



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

**Amendment No. 1 to**  
**FORM S-1**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**SYNCHRONOSS TECHNOLOGIES, INC.**

*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**7371 (Computer Programming Services)**  
*(Primary Standard Industrial  
Classification Code Number)*

**06-1594540**  
*(I.R.S. Employer  
Identification Number)*

750 Route 202 South  
Sixth Floor  
Bridgewater, NJ 08807  
(866) 620-3940

*(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)*

**Stephen G. Waldis**  
**Chairman of the Board of Directors, President and Chief Executive Officer**  
750 Route 202 South  
Sixth Floor  
Bridgewater, NJ 08807  
(866) 620-3940

*(Name, address, including zip code and telephone number, including area code, of agent for service)*

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**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated \_\_\_\_\_, 2006.



Shares  
**SYNCHRONOSS TECHNOLOGIES, INC.**  
 Common Stock

Synchronoss Technologies, Inc. is offering \_\_\_\_\_ shares of its common stock and the selling stockholders are offering \_\_\_\_\_ shares of common stock. We will not receive any proceeds from the sale of shares by selling stockholders. This is the initial public offering of our common stock.

Prior to this offering, there has been no public market for the common stock. The initial public offering price is expected to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share.

We have applied to list the common stock on The Nasdaq Stock Market's National Market under the symbol "SNCR."

*Investing in the common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page 11 of this prospectus.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

|           | <u>Price to<br/>Public</u> | <u>Underwriting<br/>Discounts and<br/>Commissions</u> | <u>Proceeds to<br/>Synchronoss<br/>Technologies,<br/>Inc.</u> | <u>Proceeds to<br/>Selling<br/>Stockholders</u> |
|-----------|----------------------------|---|---|---|
| Per Share | \$                         | \$  | \$  | \$  |
| Total     | \$                         | \$  | \$  | \$  |

To the extent that the underwriters sell more than \_\_\_\_\_ shares of common stock, the underwriters have the option to purchase up to an additional \_\_\_\_\_ shares from Synchronoss and selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares of common stock on or about \_\_\_\_\_, 2006.

**Goldman, Sachs & Co.**

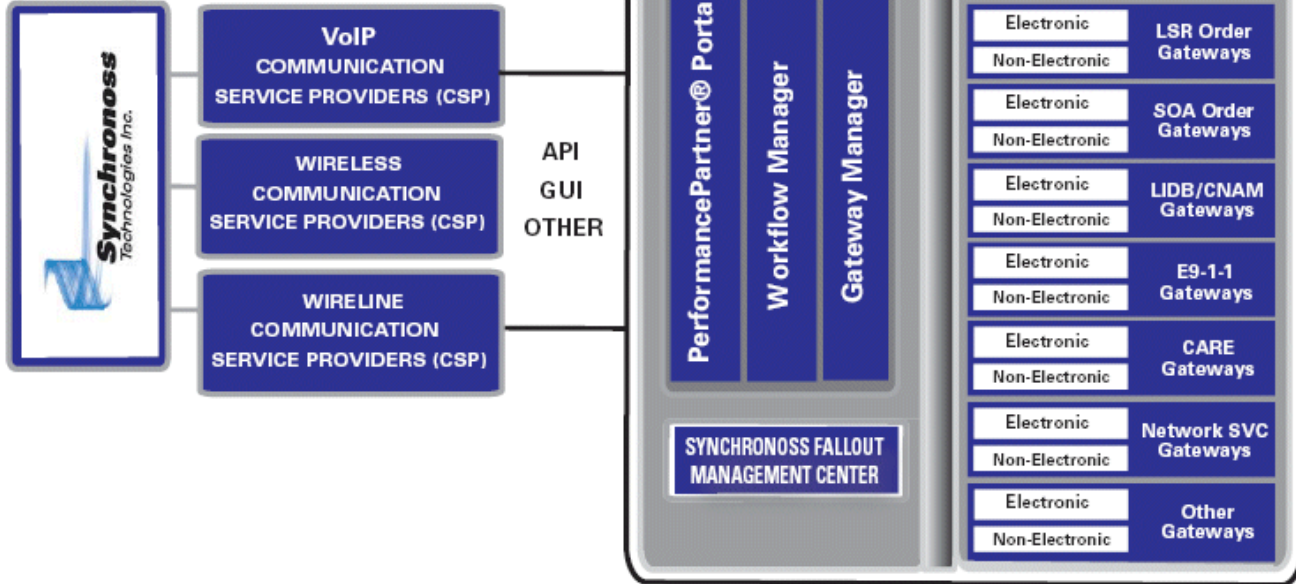
**Deutsche Bank Securities**

**Thomas Weisel Partners LLC**

Prospectus dated \_\_\_\_\_, 2006.

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Synchronoss manages complete interaction with service providers and third party interfaces to ensure successful, timely and accurate flow through provisioning for Communication Service Providers (CSP) enterprise and consumer customers.



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You should rely only on information contained in this document or that information to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

## PROSPECTUS SUMMARY

*You should read the following summary together with the more detailed information regarding Synchronoss Technologies, Inc. and the common stock being sold in this offering in our financial statements and notes appearing elsewhere in this prospectus and our risk factors beginning on page .*

### Synchronoss Technologies, Inc.

#### Our Business

We are a leading provider of e-commerce transaction management solutions to the communications services marketplace based on our penetration into key providers of communications services. Our proprietary on-demand software platform enables communications service providers, or CSPs, to take, manage and provision orders and other customer-oriented transactions and create complex service bundles. We target complex and high-growth industry segments including wireless, Voice over Internet Protocol, or VoIP, wireline and other markets. We have designed our solution to be flexible, allowing us to meet the rapidly changing and converging services offered by CSPs. By simplifying technological complexities through the automation and integration of disparate systems, we enable CSPs to acquire, retain and service customers quickly, reliably and cost-effectively. Our industry-leading customers include Cingular Wireless, Vonage Holdings, Cablevision Systems, Level 3 Communications, Verizon Business, Clearwire, 360networks, Time Warner Cable, Comcast and AT&T. In particular, we have a long-standing relationship with Cingular Wireless, from whom we currently derive a substantial portion of our revenues. Our CSP customers use our platform and technology to service both consumer and business customers, including over 300 of the Fortune 500 companies.

Our CSP customers rely on our services to speed, simplify and automate the process of activating their customers and delivering communications services across interconnected networks, focusing particularly on customers acquired through Internet-based channels. In addition, we offer and are targeting growth in services that automate other aspects of the CSPs' ongoing customer relationships, such as product upgrades and customer care. Our ActivationNow® software platform provides seamless integration between customer-facing CSP applications and "back-office" or infrastructure-related systems and processes. Our platform streamlines these business processes, enhancing the customer experience and allowing us to offer reliable, guaranteed levels of service, which we believe is an important differentiator of our service offering.

The majority of our revenues are generated from fees earned on each transaction processed utilizing our platform. We have increased our revenues rapidly, growing at a compound annual growth rate of 76% from 2001 to 2005. For 2005, we generated revenues of \$54.2 million, a 99.4% increase over 2004. Our net income for the period was \$12.4 million, versus a loss of approximately \$0.01 million for the prior year.

#### Demand Drivers for Our E-Commerce Transaction Management Solutions

Our services are capable of managing a wide variety of transactions across multiple CSP delivery models, allowing us to benefit from increased growth, complexity and technological change in the communications industry. As communications technology has evolved, new access networks, end-devices and applications with multiple features have emerged. This proliferation of services and advancement of technologies are accelerating subscriber growth and increasing the number of transactions between CSPs and their customers. Currently, growth in wireless services, the adoption of VoIP and the increasing importance of e-commerce are strongly driving demand for our transaction management solutions. In addition, we see an opportunity to provide our services to the high-growth market of bundled services (including voice, video, data and wireless) resulting from converging technology markets. We support and target transactions ranging from initial service activations to ongoing customer lifecycle transactions, such as additions, subtractions and changes

to services. The need for CSPs to deliver these transactions efficiently increases demand for our on-demand software delivery model.

The rapid emergence of all-digital, IP-based networks is causing the creation of telecommunications services to be less dependent on particular elements of network infrastructure. In this environment, CSPs are increasingly relying on intelligent software platform solutions such as our own to quickly develop new packages of service offerings. The critical driver of adoption of our services is shifting from cost reduction at CSPs to generating new revenues via on-demand service creation. In this environment, we believe our on-demand capabilities will be a major value-added difference to our CSPs and their largest customers.

## **Our Solution**

Our ActivationNow® software platform provides comprehensive e-commerce order processing, transaction management and provisioning. We have designed ActivationNow® to be a flexible, open and on-demand platform, offering a unique solution for managing transactions relating to a wide range of existing communications services as well as the rapid deployment of new services. In addition to handling large volumes of customer transactions quickly and efficiently, our solution is designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements. Our solution also offers a centralized reporting platform that provides intelligent, real-time analytics around the entire workflow related to an e-commerce transaction. Our platform's automation and ease of integration allows CSPs to lower the cost of new customer acquisition, enhance the accuracy and reliability of customer transactions, and respond rapidly to competitive market conditions. The following key strengths differentiate us:

**Leading Provider of Transaction Management Solutions to the Communications Services Market.** We offer what we believe to be the most advanced e-commerce customer transaction management solution to the communications market. Our industry leading position is built upon the strength of our platform and our extensive experience and expertise in identifying and addressing the complex needs of leading CSPs.

**Well Positioned to Benefit from High Industry Growth Areas and E-Commerce.** We believe we are positioned to capitalize on the development, proliferation and convergence of communications services, including wireless and VoIP and the adoption of e-commerce as a critical customer channel. Our ActivationNow® platform is designed to be flexible and scalable to meet the demanding requirements of the evolving communications services industry, allowing us to participate in the highest growth and most attractive industry segments.

**Differentiated Approach to Non-Automated Processes.** Due to a variety of factors, CSP systems frequently encounter customer transactions with insufficient information or other erroneous process elements. These so-called exceptions, which tend to be particularly common in the early phases of a service roll-out, require non-automated, often time-consuming handling. We believe our ability to address what we refer to as "exception handling" is one of our key differentiators. Our solution identifies, corrects and processes non-automated transactions and exceptions in real-time. Importantly, as exception handling matures within a service, an increasing number of transactions can become automated, which can result in increased operating leverage for our business.

**Transaction-Based Model with High Revenue Visibility.** We believe the characteristics of our business model enhance the predictability of our revenues. We are generally the exclusive provider of the services we offer to our customers and benefit from contracts of 12 to 48 months. The majority of our revenues are transaction-based, allowing us to gauge future revenues against patterns of transaction volumes and growth.

