)	(115,000)	—
Excess tax benefits from stock option exercises	17	—	—
Repurchases of common stock	—	(40,025)	—
Proceeds from the sale of treasury stock in connection with an employee stock purchase plan	1,047	2,183	1,902
Proceeds from mandatorily redeemable financial instruments	33,592	—	—
Repayments of capital lease obligations	(2,985)	(3,815)	(2,021)
Net cash (used in) provided by financing activities	(35,664)	(370)	15,349
Effect of exchange rate changes on cash	(9,641)	(853)	(350)
Net increase in cash, restricted cash and cash equivalents	34,692	63,561	(88,095)
Cash, restricted cash and cash equivalents at beginning of period	211,433	147,872	235,967
Cash, restricted cash and cash equivalents at end of period	$246,125	$211,433	$147,872
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$7,612	$4,661	$29,868
Cash paid for interest	$55,957	$6,981	$5,791
Supplemental disclosures of non-cash investing and financing activities:			
Issuance of common stock in connection with Openwave acquisition	$—	$22,000	$—
Issuance of common stock in connection with Intralinks acquisition	$4,700	$—	$—
Cash and cash equivalents per Consolidated Balance Sheets	$156,299	$169,801	$147,872
Restricted cash	$89,826	$41,632	$—
Total cash, cash equivalents and restricted cash	$246,125	$211,433	$147,872

See accompanying notes to consolidated financial statements.

SYNCHRONOSS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

1. Description of Business

General

Synchronoss Technologies, Inc. (“Synchronoss” or the “Company”) is a global software and services company that provides essential technologies for the mobile transformation of business. The Company’s portfolio, which is targeted at the Consumer and Enterprise markets, contains offerings such as personal cloud, secure-mobility, identity management and scalable messaging platforms, products and solutions. These essential technologies create a better way of delivering the transformative mobile experiences that service providers and enterprises need to help them stay ahead of the curve in competition, innovation, productivity, growth and operational efficiency.

Synchronoss’ products and platforms are designed to be carrier-grade, flexible and scalable, enabling multiple converged communication services to be managed across a range of distribution channels including e-commerce, m-commerce, telesales, customer stores, indirect and other retail outlets. This business model allows the Company to meet the rapidly changing converged services and connected devices offered by their customers. Synchronoss’ products, platforms and solutions enable its enterprise and service provider customers to acquire, retain and service subscribers and employees quickly, reliably and cost-effectively with white label and custom-branded solutions. Synchronoss customers can simplify the processes associated with managing the customer experience for procuring, activating, connecting, backing-up, synchronizing and sharing/collaboration with connected devices and contents from these devices and associated services. The extensibility, scalability, reliability and relevance of the Company’s platforms enable new revenue streams and retention opportunities for their customers through new subscriber acquisitions, sale of new devices, accessories and new value-added service offerings in the Cloud. By using the Company’s technologies, Synchronoss customers can optimize their cost of operations while enhancing their customer experience.

The Company currently operates in and markets their solutions and services directly through their sales organizations in North America, Europe, the Middle East and Africa (“EMEA”), and the Asia-Pacific region. Synchronoss delivers essential technologies for mobile transformation to two primary types of customers: service provider and enterprise customers in regulated verticals and use cases.

Service Providers, Retailers, OEMs, Re-sellers and Service Integrators

The Company’s products and platforms provide end-to-end seamless integration between customer-facing channels/applications, communication services, or devices and “back-office” infrastructure-related systems and processes. Synchronoss’ customers rely on these solutions and technology to automate the process of activation and content and settings management for their subscribers’ devices while delivering additional communication services. Synchronoss’ portfolio includes: cloud-based sync, backup, storage and content engagement capabilities, broadband connectivity solutions, analytics, white label messaging, identity/access management that enable communications service providers (“CSPs”), cable operators/multi-services operators (“MSOs”) and original equipment manufacturers (“OEMs”) with embedded connectivity (e.g. smartphones, laptops, tablets and mobile internet devices (“MIDs”) such as automobiles, wearables for personal health and wellness, and connected homes), multi-channel retailers, as well as other customers to accelerate and monetize value-add services for secure and broadband networks and connected devices.