**Trusted Partner, Deeply Embedded with Major, Influential Customers.** We provide our services to market-leading wireline, wireless, cable, broadband and VoIP service providers

including Cingular Wireless, Vonage Holdings, Cablevision Systems, Level 3 Communications, Verizon Business, Clearwire, 360networks, Time Warner Cable, Comcast and AT&T. The high value-added nature of our services and our proven performance track record make us an attractive, valuable and important partner for our customers. Our transaction management solution is tightly integrated into our customers' critical infrastructure and embedded into their workflows, enabling us to develop deep and collaborative relationships with them.

**On-Demand Offering that Enables Rapid, Cost-Effective Implementations.** We provide our e-commerce customer transaction management solutions through an on-demand business model, which enables us to deliver our proprietary technology over the Internet as a service. Our customers do not have to make large and risky upfront investments in software, additional hardware, extensive implementation services and additional IT staff at their sites.

**Experienced Senior Management Team.** Each member of our senior management team has over 12 years of relevant industry experience, including prior employment with companies in the CSP, communications software and communications infrastructure industries.

## Our Growth Strategy

Our growth strategy is to establish our ActivationNow® platform as the premium platform for leading providers of communications services, while investing in extensions of the services portfolio. Key elements of this strategy are:

**Expand Customer Base and Target New and Converged Industry Segments.** The ActivationNow® platform is designed to address service providers and business models across the range of the communications services market, a capability we intend to exploit by targeting new industry segments such as cable operators, or MSOs, wireless broadband/ WiMAX operators and online content providers. Due to our deep domain expertise and ability to integrate our services across a variety of CSP networks, we believe we are well positioned to provide services to converging technology markets, such as providers offering integrated packages of voice, video, data and/or wireless service.

**Continue to Exploit VoIP Industry Opportunities.** We believe that customer demand for our existing VoIP services will continue to grow. Continued rapid VoIP industry growth will expand the market and demand for our services. Being the trusted partner to VoIP industry leaders, including Vonage Holdings, positions us well to benefit from the evolving needs, requirements and opportunities of the VoIP industry.

**Enhance Current Wireless Industry Leadership.** We currently process hundreds of thousands of wireless transactions every month, which are driven by increasing wireless subscribers and wireless subscriber churn resulting from local number portability, or LNP, service provider competition and other factors. Beyond traditional wireless service providers, we believe the fast-growing mobile virtual network operator, or MVNO, marketplace presents us with attractive growth opportunities.

**Further Penetrate our Existing Customer Base.** We derive significant growth from our existing customers as they continue to expand into new distribution channels, require new service offerings and increase transaction volumes. As CSPs expand consumer, business and indirect distribution, they require new transaction management solutions which drive increasing amounts of transactions over our platform. Many customers purchase multiple services from us, and we believe we are well-positioned to cross-sell additional services to customers who do not currently purchase our full services portfolio. In addition, the increasing importance and expansion of Internet-based e-commerce has led to increased focus by CSPs on their e-channel distribution, thus providing another opportunity for us to further penetrate existing customers.



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**Expand Into New Geographic Markets.** Our current customers operate primarily in North America. We intend to utilize our extensive experience and expertise in North America to penetrate new geographic markets.

**Maintain Technology Leadership.** We intend to build upon our technology leadership by continuing to invest in research and development to increase the automation of processes and workflows, thus driving increased interest in our solutions by making it more economical for CSPs to use us as a third party solutions provider.

**Our Corporate Information**

We were incorporated in Delaware in 2000. Our principal executive offices are located at 750 Route 202 South, Sixth Floor, Bridgewater, New Jersey 08807 and our telephone number is (866) 620-3940. Our Web site address is [www.synchronoss.com](http://www.synchronoss.com). The information on, or that can be accessed through, our Web site is not part of this prospectus.

**The Offering**

|   |   |
|---|---|
| Common stock offered by us                                | shares.   |
| Common stock offered by the selling stockholders          | shares.   |
| Total   | shares.   |
| Over-allotment option offered by us                       | shares.   |
| Over-allotment option offered by the selling stockholders | shares.   |
| Total   | shares.   |
| Use of proceeds   | Working capital and general corporate purposes. See "Use of Proceeds."  |
| Dividend policy   | Currently, we do not anticipate paying cash dividends.  |
| Risk factors  | You should read the "Risk Factors" section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our common stock. |
| Proposed Nasdaq National Market symbol                    | SNCR  |

The number of shares of our common stock to be outstanding following this offering is based on 23,971,651 shares of our common stock outstanding as of December 31, 2005 assuming the automatic conversion of all outstanding shares of our preferred stock into 13,549,256 shares of our common stock upon the closing of this offering, excluding:

- 1,079,480 shares of common stock issuable upon exercise of options outstanding as of December 31, 2005 at a weighted average exercise price of \$1.40 per share;
- 980,923 shares of common stock reserved as of December 31, 2005 for future issuance under our stock-based compensation plans; and
- 94,828 shares of common stock issuable upon the exercise of a warrant, with an exercise price of \$2.90 per share.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- the automatic conversion of all outstanding shares of our preferred stock into 13,549,256 shares of common stock, upon the closing of the offering;
- the filing of our restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the effectiveness of this offering; and
- no exercise by the underwriters of their over-allotment option.

**Summary Financial Data**

The following selected financial data should be read in conjunction with, and are qualified by reference to, the financial statements and related notes and "Management's Discussions and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2003                    | 2004             | 2005             |
| (in thousands, except per share data)   |                         |                  |                  |
| <b>Statements of Operations Data:</b>   |                         |                  |                  |
| Net revenues  | \$ 16,550               | \$ 27,191        | \$ 54,218        |
| Costs and expenses  |                         |                  |                  |
| Cost of services (\$9, \$2,610 and \$8,089 were purchased from a related party in 2003, 2004 and 2005, respectively)* | 7,655                   | 17,688           | 30,205           |
| Research and development  | 3,160                   | 3,324            | 5,689            |
| Selling, general and administrative   | 4,053                   | 4,340            | 7,544            |
| Depreciation and amortization   | 2,919                   | 2,127            | 2,305            |
| Total costs and expenses  | <u>17,787</u>           | <u>27,479</u>    | <u>45,743</u>    |
| (Loss) income from operations   | (1,237)                 | (288)            | 8,475            |
| Interest and other income   | 321                     | 320              | 258              |
| Interest expense  | (128)                   | (39)             | (133)            |
| (Loss) income before income tax benefit   | (1,044)                 | (7)              | 8,600            |
| Income tax benefit  | —                       | —                | 3,829            |
| Net (loss) income   | (1,044)                 | (7)              | 12,429           |
| Preferred stock accretion   | (35)                    | (35)             | (34)             |
| Net (loss) income attributable to common stockholders   | <u>\$ (1,079)</u>       | <u>\$ (42)</u>   | <u>\$ 12,395</u> |
| Basic net (loss) income per share   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.53</u>   |
| Diluted net (loss) income per share   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.47</u>   |
| Shares used in computing basic net (loss) income per share**  | <u>9,838</u>            | <u>10,244</u>    | <u>23,508</u>    |
| Shares used in computing diluted net (loss) income per share**  | <u>9,838</u>            | <u>10,244</u>    | <u>26,204</u>    |
| Pro forma net income  |                         |                  | <u>\$ 12,429</u> |
| Pro forma net income per share:   |                         |                  |                  |
| Basic   |                         |                  | <u>\$ 0.49</u>   |
| Diluted   |                         |                  | <u>\$ 0.47</u>   |
| Pro forma weighted average common shares outstanding:   |                         |                  |                  |
| Basic   |                         |                  | <u>25,508</u>    |
| Diluted   |                         |                  | <u>26,204</u>    |

|  | 2003      | 2004      | 2005      | 2005<br>Pro<br>Forma | 2005<br>Pro Forma<br>as adjusted |
|--|-----------|-----------|-----------|----------------------|----------------------------------|
| <b>Balance Sheet Data:</b>                       |           |           |           |                      |                                  |
| Cash, cash equivalents and marketable securities | \$ 13,556 | \$ 10,521 | \$ 16,002 | \$ 16,002            |                                  |
| Working capital                                  | 7,944     | 8,077     | 21,774    | 21,774               |                                  |
| Total assets                                     | 22,402    | 22,784    | 40,208    | 40,208               |                                  |
| Total stockholders' equity (deficiency)          | (17,783)  | (17,916)  | (4,864)   | 30,073               |                                  |

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

\*\* See Note 2 in our audited financial statements for the basis of our EPS presentation.

The pro forma column in the balance sheet data table above reflects the automatic conversion of all outstanding shares of our Series A and Series 1 convertible preferred stock into an aggregate of 13,549,256 shares of common stock upon completion of our initial public offering.

Pro forma net income per share is computed using the weighted average number of common shares outstanding, including the effects of the automatic conversion of all outstanding Series A and Series 1 convertible preferred stock into shares of the Company's common stock as if such conversion had occurred on January 1, 2005.

The pro forma as adjusted column in the balance sheet data table above reflects (i) the conversion of all outstanding shares of preferred stock into common stock upon the effectiveness of this offering and (ii) our sale of \_\_\_\_\_ shares of common stock in this offering, at an assumed initial public offering price of \$ \_\_\_\_\_ per share and after deducting estimated underwriting discounts and commissions and offering expenses payable by us and the application of our net proceeds from this offering.

## RISK FACTORS

*This offering and an investment in our common stock involve a high degree of risk. You should carefully consider the following risk factors and the other information in this prospectus before investing in our common stock. Our business and results of operations could be seriously harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.*

### **Risks Related to Our Business and Industry**

#### ***We have Substantial Customer Concentration, with One Customer Accounting for a Substantial Portion of our 2005 Revenues.***

We currently derive a significant portion of our revenues from one customer, Cingular Wireless. Our relationship with Cingular Wireless dates back to January 2001 when we began providing service to AT&T Wireless, which was subsequently acquired by Cingular Wireless. For the three months ended December 31, 2005, Cingular Wireless accounted for approximately 75% of our revenues, compared to 74% for the three months ended September 30, 2005, 84% for the three months ended June 30, 2005 and 89% for the three months ended March 31, 2005. Our three largest customers, Cingular Wireless, Vonage and Cablevision, accounted for between approximately 94% and 98% of our revenues in each of the quarters of 2005. For the three months ended December 31, 2005, and for the three months ended September 30, 2005, Vonage and Cablevision accounted for approximately 20% of our revenues. For the three months ended June 30, 2005, MCI and Cablevision accounted for approximately 12% of our revenues, and for the three months ended March 31, 2005, MCI and Level 3 accounted for the 9% of our revenues.

#### ***A Slow Down in Market Acceptance and Government Regulation of Voice over Internet Protocol Technology Could Negatively Impact Our Ability to Grow Our Revenues.***

Serving providers of Voice over Internet Protocol is an important part of our business plan. A slow down in market acceptance and increased government regulation of VoIP technology could negatively impact our ability to achieve and maintain profitability and grow our revenues. The success of one key element of our growth strategy depends upon the success of VoIP as an alternative to traditional forms of telephone communication. We began targeting the VoIP market in 2004. VoIP customers attributed approximately 5.33% or \$2.9 million to our total revenues in 2005 and 0% or \$0 in 2004.

The regulatory status of VoIP is not clear and, in early 2004, the Federal Communications Commission ("FCC") opened a proceeding to establish the regulatory framework for Internet Protocol-enabled services, including VoIP. In this proceeding, the FCC will address various regulatory issues, including universal service, intercarrier compensation, numbering, disability access, consumer protection, and customer access to 911 emergency services. The outcome that the FCC reaches on these issues could have a material impact on our customers and potential customers and an adverse effect on our business. In addition, if access charges and tariffs are imposed on the use of Internet Protocol-enabled service, including VoIP, the cost of providing VoIP services would increase, which could have an adverse effect on our business.

Market reluctance to embrace VoIP as an alternative to traditional forms of telephone communication and limitations and/or expenses incurred as a result of increased governmental regulation could negatively impact the growth prospects of a key target customer base, potentially impacting in a negative way our ability to successfully market certain of our products and services.

***If We Do Not Adapt to Rapid Technological Change in the Communications Industry, We Could Lose Customers or Market Share.***

Our industry is characterized by rapid technological change and frequent new service offerings. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and responsiveness of our transaction management services, and by developing new features, services and applications to meet changing customer needs. 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 or market share.

***The Success of Our Business Depends on the Continued Growth of Consumer and Business Transactions Related to Communications Services on the Internet.***

The future success of our business depends upon the continued growth of consumer and business transactions on the Internet, including attracting consumers who have historically purchased wireless services and devices through traditional retail stores. Specific factors that could deter consumers from purchasing wireless services and devices on the Internet include concerns about buying wireless devices without a face-to-face interaction with sales personnel and the ability to physically handle and examine the devices.

Our business growth would be impeded if the performance or perception of the Internet was harmed by security problems such as “viruses,” “worms” and 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, our business growth may be adversely affected.

***Compromises to Our Privacy Safeguards Could Impact Our Reputation.***

Names, addresses, telephone numbers, credit card data and other personal identification information, or PII, is collected, processed and stored in our systems. The steps we have taken to protect PII may not be sufficient to prevent the misappropriation or improper disclosure of such PII. If such misappropriation or disclosure were to occur our business could be harmed through reputational injury, litigation and possible damages claimed by the affected end customers. We do not currently carry insurance to protect us against this risk. Concerns about the security of online transactions and the privacy of personal information could deter consumers from transacting business with us on the Internet.

***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 CSP 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 CSP 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 the CSP and our business could be adversely affected.

***If the Wireless Services Industry Experiences a Decline in Subscribers, Our Business May Suffer.***

The wireless services industry has faced an increasing number of challenges, including a slowdown in new subscriber growth. According to the Telephone Industry Association's 2005 Telecommunications Market Review and Forecast, because a majority of the U.S. population is already subscribing to mobile phone service, growth in the number of wireless communications subscribers will begin to slow and drop to single-digit increases beginning in 2005, with growth averaging 5.2% on a compound annual growth rate basis through 2008, resulting in roughly 200 million wireless communications subscribers in 2008. This reduction in the potential pool of transactions to be handled by Synchronoss is compounded by reduced wireless industry churn rates, which translate into fewer churn-related transactions for us to process. Revenues from services performed for customers in the wireless services industry accounted for 80% of our revenues in 2005 and 84% in 2004.

***We Have a Short Operating History and Have Incurred Net Losses and We May Not Be Profitable in the Future.***

We have a limited operating history and have experienced net losses through 2004. Although we were profitable during 2005, as of December 31, 2005, we had an accumulated deficit of \$5.7 million. We may continue to incur losses and we cannot assure you that we will be profitable in future periods. We may not be able to adequately control costs and expenses or achieve or maintain adequate operating margins. As a result, our ability to achieve and sustain profitability will depend on our ability to generate and sustain substantially higher revenues while maintaining reasonable cost and expense levels. If we fail to generate sufficient revenues or achieve profitability, we will continue to incur significant losses. We may then be forced to reduce operating expenses by taking actions not contemplated in our business plan, such as discontinuing sales of certain of our wireless services, curtailing our marketing efforts or reducing the size of our workforce.

***If We are Unable to Expand Our Sales Capabilities, We May Not Be Able to Generate Increased Revenues.***

We must expand our sales force to generate increased revenues from new customers. We currently have a very small team of dedicated sales professionals. Our services require a sophisticated sales effort targeted at the senior management of our prospective customers. New hires will require training and will take time to achieve full productivity. We cannot be certain that new hires will become as productive as necessary or that we will be able to hire enough qualified individuals in the future. Failure to hire qualified sales personnel will preclude us from expanding our business and growing our revenues.

***The Consolidation in the Communications Industry Can Reduce the Number of Customers and Adversely Affect Our Business.***

The communications industry continues to experience consolidation and an increased formation of alliances among communications service providers and between communications services providers and other entities. Should one of our significant customers consolidate or enter into an alliance with an entity and decide to either use a different service provider or to manage its transactions internally, this could have a negative material impact on our business. These consolidations and alliances 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.

***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 industry is 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 communications services companies. 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 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, 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 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 price of our 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 Cingular Wireless could result in a substantial reduction in or the outright termination of our contract with Cingular Wireless, which would have a significant negative material impact on our business.

***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 Synchronoss is in the process of constructing a disaster recovery facility, our network operations are currently located in a single facility in Bethlehem, Pennsylvania that is 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:

- 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 system;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- increased capacity demands or changes in systems requirements of our customers; or
- errors by our employees or third-party service providers.



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In addition, our business interruption insurance may be insufficient to compensate us for losses that may occur. Any interruptions in our systems or services could damage our reputation and substantially harm our business and results of operations.

### ***If We Fail to Meet Our Service Level Obligations Under Our Service Level Agreements, We Would Be Subject to Penalties and Could Lose Customers.***

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. 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.***

Recently, the telecommunications sector has been facing significant challenges resulting from excess capacity, poor operating results and financing difficulties. The sector's financial status has 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 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 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.

Our business also depends upon the capacity, reliability and security of the infrastructure owned and managed by third parties, including our vendors and customers, that is used 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.

***Our Failure to Protect Confidential Information and Our Network Against Security Breaches Could Damage Our Reputation and Substantially Harm Our Business and Results of Operations.***

A significant barrier to online commerce is concern about the secure transmission of confidential information over public networks. The encryption and authentication technology licensed from third parties on which we rely to securely transmit confidential information, including credit card numbers, may not adequately protect customer transaction data. Any compromise of our security could damage our reputation and expose us to risk of loss or litigation and possible liability which could substantially harm our business and results of operation. Although we carry general liability insurance, 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. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches.

***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, particularly our ActivationNow® software platform. We rely on trade secret, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. 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. Such litigation could result in substantial costs and diversion of management resources, either of which could 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 such a claim, 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 services. Any of these events could seriously harm our business. Third parties may also assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers. We also generally indemnify our customers if our services infringe the proprietary rights of third parties.

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, Which Could Disrupt Our Ongoing Business, Disrupt Our Management and Employees and Adversely Affect Our Results of Operations.***

We may acquire companies where we believe we can acquire new products or services or otherwise enhance our market position or strategic strengths. We have not made any acquisitions to date, and therefore our ability as an organization to make acquisitions is unproven. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we cannot be sure that they will ultimately enhance our products or strengthen our competitive position. In addition, any acquisitions that we make could lead to difficulties in integrating personnel and operations from the acquired businesses and in retaining and motivating key personnel from these businesses. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our results of operations or financial condition. Future acquisitions could result in potentially dilutive issuances of equity securities and the incurrence of debt, which may reduce our cash available for operations and other uses, and contingent liabilities and an increase in amortization expense related to identifiable assets acquired, which could harm our business, financial condition and results of operation.

***Our Potential Expansion into 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 involves 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, the difficulty of enforcing contracts and collecting receivables through some foreign legal systems, unexpected changes in regulatory requirements, fluctuations in currency exchange rates, potential difficulties in enforcing intellectual property rights in foreign countries, and the difficulties associated with managing a large organization spread throughout various countries. If 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.

***We May Need Additional Capital in the Future and it May Not Be Available on Acceptable Terms.***

We have historically relied on outside financing and cash flow from operations to fund our operations, capital expenditures and expansion. However, we may require additional capital in the future to fund our operations, finance investments in equipment or infrastructure, or respond to competitive pressures or strategic opportunities. We cannot assure you that additional financing will be available on terms favorable to us, or at all. In addition, the terms of available financing may place limits on our financial and operating flexibility. If we are unable to obtain sufficient capital in the future, we may not be able to continue to meet customer demand for service quality, availability and competitive pricing. We also may be forced to reduce our operations or may not be able to expand or acquire complementary businesses or be able to develop new services or otherwise respond to changing business conditions or competitive pressures.

***All of Our Assets Serve as Collateral to Secure Loan Obligations.***

We are a party to a Loan and Security Agreement with a bank in which we granted a first priority security interest in all of our assets to the bank. Should we default on our loan obligations the bank may control some or all of our assets.

***Our Senior Management is Important to Our Customer Relationships, and the Loss of One or More of Our Senior Managers Could Have a Negative Impact on Our Business.***

We believe that our success depends in part on the continued contributions of our Chairman of the Board of Directors, President and Chief Executive Officer, Stephen G. Waldis, and other members of our senior management. We rely on our executive officers and senior management to generate business and execute programs successfully. In addition, the relationships and reputation that members of our management team have established and maintain with our customers and our regulators contribute to our ability to maintain good customer relations. The loss of Mr. Waldis or any other members of senior management could impair our ability to identify and secure new contracts and otherwise to manage our business.

***If We Are Unable to Manage Our Growth, Our Revenues and Profits Could Be Adversely Affected.***

Sustaining our growth will place significant demands on our management as well as on our administrative, operational and financial resources. For us to continue to manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. If we are unable to manage our growth successfully without compromising our quality of service and our profit margins, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our revenues and profits could be adversely affected.

***We Will Incur Significant Increased Costs as a Result of Operating as a Public Company, and Our Management Will Be Required to Devote Substantial Time to New Compliance Initiatives.***

We have never operated as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and the Nasdaq Stock Market's National Market, have imposed various new requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to 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.