2. Restatement of Previously Issued Consolidated Financial Statements

The Company has restated its audited consolidated financial statements for the years ended December 31, 2016 and 2015 for the matters described below. The effects of these restatement adjustments on (i) the Company's Consolidated Balance Sheet at December 31, 2016, (ii) the Company's Consolidated Statement of Operations for the years ended December 31, 2016 and 2015, (iii) the Company's Consolidated Statements of Comprehensive Income for the years ended December 31, 2016 and 2015, (iv) the Company's Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016 and 2015 and (v) the Company's Consolidated Statement of Cash Flows for the years ended December 31, 2016 and 2015 are presented below.

The effects of the restatement adjustments on the Company's unaudited consolidated financial statements as of and for the quarters ended March 31, June 30 and September 31, 2016 and 2015 are included in Note 19, "Summary of Quarterly Results of Operations (Unaudited)."

SYNCHRONOSS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The individual restatement matters that underlie the restatement adjustments are described below. The restatement adjustments also affect periods prior to 2015 and such adjustments have been reflected in the restated opening stockholders' equity balances as of January 1, 2015.

Revenue Recognition Adjustments Related to Hosting Services

The Company typically sells hosting services to its subscription services customers, as well as to certain software license customers. As part of the Company's review of its historical accounting, it has determined that adjustments are required related to certain transactions in each of these two categories of customers that purchase hosting services.

It was observed that in certain instances, the Company has historically entered into hosting arrangements that included various components to the fee structure with certain fees accelerated during the initial years of the arrangement. Historically, the Company recognized the accelerated fees as billed and maintenance and support fees were recognized on a straight-line basis through the term of the arrangement. However, the Company has determined to revise its accounting treatment for certain hosting services to reflect revenue recognition on a straight-line basis for such fees over the appropriate period of time during which (i) the benefits of hosting services were provided to the customer or (ii) the customer benefited from the set-up fees. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby there has been a deferral of a portion of the accelerated fees out of the initial period of the arrangement, and recognition of those deferred amounts in the later periods of the hosting services arrangement.

In the case of certain perpetual software license customers, the Company historically recognized the perpetual software license fee revenue on an upfront basis. The Company has determined to revise its accounting treatment of that software license fee revenue to recognize it ratably over a period of time due to the inclusion of hosting services, as part of the same multiple element arrangement. In certain of these cases, the Company had entered into a separate hosting services contract with the customer that the Company has now determined should have been combined with the software license agreement and treated as part of a larger multiple element arrangement.

In accordance with the software revenue recognition rules, since the Company cannot establish vendor specific objective evidence of fair value of the hosting services, the software license element cannot be separated from the hosting services. The revised accounting treatment for the revenue recognition is reflected in the restated consolidated financial statements, whereby the bundled arrangement fees have been recognized ratably over the economic life of the hosting services.

Revenue Recognition Adjustments Related to Establishing Persuasive Evidence of an Arrangement and Other Revenue Adjustments

The Company historically has had, and continues to have, contractual arrangements with certain customers whereby there is an established master services agreement that includes general terms and conditions. Such master services agreements contemplate the delivery by the customer of purchasing documentation for purposes of completing orders, indicating the nature, price and quantity of products and services ordered. In certain cases, the Company historically formed a view that persuasive evidence of an arrangement existed relating to such orders based upon its receipt from a customer of written confirmation of the order and commitment to pay the agreed price, such as a quote approval sent by the customer in response to a quote issued by the Company, but prior to that customer's subsequent delivery to the Company an executed statement of work or, in some instances, a purchase order, pursuant to a master services agreement.