In addition, the Sarbanes-Oxley Act requires, among other things, that we report on the effectiveness of our internal control over financial reporting and disclosure controls and procedures. In particular, for the year ending on December 31, 2007, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend

significant management time on compliance related issues. We currently do not have an internal audit group, and we will evaluate the need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the Nasdaq Stock Market's National Market, the Securities and Exchange Commission or other regulatory authorities, which would require additional financial and management resources.

***Government Regulation of the Internet and e-commerce is Evolving and Unfavorable Changes Could Substantially Harm Our Business and Results of Operations.***

We and our customers are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet and other online services. These regulations and laws may cover taxation, restrictions on imports and exports, customs, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and e-commerce. Unfavorable resolution of these issues may cause the demand for our services to change in ways that we cannot easily predict and our revenues could decline.

***Changes in the Accounting Treatment of Stock Options Could Adversely Affect Our Results of Operations.***

The Financial Accounting Standards Board has recently made stock option expensing mandatory in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R), *Share-Based Payment*, for financial reporting purposes, effective in 2006 ("SFAS 123(R)"). Such stock option expensing would require us to value our employee stock option grants and then amortize that value against our reported earnings over the vesting period in effect for those options. We have not been required to fair value our stock options through December 31, 2005. When we are required to expense employee stock options, this change in accounting treatment could materially and adversely affect our reported results of operations as the stock-based compensation expense would be charged directly against our reported earnings. Participation by our employees in our employee stock purchase plan may trigger additional compensation charges when SFAS 123(R) is adopted.

***Risks Related to this Offering and Ownership of Our Common Stock***

***The Trading Price of Our Common Stock is Likely to Be Volatile, and You Might Not Be Able to Sell Your Shares at or Above the Initial Public Offering Price.***

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the trading price of our common stock is likely to be subject to wide fluctuations. Further, our common stock has no prior trading history. Factors affecting the trading price of our common stock will include:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- the gain or loss of significant customers;
- recruitment or departure of key personnel;

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- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the market for technology stocks or the stock market in general experiences continued or greater loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors among others, could have a material adverse effect on your investment in our common stock. Some companies that have had volatile market prices for their securities have had securities class actions filed against them. If a suit were filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

### ***Our Securities Have No Prior Market and We Cannot Assure You That Our Stock Price Will Not Decline After the Offering.***

Prior to this offering, there has been no public market for shares of our common stock. Although we have applied to have our common stock quoted on the Nasdaq Stock Market's National Market, an active public trading market for our common stock may not develop or, if it develops, may not be maintained after this offering, and the market price could fall below the initial public offering price. Factors such as quarterly variations in our financial results, announcements by us or others, developments affecting us, our customers and our suppliers, acquisition of products or businesses by us or our competitors, and general market volatility could cause the market price of our common stock to fluctuate significantly. As a result, you could lose all or part of your investment. Our company, the selling stockholders, and the representatives of the underwriters will negotiate to determine the initial public offering price. The initial public offering price may be higher than the trading price of our common stock following this offering.

### ***As a New Investor, You Will Experience Substantial Dilution as a Result of This Offering and Future Equity Issuances.***

The initial public offering price per share is substantially higher than the current/pro forma net tangible book value per share of our common stock outstanding prior to this offering. As a result, investors purchasing common stock in this offering will experience immediate substantial dilution of \$ \_\_\_\_\_ a share. In addition, we have issued options to acquire common stock at prices significantly below the initial public offering price. To the extent outstanding options are ultimately exercised, there will be further dilution to investors in this offering. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of common stock. In addition, if the underwriters exercise their over-allotment option, or if outstanding options and warrants to purchase our common stock are exercised, you will experience additional dilution.

### ***Future Sales of Shares By Existing Stockholders Could Cause Our Stock Price to Decline.***

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the 180-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline below the initial public offering price. Based on shares outstanding as of December 31, 2005, upon completion of this offering, we will have outstanding \_\_\_\_\_ shares of common stock, assuming no exercise of the underwriters' over-allotment option. Of these shares, only the \_\_\_\_\_ shares of

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common stock sold in this offering will be freely tradable, without restriction, in the public market. Goldman, Sachs & Co. may, in its sole discretion, permit our officers, directors, employees and current stockholders who are subject to the 180-day contractual lock-up to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire 180 days from the date of this prospectus, up to an additional 23,199,839 shares will be eligible for sale in the public market, 17,358,151 of which are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 under the Securities Act and various vesting agreements. In addition, the 94,828 shares subject to outstanding warrants and the shares that are either subject to outstanding options or reserved for future issuance under our 2000 Stock Option Plan, 2006 Equity Incentive Plan and Employee Stock Purchase Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Some of our existing stockholders have demand and piggyback rights to require us to register with the Securities and Exchange Commission, or SEC, up to 13,549,256 shares of our common stock that they own. In addition, our existing warrant holders have piggyback rights to require us to register with the SEC up to 94,828 shares of our common stock that they acquire upon exercise of their warrants. If we register these shares of common stock, the stockholders can freely sell the shares in the public market. All of these shares are subject to lock-up agreements restricting their sale for 180 days after the date of this prospectus.

After this offering, we intend to register approximately shares of our common stock that we have issued or may issue under our equity plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements, if applicable, described above.

### ***Our Management Will Have Broad Discretion Over the Use of the Proceeds We Receive in This Offering and Might Not Apply the Proceeds in Ways That Increase the Value of Your Investment.***

Our management will have broad discretion to use the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. They might not apply the net proceeds of this offering in ways that increase the value of your investment. We expect to use the net proceeds from this offering for general corporate purposes, including working capital and capital expenditures, and for possible investments in, or acquisitions of, complementary businesses, services or technologies. We have not allocated these net proceeds for any specific purposes. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use the proceeds.

### ***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 do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock, 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 to decline.

***Existing Stockholders Significantly Influence Us and Could Delay or Prevent an Acquisition By a Third Party.***

Upon completion of this offering, executive officers, key employees and directors and their affiliates will beneficially own, in the aggregate, approximately % of our outstanding common stock, assuming no exercise of the underwriters' over-allotment option. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over us. For information regarding the ownership of our outstanding stock by our executive officers and directors and their affiliates, please see "Principal Stockholders".

***Delaware Law and Provisions in Our Amended and Restated Certificate of Incorporation and 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. For more information, see "Description of Capital Stock — Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Bylaws and Delaware Law." In addition, our amended and restated certificate of incorporation and bylaws 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;
- 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.

For information regarding these and other provisions, please see "Description of Capital Stock." We are also currently considering other anti-takeover measures, including a stockholders' rights plan.

***Completion of This Offering May Limit Our Ability to Use Our Net Operating Loss Carryforwards.***

As of December 31, 2005, we had substantial federal and state net operating loss carryforwards. Under the provisions of the Internal Revenue Code, substantial changes in our ownership may limit the amount of net operating loss carryforwards that can be utilized annually in the future to offset taxable income. We believe that, as a result of this offering, it is possible that a change in our ownership will be deemed to have occurred. If such a change in our ownership occurs, our ability to use our net operating loss carryforwards in any fiscal year may be limited under these provisions.



## FORWARD-LOOKING STATEMENTS

This prospectus includes “forward-looking statements,” as defined by federal securities laws, with respect to our financial condition, results of operations and business, and our expectations or beliefs concerning future events, including increases in operating margins. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

Factors that may cause actual results to differ from expected results include, among others:

- loss of customers;
- lack of market acceptance of VoIP and/or government regulation of VoIP;
- our failure to anticipate and adapt to future changes in our industry;
- a lack of growth in communications services transactions on the Internet;
- compromises to our privacy safeguards;
- the occurrence of fraudulent internet transactions;
- a decline in subscribers in the wireless industry;
- our inability to stay profitable;
- our inability to expand our sales capabilities;
- consolidation in the communications services industry;
- competition in our industry and innovation by our competitors;
- failures and/or interruptions of our systems and services;
- failure to meet obligations under service level agreements;
- financial and operating difficulties in the telecommunications sector;
- failure of our third party providers of software, services, hardware and infrastructure to provide such items;
- our failure to protect confidential information;
- our inability to protect our intellectual property rights;
- claims by others that we infringe their proprietary technology;
- our inability to successfully identify and manage our acquisitions;
- our inability to manage expansion into international markets;
- our inability to obtain capital in the future on acceptable terms;
- the loss of key personnel or qualified technical staff;
- our inability to manage growth;
- the increased expenses and administrative workload associated with being a public company;
- government regulation of the Internet and e-commerce; and
- changes in accounting treatment of stock options.

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All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

See the section entitled “Risk Factors” for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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Unless the context otherwise requires, we use the terms “Synchronoss,” the “Company,” “we,” “us” and “our” in this prospectus to refer to Synchronoss Technologies, Inc.

## USE OF PROCEEDS

We estimate that the net proceeds to us of the sale of the common stock that we are offering will be approximately \$            million, assuming an initial public offering price of \$            per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses that we must pay. We will not receive any of the proceeds of the sale of shares of common stock by the selling stockholders.

We intend to use the net proceeds to us from this offering for working capital and other general corporate purposes, including to finance our growth, develop new products and fund capital expenditures. We may use a portion of the net proceeds to us to expand our current business through strategic alliances with, or acquisitions of, other businesses, products or technologies. We do not presently have any plans, proposals or arrangements, written or otherwise, to acquire companies or technologies.

Pending use of proceeds from this offering, we intend to invest the proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments.

## DIVIDEND POLICY

We have never declared or paid cash dividends on our common or preferred equity. We currently intend to retain all available funds and any future earnings for use in the operation of our business and 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, subject to compliance with certain covenants under our credit facilities, which restrict or limit our ability to declare or pay dividends, 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.

**CAPITALIZATION**  
(in thousands, except per share data)

The table below sets forth the following information:

- our actual capitalization as of December 31, 2005;
- our pro forma capitalization after giving effect to the conversion of all outstanding shares of preferred stock into common stock upon the effectiveness of this offering; and
- our pro forma capitalization as adjusted to reflect (i) the conversion of all outstanding shares of preferred stock into common stock upon the effectiveness of this offering and (ii) the receipt of the estimated net proceeds from our sale of \_\_\_\_\_ shares of common stock in this offering and the filing of a new certificate of incorporation after the closing of this offering.

The table below excludes the following shares:

- 1,079 shares of common stock issuable upon exercise of stock options outstanding as of December 31, 2005 at a weighted average exercise price of \$1.40 per share;
- 981 shares of common stock available for issuance under our 2000 Stock Plan;
- \_\_\_\_\_ shares of common stock available for issuance under our 2006 Equity Incentive Plan; and
- \_\_\_\_\_ shares of common stock available for issuance under our Employee Stock Purchase Plan.

See "Management — Employee Benefit Plans," and Note 8 of "Notes to Financial Statements" for a description of our equity plans.

|  | <b>As of December 31, 2005</b> |                  |                                  |
|--|--------------------------------|------------------|----------------------------------|
|  | <b>(in thousands)</b>          |                  |                                  |
|  | <b>Actual</b>                  | <b>Pro Forma</b> | <b>Pro Forma<br/>As Adjusted</b> |
| Equipment loan payable   | \$ 1,333                       | \$ 1,333         |                                  |
| Series A, redeemable convertible preferred stock, \$0.0001 par value, 13,103 shares authorized, 11,549 shares issued and outstanding actual; 13,103 shares authorized, no shares outstanding pro forma and pro forma as adjusted | 33,493                         | —                |                                  |
| Series 1, convertible preferred stock, \$0.0001 par value, 2,000 shares authorized, issued and outstanding actual; 2,000 shares authorized, no shares outstanding pro forma and pro forma as adjusted                            | 1,444                          | —                |                                  |
| Stockholders' (deficit)/equity:  |                                |                  |                                  |
| Common stock, \$0.0001 par value, 30,000 shares authorized, 10,518 shares issued and 10,423 shares outstanding actual, 23,971 proforma shares outstanding, proforma as adjusted shares outstanding                               | 1                              | 2                |                                  |
| Treasury stock, at cost, 96 shares   | (19)                           | (19)             |                                  |
| Additional paid-in capital   | 1,661                          | 36,597           |                                  |
| Deferred compensation  | (702)                          | (702)            |                                  |
| Accumulated other comprehensive loss   | (114)                          | (114)            |                                  |
| Accumulated deficit  | (5,691)                        | (5,691)          |                                  |
| Total stockholders' (deficiency) equity  | <u>(4,864)</u>                 | <u>30,073</u>    |                                  |
| Total capitalization   | <u>\$ 31,406</u>               | <u>\$ 31,406</u> |                                  |

**DILUTION**

Our pro forma net tangible book value as of December 31, 2005 was \$ \_\_\_\_\_ million, or approximately \$ \_\_\_\_\_ per share. Net tangible book value per share represents the amount of stockholders' equity, divided by \_\_\_\_\_ shares of common stock outstanding after giving effect to the conversion of all outstanding shares of preferred stock into shares of common stock upon completion of this offering.

Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of common stock immediately after completion of this offering. After giving effect to our sale of \_\_\_\_\_ shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share and after deducting the underwriting discounts and commissions and estimated offering expenses, our net tangible book value as of December 31, 2005 would have been \$ \_\_\_\_\_ million or \$ \_\_\_\_\_ per share. This represents an immediate increase in net tangible book value of \$ \_\_\_\_\_ per share to existing stockholders and an immediate dilution in net tangible book value of \$ \_\_\_\_\_ per share to purchasers of common stock in the offering, as illustrated in the following table:

|  |                   |
|--|-------------------|
| Assumed initial public offering price per share                            | \$                |
| Historical net tangible book value per share                               | \$ (0.46)         |
| Increase attributable to the conversion of the convertible preferred stock | <u>1.71</u>       |
| Pro forma net tangible book value per share before this offering           | 1.25              |
| Increase per share attributable to new investors                           | <u>          </u> |
| Pro forma net tangible book value per share after the offering             | <u>          </u> |
| Dilution per share to new investors  | <u>          </u> |

If the underwriters exercise their option to purchase additional shares of our common stock in full in this offering, the pro forma net tangible book value per share after the offering would be \$ \_\_\_\_\_ per share, the increase in pro forma net tangible book value per share to existing stockholders would be \$ \_\_\_\_\_ per share and the dilution to new investors purchasing shares in this offering would be \$ \_\_\_\_\_ per share.

The following table presents on a pro forma basis as of December 31, 2005, after giving effect to the conversion of all outstanding shares of preferred stock into common stock upon completion of this offering, the differences between the existing stockholders and the purchasers of shares in the offering with respect to the number of shares purchased from us, the total consideration paid and the average price paid per share:

|                       | Shares Purchased  |               | Total Consideration<br>(in thousands, except<br>per share data) |               | Average<br>Price Per<br>Share |
|-----------------------|-------------------|---------------|---|---------------|-------------------------------|
|                       | Number            | Percent       | Amount  | Percent       |                               |
| Existing stockholders | 23,971,651        | %             | \$  | %             | \$                            |
| New stockholders      |                   |               |   |               |                               |
| <b>Totals</b>         | <u>          </u> | <u>100.0%</u> | <u>          </u>   | <u>100.0%</u> | <u>          </u>             |

As of December 31, 2005, there were options outstanding to purchase a total of 1,079,480 shares of common stock at a weighted average exercise price of \$1.40 per share. In addition, as of December 31, 2005 there were warrants outstanding to purchase 94,828 shares of preferred stock at a weighted average exercise price of \$2.90 per share. To the extent outstanding options or warrants are exercised, there will be further dilution to new investors. For a description of our equity plans, please see "Management — Employee Benefit Plans" and Note 8 of Notes to the Financial Statements.

**SELECTED FINANCIAL DATA**

The following selected financial data should be read in conjunction with our 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 prospectus. The selected statement of operations data for 2003, 2004 and 2005 and the selected balance sheet data as of December 31, 2004 and 2005 are derived from our audited financial statements and related notes included elsewhere in this prospectus. The selected statement of operations data for 2001 and 2002 and the selected balance sheet data as of December 31, 2001, 2002 and 2003 are derived from our audited financial statements and related notes not included in this prospectus. Historical results are not necessarily indicative of results to be expected in any future period.

|   | <b>Year Ended December 31,</b>              |                   |                   |                  |                 |
|---|---|-------------------|-------------------|------------------|-----------------|
|   | <b>2001</b>                                 | <b>2002</b>       | <b>2003</b>       | <b>2004</b>      | <b>2005</b>     |
|   | <b>(in thousands except per share data)</b> |                   |                   |                  |                 |
| <b>Statements of Operations Data:</b>   |   |                   |                   |                  |                 |
| Net revenues  | \$ 5,621                                    | \$ 8,185          | \$16,550          | \$27,191         | \$54,218        |
| Costs and expenses:   |   |                   |                   |                  |                 |
| Cost of services (\$2,072, \$100, \$9, \$2,610 and \$8,089 were purchased from related parties in 2001, 2002, 2003, 2004 and 2005, respectively)* | 4,876                                       | 3,715             | 7,655             | 17,688           | 30,205          |
| Research and development  | 3,923                                       | 3,029             | 3,160             | 3,324            | 5,689           |
| Selling, general and administrative   | 5,308                                       | 5,169             | 4,053             | 4,340            | 7,544           |
| Depreciation and amortization   | 2,138                                       | 2,726             | 2,919             | 2,127            | 2,305           |
| Total costs and expenses  | <u>16,245</u>                               | <u>14,639</u>     | <u>17,787</u>     | <u>27,479</u>    | <u>45,743</u>   |
| (Loss) income from operations   | (10,624)                                    | (6,454)           | (1,237)           | (288)            | 8,475           |
| Interest and other income   | 928   | 584               | 321               | 320              | 258             |
| Interest expense  | (96)  | (184)             | (128)             | (39)             | (133)           |
| (Loss) income before income tax benefit   | (9,792)                                     | (6,054)           | (1,044)           | (7)              | 8,600           |
| Income tax benefit  | —   | —                 | —                 | —                | 3,829           |
| Net (loss) income   | (9,792)                                     | (6,054)           | (1,044)           | (7)              | 12,429          |
| Preferred stock accretion   | (33)  | (35)              | (35)              | (35)             | (34)            |
| Net (loss) income attributable to common stockholders   | <u>\$ (9,825)</u>                           | <u>\$ (6,089)</u> | <u>\$ (1,079)</u> | <u>\$ (42)</u>   | <u>\$12,395</u> |
| Basic net (loss) income per share   | <u>\$ (1.29)</u>                            | <u>\$ (0.68)</u>  | <u>\$ (0.11)</u>  | <u>\$ (0.00)</u> | <u>\$ 0.53</u>  |
| Diluted net (loss) income per share   | <u>\$ (1.29)</u>                            | <u>\$ (0.68)</u>  | <u>\$ (0.11)</u>  | <u>\$ (0.00)</u> | <u>\$ 0.47</u>  |
| Weighted average shares used in computing net (loss) income per share attributable to common stockholders:  |   |                   |                   |                  |                 |
| Basic**   | <u>7,594</u>                                | <u>8,932</u>      | <u>9,838</u>      | <u>10,244</u>    | <u>23,508</u>   |
| Diluted**   | <u>7,594</u>                                | <u>8,932</u>      | <u>9,838</u>      | <u>10,244</u>    | <u>26,204</u>   |
| Pro forma net income:   |   |                   |                   |                  | <u>\$12,429</u> |
| Pro forma net income per share  |   |                   |                   |                  |                 |
| Basic   |   |                   |                   |                  | <u>\$ 0.49</u>  |
| Diluted   |   |                   |                   |                  | <u>\$ 0.47</u>  |
| Pro forma weighted average common shares outstanding:   |   |                   |                   |                  |                 |
| Basic   |   |                   |                   |                  | <u>25,508</u>   |
| Diluted   |   |                   |                   |                  | <u>26,204</u>   |

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|   | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Balance sheet data:</b>                        |             |             |             |             |             |
| Cash, cash equivalents, and marketable securities | \$ 20,071   | \$ 16,620   | \$ 13,556   | \$ 10,521   | \$16,002    |
| Working capital                                   | 12,960      | 3,802       | 7,944       | 8,077       | 21,774      |
| Total assets                                      | 30,041      | 22,255      | 22,402      | 22,784      | 40,208      |
| Total stockholders' (deficiency)                  | (10,787)    | (16,752)    | (17,783)    | (17,916)    | (4,864)     |

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

\*\* See Note 2 in our audited financial statements for the basis of our EPS presentation.

Pro forma net income per share is computed using the weighted average number of common shares outstanding, including the effects of the automatic conversion of all outstanding Series A and Series 1 convertible preferred stock into shares of the Company's common stock as if such conversion had occurred on January 1, 2005.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the information set forth under "Selected Financial Data" and our financial statements and related notes included elsewhere in this prospectus. All numbers are expressed in thousands unless otherwise stated. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements in this discussion, are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in the prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

### Overview

We are a leading provider of e-commerce transaction management solutions to the communications services marketplace based on our penetration with key CSPs. Our proprietary on-demand software platform enables communications service providers, or CSPs, to take, manage and provision orders and other customer-oriented transactions and create complex service bundles. We target complex and high-growth industry segments including wireless, Voice over Internet Protocol, or VoIP, wireline and other markets. We have designed our solution to be flexible, allowing us to meet the rapidly changing and converging services offered by CSPs. By simplifying technological complexities through the automation and integration of disparate systems, we enable CSPs to acquire, retain and service customers quickly, reliably and cost-effectively. Our industry-leading customers include Cingular Wireless, Vonage Holdings, Cablevision Systems, Level 3 Communications, Verizon Business, Clearwire, 360networks, Time Warner Cable, Comcast and AT&T. Our CSP customers use our platform and technology to service both consumer and business customers, including over 300 of the Fortune 500 companies.