The Company has determined, in certain situations, to revise the timing of revenue recognition to when it received final formal contract documentation, which occurred in a future period. In those cases where the adjustment to defer revenue has been recorded prior to when cash payment was received from the customer, the balance sheet impact has been to reduce the related accounts receivable balance, whereas the balance sheet impact of these adjustments after the receipt of cash payment from the customer has been to increase accrued liabilities.

The Company also adjusted revenue recognition in connection with certain other transactions, including (i) where the payment obligation on the date of sale was found not to have been fixed and determinable; (ii) where collectibility was not reasonably assured; (iii) where the software delivered to the customer was ultimately deemed not to have met acceptance criteria; or (iv) where formal acceptance was not obtained.

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SYNCHRONOSS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

In certain situations, these adjustments represent issues related to the timing of revenue recognition, while in other cases, these adjustments represent amounts that had subsequently been written-off to bad debt expense (whereby now both the revenue and the related bad debt expense has been reversed).

Adjustments Related to Accounting for Acquisitions and Divestiture

The Company has identified and corrected errors related to fees received under license agreements entered into with parties of certain historical acquisitions and a divestiture. In each case, the Company had originally treated the license agreement as a separate transaction and recorded the license fees on a gross basis as revenue. The Company has determined to revise its accounting treatment of the license arrangements, to record the license fees as part of the accounting for the acquisition or divestiture, as follows:

- In certain cases, the Company entered into a license agreement as part of settling prior intellectual property infringement claims against an acquired entity and/or its selling parent company and affiliates. Historically, the Company had recognized these license fees separately as revenue. However, the Company has determined to net these license fees against the consideration paid as part of the acquisitions, resulting in a reduction of the goodwill and/or intangible assets recorded in purchase accounting.
- The Company's consolidated joint venture Zentry LLC ("Zentry") and the Company's partner in that joint venture entered into a license agreement in December 2015 at the same time as the formation of the joint venture. Historically, the Company recorded the license fees as revenue separately from the Zentry formation. The Company has determined to net these license fees against the cash contributions paid as part of the joint venture formation, resulting in a reduction of the goodwill and intangible assets recorded in purchase accounting.
- The Company entered into a licensing agreement in December 2016 with Sequential Technology International, LLC ("STIN") shortly after closing the divestiture of its activation business to Sequential Technology International Holdings, LLC ("STIH"). Historically, the Company recorded the license fees as revenue separately from the accounting for the divestiture. The Company has determined to classify these license fees as additional gain on sale of the activation exception handling business.
- The Company made adjustments to reduce the contingent consideration payable to shareholders of Razorsight Corporation ("Razorsight"), which was acquired by the Company in August 2015, and the related losses previously recorded to adjust that liability to fair value, as a result of the determination that many of the sales of Razorsight software that had originally been included in the earn-out calculation have now been adjusted as part of the restatement.
- The Company made adjustments to record the fair value of the Company's guarantee of certain of STIN's debt as part of the divestiture of its activation exception handling business to STIH in December 2016, to record the sellers note extended in the transaction at fair value, and to adjust certain receivables and other assets sold in the transaction.
- The Company made certain adjustments to the opening balances of Openwave Messaging, Inc. ("Openwave") and SNCR, LLC ("SNCR, LLC"); impacting deferred revenue, goodwill and intangibles. Adjustments in deferred revenue and intangibles resulted were reported post-acquisition as revenues and costs were realized.

Other Adjustments and Capitalized Software

The Company also identified and corrected certain errors in the amounts reported as capitalized software development. These adjustments were primarily around (i) the recognition of impairment or immediate expensing of certain previously capitalized software development costs and (ii) revisions of amounts capitalized and the timing of when such capitalized costs are amortized. Adjustments pertaining to capitalized software development were driven primarily due to misalignment on the unit of account being measured in tracking project progress and ultimately

general release as well as the appropriateness of the capitalization of certain administrative costs.