Synchronoss was formed on September 19, 2000 as a spin off from Vertek Corporation. During 2001, we completed a private placement of our Series A convertible preferred stock. The net proceeds received from our Series A round of financing totaled approximately \$34 million. There have been no subsequent rounds of financing. Our revenue stream has grown as demand in the telecommunications and other related emerging markets has continued to evolve. In 2001, we expanded our revenue base from wireline to wireless services. In 2003, we began to offer a more "end-to-end" solution in the wireless markets for our customers. During the third quarter of 2003, we expanded our services to include exception handling services. The addition of this service has allowed us to focus on our customers' entire business processes. In 2004, we further expanded our offerings to include local number portability services for broadband companies and in 2005 we added customers in the VoIP markets. As our services have evolved, we have been able to offer these services bundled in a transactional price.

We generate a substantial portion of our revenues on a per-transaction basis, most of which is derived from long-term contracts. We have increased our revenues rapidly, growing at a compound annual growth rate of 76% from 2001 to 2005. Over the last three years we have derived an increasing percentage of our revenues from transactions. For 2003, we derived approximately 47% of our revenues from transactions processed; and for 2004, we derived approximately 63% of our revenues from transactions processed. For 2005, we derived approximately 83% of our revenues from transactions processed. The remainder of our revenues is generated by professional services and subscription revenues which have been decreasing as a percentage of net revenues. We expect that this trend will continue and that we will derive an increasing percentage of our net revenues from transaction processing in future years.

Our costs and expenses consist of cost of services, research and development, selling, general and administrative and depreciation and amortization.



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Cost of services includes all direct materials, direct labor and those indirect costs related to revenues such as indirect labor, materials and supplies. Our primary cost of services is related to our information technology and systems department, including network costs, data center maintenance, database management and data processing costs, as well as personnel costs associated with service implementation, customer deployment and customer care. Also included in cost of services are costs associated with our exception handling centers and the maintenance of those centers. Currently, we utilize a combination of employees and third party providers to process transactions through these centers.

Research and development expense consists primarily of costs related to personnel, including salaries and other personnel-related expense, consulting fees and the costs of facilities, computer and support services used in service and technology development. We also expense costs relating to developing modifications and enhancements of our existing technology and services.

Selling, general and administrative expense consists of personnel costs including salaries, sales commissions, sales operations and other personnel-related expense, travel and related expense, trade shows, costs of communications equipment and support services, facilities costs, consulting fees and costs of marketing programs, such as Internet and print. General and administrative expense consists primarily of salaries and other personnel-related expense for our executive, administrative, legal, finance and human resources functions, facilities, professional services fees, certain audit, tax and license fees and bad debt expense.

Depreciation and amortization relates primarily to our property and equipment and includes our network infrastructure and facilities related to our services.

### **Current Trends Affecting Our Results of Operations**

We have experienced increased demand for our services, which has been driven by market trends such as local number portability, the implementation of new technologies such as Voice over Internet Protocol, subscriber growth, competitive churn, network changes and consolidations. In particular, the emergence of Voice over Internet Protocol and local number portability has increased the need for our services and will continue to be a factor contributing to competitive churn. As a result of market trends, our revenue stream has expanded from primarily wireline customers to the addition of wireless customers and services. In 2004, local number portability services were added and in 2005 we have further expanded into the VoIP markets.

To support the growth driven by the favorable industry trends mentioned above, we continue to look for opportunities to improve our operating efficiencies, such as the utilization of offshore technical and non-technical resources for our exception handling center management. We believe that this program will continue to provide future benefits and position us to support revenue growth. In addition, we anticipate further automation of the transactions generated by our more mature customers and additional transaction types. These development efforts are expected to reduce exception handling costs.

Upon becoming a public company, we will experience increases in certain general and administrative expenses to comply with the laws and regulations applicable to public companies. These laws and regulations include the provisions of the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission and the Nasdaq Stock Market's National Market. To comply with the corporate governance and operating requirements of being a public company, we will incur increases in such items as personnel costs, professional services fees, fees for independent directors and the cost of directors and officers liability insurance. We believe that these costs will approximate \$1.8 million to \$2.5 million annually.

In 2005, we are able to utilize net operating loss carryforwards from previous years to offset taxable income and income tax expense related to U.S. federal income taxes, assuming that we do not trigger a change in control provision in connection with the initial public offering. These

carryforwards are estimated to be exhausted in 2006. In future years, we expect our profits to be subject to U.S. federal income taxes at the statutory rates.

### **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these 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 expense during a fiscal period. The Securities and Exchange Commission 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 of our board of directors, and the audit committee has reviewed our related disclosures in this prospectus. Although we believe that our judgments and estimates are appropriate and correct, actual results may differ from those estimates.

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

### **Revenue Recognition and Deferred Revenue**

We provide services principally on a transactional basis or, at times, on a fixed fee basis and recognize the revenues as the services are performed or delivered as discussed below:

**Transactional service arrangements:** Transaction service revenues consists of revenues derived from the processing of transactions through our service platform and represent approximately 83% of net revenues for 2005. Transaction service arrangements include services such as equipment orders, new account setup, number port requests, credit checks and inventory management.

Transaction revenues are principally based on a set price per transaction and revenues are recognized based on the number of transactions processed during each reporting period. For these contracts, revenues are recorded based on the total number of transactions processed at the applicable price established in the contract. The total amount of revenues recognized is based primarily on the volume of transactions. At times, transaction revenues may also include billings to customers based on the number of individuals dedicated to processing transactions. For these contracts, the Company records revenues based on the applicable hourly rate per employee for each reporting period.

Many of our contracts have guaranteed minimum volume transactions from our customers. In these instances, if the customers' total transaction volume for the period is less than the contractual amount, we record revenues at the minimum guaranteed amount.

Set up fees for transactional service arrangements are deferred and recognized on a straight-line basis over the life of the contract since these amounts would not have been paid by the customer without the related transactional service arrangement.

Revenue is presented net of a provision for discounts, which are customer volume level driven, or credits, which are performance driven, and are determined in the period in which the volume thresholds are met or the services are provided.

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Deferred revenues represents billings to customers for services in advance of the performance of services, with revenues recognized as the services are rendered.

**Subscription Service Arrangements:** Subscription service arrangements represent approximately 6% of our net revenues for 2005 and relate principally to our ActivationNow® platform service which the customer accesses through a graphical user interface. The Company records revenues on a straight line basis over the life of the contract for our subscription service contracts.

**Professional Service and Other Service Arrangements:** Professional services and other service revenues represent approximately 11% of our net revenues for 2005. Professional services, when sold with transactional service arrangements, are accounted for separately when these services have value to the customer on a standalone basis and there is objective and reliable evidence of fair value of each deliverable. When accounted for separately, professional service (i.e. consulting services) revenues are recognized as the services are rendered for time and material contracts. The majority of our consulting contracts are billed monthly and revenues are recognized as our services are performed.

In determining whether professional services can be accounted for separately from transaction support revenues, we consider the following factors for each professional services agreement: availability of the consulting services from other vendors, whether objective and reliable evidence for fair value exists of the undelivered elements, the nature of the consulting services, the timing of when the consulting contract was signed in comparison to the transaction service start date, and the contractual dependence of the transactional service on the customer's satisfaction with the consulting work.

If a professional service arrangement does not qualify for separate accounting, we would recognize the professional service revenues ratably over the remaining term of the transaction contract. There were no such arrangements for 2003, 2004 and 2005, or for any other period presented.

### **Service Level Standards**

Pursuant to certain contracts, we are subject to service level standards and to corresponding penalties for failure to meet those standards. We record a provision for those performance-related penalties for failure to meet those standards. All performance-related penalties are reflected as a corresponding reduction of our revenues. These penalties, if applicable, are recorded in the month incurred.

### **Allowance for Doubtful Accounts**

We maintain an allowance for doubtful accounts for estimated losses 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. If the financial condition of one of our customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required which would result in an additional expense in the period that this determination was made.

### **Valuation Allowance**

We record a valuation allowance on our deferred tax assets when it is more likely than not that an asset will not be realized. Determining when we will recognize our deferred tax assets is a matter of judgment based on facts and circumstances. We determined that it was appropriate to record our deferred tax assets at full value during the fourth quarter of 2005, based on our recent cumulative earnings history and our expected future earnings. However, if there were a significant change in facts, such as a loss of a significant customer, we may determine that a valuation allowance is appropriate.

## Stock-Based Compensation

We account for our employee stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related interpretations, which require us to recognize compensation cost for the excess of the fair value of the stock at the grant date over the exercise price, if any, and to recognize that cost over the vesting period of the option. Approximately \$0.1 million relating to stock-based employee compensation cost for stock options is reflected in net income for 2005. In addition, the remaining \$0.7 million of deferred compensation is anticipated to be expensed as follows: \$0.2 million in 2006, \$0.2 million in 2007, \$0.2 million in 2008 and \$0.1 million in 2009.

The exercise prices for options granted in 2005 were set by our board of directors, with input from our management, based on our determination of the fair market value of our common stock at the time of the grants. During 2003, 2004 and part of 2005, we estimated the value of our stock options using a simple enterprise value allocation method that is similar to the current value method described in the *AICPA Technical Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation* ([Practice Aid]) since we believed this allocation method was consistent with most similarly-situated private technology companies. However, as we moved closer to a possible initial public offering, we determined in the fourth quarter of 2005 that it was more appropriate to use more sophisticated models to estimate enterprise value and that various enterprise allocation methods should also be evaluated. We believe that all options issued prior to 2005 were issued with exercise prices that equaled at least fair value at the time of the grants. In establishing the retrospective estimates of fair value of our common stock issued in 2005, we considered the guidance set forth in the Practice Aid, and performed a retrospective determination of the fair value of our common stock, utilizing a combination of valuation methods. Information on stock option grants during 2005 is as follows:

| <b>Grant Date</b> | <b>Number of<br/>Options Granted<br/>(in thousands)</b> | <b>Exercise Price</b> | <b>Retrospective<br/>Determination<br/>of Fair Value of<br/>Common Stock</b> | <b>Intrinsic<br/>Value</b> |
|-------------------|---|-----------------------|--|----------------------------|
| April 12, 2005    | 207   | \$ 0.45               | \$ 1.84  | \$ 1.39                    |
| July 14, 2005     | 98  | \$ 0.45               | \$ 6.19  | \$ 5.74                    |
| October 21, 2005  | 120   | \$ 10.00              | \$ 7.85  | \$ 0.00                    |

Determining the fair value of the common stock of a private enterprise requires complex and subjective judgments. Our estimates of the Company's enterprise value at each of the grant dates during 2005 used the weighted results from both the income approach and the market approach.

Under the income approach, the enterprise value of the Company was based on the present value of our forecasted operating results. Our revenue forecasts were based on expected annual growth rates while our expenses, although expected to remain fairly consistent with current results, are expected to decrease as a percentage of revenues as our revenues grow. The assumptions underlying the estimates are consistent with our business plan. The risks associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which was approximately 18% to 19%, as well as the timing of a new VoIP contract and the renewal of a significant customer agreement.

Under the market approach, the Company was compared to a peer group and an estimated enterprise value was developed based on multiples of revenues and earnings from companies in that peer group. When we achieved or exceeded a significant milestone, a premium or discount was applied to determine the enterprise value of the Company.

Once the enterprise value of the Company is established, an allocation method must be used to allocate the enterprise value to the different classes of equity instruments. During our retrospective review, we used the probability weighted expected returns (PWER) method to allocate the enterprise

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value of the Company to our common stock. Under the PWER method, the value of common stock is estimated based upon an analysis of future values for the enterprise assuming various future outcomes. In our specific fact pattern, the future outcomes included two scenarios: (i) the company becomes a public company and; (ii) the company remains a private company. In general, the closer a company gets to an initial public offering scenario, the higher the probability assessment weighting is for that scenario. We used a 25% probability assumption for our April 2005 grants and this percentage increased as discussions with our investment bankers began and continued to increase through the drafting of our registration statement. An increase in the probability assessment for an initial public offering has a significant increase in value ascribed to our common stock.

For each of the two scenarios, estimated future and present value for the common shares were calculated using assumptions including:

- The expected pre-IPO valuation of the Company
- A risk adjusted discount rate associated with the IPO scenario
- "As if" conversion values for the Series A and Series 1 shares
- Appropriate discount for lack of marketability under both scenarios for each valuation date given the length of time until expected IPO
- A minority interest discount associated to be applied to the private company scenario
- The expected probability of achieving IPO versus remaining a private company

Upon the completion of the re-valuation performed in connection with the grants above, our management presented its findings to our board of directors, who then approved the retrospectively determined fair values. Our board of directors is considering various actions in response to the retrospectively determined fair value, including actions to reduce potential adverse tax consequences to employees who were granted options to purchase our common stock at exercise prices below the fair value at the time of grant.

The increase in the fair value of our common stock during 2005 principally reflects a significant increase in our probability weighting for an initial public offering scenario and the continued growth of our revenues and income, which resulted in an increase in our projections of future earnings. The following is a summary of the factors that led us to determine that there had been an increase in the value of our common stock at each grant date:

### ***Options Granted on April 12, 2005***

The fair value of the common stock underlying 207 options granted to employees on April 12, 2005 was determined to be \$1.84 per share. The principal factors considered in determining the increase in fair value of our common stock as compared to the December 31, 2004 value were as follows:

- Our operating income estimates continued to reflect projections consistent with the approved business plan;
- We achieved our third consecutive quarter of profitability.
- The possibility of an initial public offering remained consistent with our business plan and a relatively low probability estimate (25%) for the IPO scenario was assumed under the PWER (probability weighted expected returns) method.

### ***Options Granted on July 14, 2005***

The fair value of the common stock underlying 98 options granted to employees on July 14, 2005 was determined to be \$6.19 per share. The principal factors considered in determining the increase in fair value of our common stock were as follows:

- For the six months ended June 30, 2005, revenues and net income exceeded forecasts in our business plan;

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- Discussions began with our investment bankers around the possibility of an initial public offering earlier than anticipated in our business plan; in light of these discussions, a higher probability (60%) was assured under the PWER method.
- We signed a leading VoIP provider as a new customer.

### **Options Granted on October 21, 2005**

Although we had originally determined the fair value of the common stock underlying 120 options granted to employees on October 21, 2005 to be \$10.00 at the time, based upon a contemporaneous sale of common stock to an unrelated third party by certain stockholders of the Company, including Stephen G. Waldis and James McCormick, we determined that the value of the common stock was \$7.85 per share. The principal factors considered in determining the increase in fair value of our common stock over the July determination were as follows:

- For the nine months ended September 30, 2005, revenues and net income exceeded forecasts in our business plan;
- During the third quarter we initiated the process of an initial public offering and began drafting a registration statement; as a result we increased the probability used under the PWER method to 75%.
- Anticipated renewal of a contract with a large customer for an additional two years.

## **Results of Operations**

### **2005 Compared to 2004**

The following table presents an overview of our results of operations for 2004 and 2005.

|  | <u>2004</u>      |                     | <u>2005</u>      |                     | <u>2005 vs 2004</u> |                 |
|--|------------------|---------------------|------------------|---------------------|---------------------|-----------------|
|  | <u>\$</u>        | <u>% of Revenue</u> | <u>\$</u>        | <u>% of Revenue</u> | <u>\$ Change</u>    | <u>% Change</u> |
| <b>Net Revenue</b>   | <u>\$ 27,191</u> | <u>100.0%</u>       | <u>\$ 54,218</u> | <u>100.0%</u>       | <u>\$ 27,027</u>    | <u>99.4%</u>    |
| Cost of services (\$2,610 and \$8,089 were purchased from a related party in 2004 and 2005, respectively)* | <u>17,688</u>    | <u>65.1%</u>        | <u>30,205</u>    | <u>55.7%</u>        | <u>12,517</u>       | <u>70.8%</u>    |
| Research and development   | <u>3,324</u>     | <u>12.2%</u>        | <u>5,689</u>     | <u>10.5%</u>        | <u>2,365</u>        | <u>71.2%</u>    |
| Selling, general and administrative  | <u>4,340</u>     | <u>16.0%</u>        | <u>7,544</u>     | <u>13.9%</u>        | <u>3,204</u>        | <u>73.8%</u>    |
| Depreciation and amortization  | <u>2,127</u>     | <u>7.8%</u>         | <u>2,305</u>     | <u>4.3%</u>         | <u>178</u>          | <u>8.4%</u>     |
|  | <u>27,479</u>    | <u>101.1%</u>       | <u>45,743</u>    | <u>84.4%</u>        | <u>18,264</u>       | <u>66.5%</u>    |
| <b>(Loss) Income from operations</b>   | <u>\$ (288)</u>  | <u>(1.1)%</u>       | <u>\$ 8,475</u>  | <u>15.6%</u>        | <u>\$ 8,763</u>     | <u>NM**</u>     |

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

\*\* Not Meaningful.

### **Revenue**

**Net Revenue.** Net revenues increased \$27.0 million for 2005 compared to 2004. This increase was made up of the following: \$24.0 million of additional revenues from our existing customer base and the remaining \$3.0 million of additional revenues generated by new CSP customers. The increase in revenues for 2005 is primarily related to the additional transaction

revenues recognized in the period. Transaction revenues recognized for the year represented 83% of net revenues compared to 63% for the same period in 2004. In 2005 we expanded our transaction types to include LNP and VoIP transactions; the increases in these areas have added \$5.6 million and \$2.9 million in revenues, respectively. We also began processing additional wireless transactions; these transactions accounted for \$20.4 million in additional revenues for 2005. Our services continue to offer the latest technologies to allow our customers the ability to expand their business with us.

### **Expense**

**Cost of Services.** Cost of service increased \$12.5 million to \$30.2 million due to growth in third party costs required to support higher transaction volumes submitted to us by our customers and due to increases in personnel and related costs. In particular, third party costs increased \$9.6 million to manage exception handling. Approximately \$5.9 million of the increase in third-party costs was due to services provided from a related party. Also, additional personnel and employee related expense in our managed data facility, service implementation and customer deployment areas contributed \$1.0 million to the increase in cost of services as well. Cost of services as a percentage of revenues decreased to 55.7% for 2005, as compared to 65.1% for 2004. This decrease in cost of services as a percentage of revenues is attributable to operating efficiencies, which has allowed us to increase the number of transactions we processed without proportional increases in personnel costs.

**Research and Development.** Research and development expense increased \$2.4 million to \$5.7 million due to the further development of the ActivationNow® platform to enhance our service offerings and increases in automation that have allowed us to gain operational efficiencies. Research and development expense as a percentage of revenues decreased to 10.5% for 2005, as compared to 12.2% for 2004.

**Selling, General and Administrative.** Selling, general and administrative expense increased \$3.2 million to \$7.5 million due to increases in personnel and related costs totaling \$1.9 million. These costs were attributable to increases in the sales and marketing staff and increases in incentive compensation. Selling, general and administrative expense as a percentage of revenues decreased to 13.9% for 2005, as compared to 16% for 2004.

**Depreciation and Amortization.** Depreciation and amortization expense increased \$0.2 million to \$2.3 million due to fixed asset additions in 2005.

**Income Tax.** In years prior to 2005, we recorded a full valuation allowance for temporary differences as we believed it was more likely than not that our deferred tax assets would not be realized. During 2005, we generated substantial taxable income and expect to continue to generate taxable income for the foreseeable future. As such, we determined that it is more likely than not that we will realize our future tax benefits and have reduced the valuation allowance to zero during the fourth quarter of 2005. The effect of this reduction was an increase in net income of \$4.6 million. This income tax benefit was offset by our income tax provision of \$0.8 million. We did not need to provide for income taxes in 2004.

**2004 compared to 2003**

The following table presents an overview of our results of operations for the years ended December 31, 2003 and 2004.

|  | 2003           |              | 2004      |              | 2004 vs 2003 |          |
|--|----------------|--------------|-----------|--------------|--------------|----------|
|  | \$             | % of Revenue | \$        | % of Revenue | \$ Change    | % Change |
|  | (in thousands) |              |           |              |              |          |
| <b>Net Revenue</b>   | \$ 16,550      | 100.0%       | \$ 27,191 | 100.0%       | \$ 10,641    | 64.3%    |
| Cost of services (\$9 and \$2,610 were purchased from a related party in 2003 and 2004, respectively)* | 7,655          | 46.3%        | 17,688    | 65.1%        | 10,033       | 131.1%   |
| Research and development   | 3,160          | 19.1%        | 3,324     | 12.2%        | 164          | 5.2%     |
| Selling, general and administrative  | 4,053          | 24.5%        | 4,340     | 16.0%        | 287          | 7.1%     |
| Depreciation and amortization  | 2,919          | 17.6%        | 2,127     | 7.8%         | (792)        | (27.1)%  |
|  | 17,787         | 107.5%       | 27,479    | 101.1%       | 9,692        | 54.5%    |
| <b>Loss from operations</b>  | \$ (1,237)     | (7.5)%       | \$ (288)  | (1.1)%       | \$ 949       | NM**     |

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

\*\* Not Meaningful.