The Company also identified and corrected certain other errors, primarily due to timing of recognition of (i) stock-based compensation arrangements, (ii) accruals and reserves, (iii) noncontrolling interests and (iv) impairment charges. Impairment charges were primarily due to long-lived asset impairments realized on SNCR, LLC assets, due to continued delays in product development and sales. Additionally, the Company identified certain prior year balance sheet classification adjustments requiring, the most significant of which, a reclassification between cash and restricted cash due to certain contractual restrictions on cash balances, and reclassifications between treasury stock and additional paid-in-capital due to share issuances from the Company's common stock pool, rather than its treasury stock.

Income Taxes

The Company recorded adjustments to income taxes to reflect the impact of the restatement adjustments, as well as a discrete tax adjustment to record a valuation allowance at a specific foreign jurisdiction in an earlier year than originally recorded. See Note 17 - Income Taxes for discussion of the related impact to the Company’s effective tax rate.

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The following table presents the Consolidated Balance Sheet as previously reported, restatement adjustments and the Consolidated Balance Sheet as restated at December 31, 2016:

	As Previously Reported	Adjustments					As Restated
		Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	
ASSETS							
Current assets:							
Cash and cash equivalents	$181,018	$—	$—	$—	$(11,217)	$—	$169,801
Restricted cash	—	—	—	—	41,632	—	41,632
Marketable securities	12,506	—	—	—	—	—	12,506
Accounts receivable, net	137,233	(344)	(36,509)	7,896	(802)	—	107,474
Prepaid expenses and other current assets	33,696	—	—	1,408	(1,166)	4,339	38,277
Total current assets	364,453	(344)	(36,509)	9,304	28,447	4,339	369,690
Restricted cash	30,000	—	—	—	(30,000)	—	—
Marketable securities	2,974	—	—	—	—	—	2,974
Property and equipment, net	155,599	—	—	(823)	3,429	—	158,205
Goodwill	269,905	—	—	(41,358)	—	(3,896)	224,651
Intangible assets, net	203,864	—	—	(19,830)	(21,066)	—	162,968
Deferred tax assets	1,503	—	—	—	—	11,783	13,286
Other assets	7,541	—	—	(70)	1,187	—	8,658
Note receivable from related party	83,000	—	—	(12,731)	—	—	70,269
Equity method investment	45,890	—	—	(2,240)	—	—	43,650
Total Assets	$1,164,729	$(344)	$(36,509)	$(67,748)	$(18,003)	$12,226	$1,054,351

	As Previously Reported	Adjustments					As Restated
		Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current liabilities:							
Accounts payable	$15,770	$—	$—	$—	$1,287	$—	$17,057
Accrued expenses	69,435	—	5,274	971	246	956	76,882
Deferred revenues	27,542	33,398	(151)	(3,360)	1	—	57,430
Contingent consideration obligation	11,860	—	—	(9,027)	—	—	2,833
Short-term debt	29,000	—	—	—	—	—	29,000
Total current liabilities	153,607	33,398	5,123	(11,416)	1,534	956	183,202
Lease financing obligation - long term	12,121	—	—	41	288	—	12,450

Long-term debt	226,291	—	—	—	—	—	226,291
Deferred tax liability	49,822	—	—	—	—	(46,314)	3,508
Deferred revenues	12,134	52,965	531	—	—	—	65,630
Other liabilities	3,783	—	—	—	1,679	2,731	8,193
Redeemable noncontrolling interests	49,856	—	—	(28,813)	4,237	—	25,280
Commitments and contingencies							
Stockholder's equity							
Common stock	5	—	—	—	—	—	5
Treasury stock	(95,183)	—	—	—	(11,448)	—	(106,631)
Additional paid-in capital	575,093	—	—	(7,667)	3,727	—	571,153
Accumulated other comprehensive loss	(43,253)	—	658	—	138	107	(42,350)
Retained earnings	220,453	(86,707)	(42,821)	(19,893)	(18,158)	54,746	107,620
Total stockholders' equity	657,115	(86,707)	(42,163)	(27,560)	(25,741)	54,853	529,797
Total liabilities & stockholders' equity	$1,164,729	$(344)	$ (36,509)	$ (67,748)	$(18,003)	$12,226	$1,054,351

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The following table presents the Consolidated Statement of Operations as previously reported, restatement adjustments and the Consolidated Statement of Operations as restated for the year ended December 31, 2016:

		Adjustments					
	As Previously Reported	Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	As Restated
Net revenues	$476,750	$(39,492)	$ 9,435	$ (20,399)	$—	$—	$426,294
Costs and expenses:							
Cost of services	194,198	—	—	(43)	529	—	194,684
Research and development	106,681	—	—	—	7,812	—	114,493
Selling, general and administrative	131,106	155	(4,470)	461	(1,024)	—	126,228
Net change in contingent consideration obligation	10,930	—	—	(9,736)	—	—	1,194
Restructuring charges	6,333	—	—	—	—	—	6,333
Depreciation and amortization	99,311	—	—	(4,452)	11,107	—	105,966
Total costs and expenses	548,559	155	(4,470)	(13,770)	18,424	—	548,898
Loss from continuing operations	(71,809)	(39,647)	13,905	(6,629)	(18,424)	—	(122,604)
Interest income	2,428	—	—	(340)	(181)	—	1,907
Interest expense	(7,013)	—	—	374	200	(975)	(7,414)
Other expense, net	1,863	—	253	(830)	(264)	—	1,022
Loss from continuing operations, before taxes	(74,531)	(39,647)	14,158	(7,425)	(18,669)	(975)	(127,089)
Benefit for income taxes	7,990	—	—	—	—	25,230	33,220
Net loss from continuing operations	(66,541)	(39,647)	14,158	(7,425)	(18,669)	24,255	(93,869)
Net income from discontinued operations, net of tax	74,533	—	(397)	17,844	—	(1,420)	90,560
Net loss	7,992	(39,647)	13,761	10,419	(18,669)	22,835	(3,309)
Net loss attributable to redeemable noncontrolling interests	(11,596)	—	—	—	(3,607)	—	(15,203)
Net loss attributable to Synchronoss	$ 19,588	$(39,647)	$ 13,761	$ 10,419	$(15,062)	$22,835	$11,894
Basic:							
Continuing operations	$(1.26)						$(1.81)
Discontinued operations	1.71						2.08
	$0.45						$0.27
Diluted:							
Continuing operations	$(1.26)						$(1.81)
Discontinued operations	1.71						2.08
	$0.45						$0.27
Weighted-average common shares outstanding:							
Basic	43,571						43,551
Diluted	43,571						43,551

*Cost of services excludes depreciation and amortization which is shown separately.
$See Note 3 - Summary of Significant Accounting Policies.

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The following table presents the Consolidated Statement of Operations as previously reported, restatement adjustments and the Consolidated Statement of Operations as restated for the year ended December 31, 2015:

	As Previously Reported	Adjustments					As Restated
		Revenue - Hosting	Revenue - Evidence of Arrangement and Other Revenue	Acquisitions & Divestiture	Capitalized Software and Other	Income Taxes	
Net revenues	$428,117	$(26,908)	$ 1,442	$ (30,090)	$ —	$ —	$372,561
Costs and expenses:							
Cost of services	155,287	—	—	(17)	(460)	—	154,810
Research and development	91,430	—	—	—	1,333	—	92,763
Selling, general and administrative	88,411	—	(3,042)	—	(778)	—	84,591
Net change in contingent consideration obligation	760	—	—	755	—	—	1,515
Restructuring charges	4,946	—	—	—	—	—	4,946
Depreciation and amortization	72,152	—	—	(136)	(967)	—	71,049
Total costs and expenses	412,986	—	(3,042)	602	(872)	—	409,674
Loss from continuing operations	15,131	(26,908)	4,484	(30,692)	872	—	(37,113)
Interest income	2,047	—	—	—	—	—	2,047
Interest expense	(5,711)	—	—	—	—	—	(5,711)
Other expense, net	372	—	(52)	(16)	303	—	607
Loss from continuing operations, before taxes							