**Revenue**

**Net Revenue.** Net revenues increased \$10.6 million due to the continued expansion of our service offerings through our ActivationNow® platform, additional customers and the increase in the transactions processed. Transaction revenues recognized in 2004 represented 63% of net revenues compared to 47% in 2003. This increase is due to the addition of our exception handling centers which began in late 2003. The addition of these centers further enhanced our transactional service offerings particularly in the wireless market. Further addition of local number portability transactions and the addition of a CSP provider in 2004 also contributed to the increase in transactional revenues in 2004. Our customers continued to add feature functionality, increase their competitive churn, further develop new technologies and consolidate; all of which contributed to the increases in revenues for 2004, as compared to 2003.

**Expense**

**Cost of Services.** Cost of service increased \$10.0 million to \$17.7 million due to growth in third party costs related to the exception handling processing required to support higher transaction volumes received from our customers. Costs associated with exception handling performed by third parties increased \$7.3 million due to increased transactions volumes. Approximately \$2.6 million of the increase in third-party costs was due to services provided from a related party. Personnel and employee related expense in our managed data facility, service implementation and customer deployment areas increased \$2.0 million. Cost of services as a percentage of revenues increased to 65.1% for 2004, as compared to 46.3% for 2003. This increase in cost of services as a percentage of revenues is attributable to the addition of several CSPs and the addition of new transactions processed through our gateway and exception handling centers, particularly in the LNP and wireless markets.

**Research and Development.** Research and development expense increased \$0.2 million due to the further development of the ActivationNow® platform to develop and enhance our service



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offerings. Research and development expense as a percentage of revenues decreased to 12.2% for 2004, as compared to 19.1% for 2003.

**Selling, General and Administrative.** Selling, general and administrative expense increased \$0.3 million due to the addition of a Redmond, Washington office and a New Jersey office (both leased facilities) totaling \$0.2 million.

Selling, general and administrative expense as percentage of revenues decreased to 16.0% for 2004, as compared to 24.5% for 2003.

**Depreciation and Amortization.** Depreciation and amortization expense decreased \$0.8 million due to a large portion of assets becoming fully depreciated throughout 2004. It is our policy to depreciate all software and hardware over a three year period. Depreciation and amortization expense as a percentage of revenues decreased to 7.8% of revenues for 2004, as compared to 17.6% for 2003.

### Unaudited Quarterly Results of Operations

The following tables set forth our statements of operations data for the twelve quarters ended December 31, 2005, as well as this data expressed as a percentage of our net revenues represented by each item. We believe this information has been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus and believe that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below and present fairly the results of such periods when read in conjunction with the audited financial statement and notes thereto.

#### Selected Quarterly Data (in thousands)

|                                      | 2003     |          |          |          | 2004     |          |          |          | 2005      |           |           |           |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
|                                      | Mar 31   | Jun 30   | Sept 30  | Dec 31   | Mar 31   | Jun 30   | Sept 30  | Dec 31   | Mar 31    | Jun 30    | Sept 30   | Dec 31    |
| <b>Net Revenues</b>                  | \$ 3,007 | \$ 3,623 | \$ 4,102 | \$ 5,818 | \$ 5,819 | \$ 6,265 | \$ 6,381 | \$ 8,726 | \$ 11,350 | \$ 13,776 | \$ 14,115 | \$ 14,977 |
| Costs and expenses:                  |          |          |          |          |          |          |          |          |           |           |           |           |
| Cost of services*                    | 1,098    | 1,288    | 1,946    | 3,323    | 3,768    | 4,313    | 4,141    | 5,466    | 6,281     | 7,947     | 7,976     | 8,001     |
| Research & development               | 668      | 818      | 881      | 793      | 877      | 847      | 779      | 821      | 1,047     | 1,358     | 1,614     | 1,670     |
| Selling, general & administrative    | 979      | 1,121    | 915      | 1,038    | 982      | 866      | 922      | 1,570    | 1,796     | 1,879     | 1,716     | 2,153     |
| Depreciation & amortization          | 700      | 745      | 806      | 668      | 584      | 542      | 488      | 513      | 510       | 526       | 624       | 645       |
| Total costs and expenses             | 3,445    | 3,972    | 4,548    | 5,822    | 6,211    | 6,568    | 6,330    | 8,370    | 9,634     | 11,710    | 11,930    | 12,469    |
| <b>(Loss) income from operations</b> | \$ (438) | \$ (349) | \$ (446) | \$ (4)   | \$ (392) | \$ (303) | \$ 51    | \$ 356   | \$ 1,716  | \$ 2,066  | \$ 2,185  | \$ 2,508  |
|                                      | 2003     |          |          |          | 2004     |          |          |          | 2005      |           |           |           |
|                                      | Mar 31   | Jun 30   | Sept 30  | Dec 31   | Mar 31   | Jun 30   | Sept 30  | Dec 31   | Mar 31    | Jun 30    | Sept 30   | Dec 31    |
| <b>Net Revenues</b>                  | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 100%     | 100%      | 100%      | 100%      | 100%      |
| Costs and expenses:                  |          |          |          |          |          |          |          |          |           |           |           |           |
| Cost of services*                    | 36.5%    | 35.6%    | 47.4%    | 57.1%    | 64.8%    | 68.8%    | 64.9%    | 62.6%    | 55.3%     | 57.7%     | 56.5%     | 53.4%     |
| Research & development               | 22.2%    | 22.6%    | 21.5%    | 13.6%    | 15.1%    | 13.5%    | 12.2%    | 9.4%     | 9.2%      | 9.9%      | 11.4%     | 11.1%     |
| Selling, general & administrative    | 32.6%    | 30.9%    | 22.3%    | 17.8%    | 16.9%    | 13.8%    | 14.4%    | 18.0%    | 15.8%     | 13.6%     | 12.2%     | 14.4%     |
| Depreciation & amortization          | 23.3%    | 20.6%    | 19.6%    | 11.5%    | 10.0%    | 8.7%     | 7.6%     | 5.9%     | 4.5%      | 3.8%      | 4.4%      | 4.3%      |
| Total costs and expenses             | 114.6%   | 109.6%   | 110.9%   | 100.1%   | 106.8%   | 104.8%   | 99.2%    | 95.9%    | 84.9%     | 85.0%     | 84.5%     | 83.3%     |
| <b>(Loss) income from operations</b> | (14.6)%  | (9.6)%   | (10.9)%  | (0.1)%   | (6.7)%   | (4.8)%   | 0.8%     | 4.1%     | 15.1%     | 15.0%     | 15.5%     | 16.7%     |

\* Exclusive of depreciation and amortization

### Liquidity and Capital Resources

Our principal source of liquidity has been through our Series A convertible preferred stock financing, which closed in 2001, and financing for certain equipment purchases. Total net proceeds from

the Series A financing were approximately \$34 million. There have been no subsequent rounds of equity financing.

On October 6, 2004, we entered into a Loan and Security Agreement with a bank which expires on December 1, 2007. The Agreement includes a Revolving Promissory Note for up to \$2.0 million and an Equipment Term Note for up to \$3.0 million. This replaced a previous loan which was fully paid in 2004. Availability under the Agreement for the Revolving Promissory Note is based on defined percentages of eligible accounts receivable. Borrowings on the revolving credit agreement bear interest at the prime rate plus 1.25% (6.5% at December 31, 2004 and 8.5% at December 31, 2005) payable monthly. Interest only on the unpaid principal amount is due and payable monthly in arrears, commencing January 1, 2005 and continuing on the first day of each calendar month thereafter until maturity, at which point all unpaid principal and interest related to the revolving advances will be payable in full. There were no draws against the Revolving Promissory Note as of December 31, 2004 or 2005. As of December 31, 2004 and 2005, we had outstanding borrowings of \$2.0 million and \$1.3 million, respectively, against the Equipment Term Note to fund purchases of eligible equipment. Borrowings on the equipment line bear interest at the prime rate plus 1.75% (7% at December 31, 2004 and 9% at December 31, 2005) and principal and interest is payable monthly. The Loan and Security Agreement requires us to meet one liquidity financial covenant that must be maintained as of the last day of each month. This calculation and a certification of compliance, along with our monthly financial statements are reported to the bank on a monthly basis. We were in compliance with the covenant at December 31, 2004 and December 31, 2005 and borrowings under the Loan and Security Agreement are collateralized by all of our assets.

We anticipate that our principal uses of cash in the future will be facility expansion, capital expenditures and working capital.

Total cash and cash equivalents and investments in marketable securities were \$16.0 million at December 31, 2005, as compared to \$10.5 million at December 31, 2004. As of December 31, 2005, we had \$2.0 million available under the revolving promissory note of our bank, subject to the terms and conditions of that facility.

### Discussion of Cash Flows

**Cash flows from operations.** Net cash provided by operating activities for 2005 was \$8.0 million compared to net cash used of \$1.6 million for 2004. The increase of \$9.6 million is the result of increased profits generated from increased business volume across all of our service offerings. In addition, our increases in receivables were partially offset by increases in our accruals for incentive compensation and commissions of approximately \$2.5 million. Payments for these accrued expenses are expected to occur in 2006.

Net cash used in operating activities for 2004 and 2003 was \$1.6 million and \$0.01 million, respectively. This increase of \$1.6 million is primarily due to a timing difference between cash payments to our vendors and cash collected from customers. In many cases, we have different payment terms with our vendors than we have with our customers.

**Cash flows from investing.** Net cash used in investing activities for 2005 was \$2.0 million compared to net cash used of \$1.8 million for 2004. Our decreased spending of fixed assets in 2005 was offset by a comparable decrease in net cash provided from sales of marketable securities.

Net cash used in investing activities for 2004 was \$1.8 million compared to \$0.2 million for 2003. The increase of \$1.6 million was due to the increased purchase of fixed assets of \$0.9 million offset by less sales of marketable securities.

**Cash flows from financing.** Net cash used in financing activities for 2005 was \$0.6 million compared to \$2.0 million of net cash provided by financing activities for 2004. This \$2.6 million decrease in net cash used in financing activities was principally due to \$2.0 million of equipment loan proceeds in 2004 and none in 2005.

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Net cash provided in financing activities for 2004 was \$2.0 million compared to \$0.6 million of net cash used for 2003. This \$2.6 million increase in net cash provided in financing activities was principally due to proceeds from an equipment loan.

We believe that our existing cash and cash equivalents, short-term investments and cash from operations will be sufficient to fund our operations for the next twelve months.

### **Contractual Obligations**

Our commitments consist of obligations under leases for office space, computer equipment and furniture and fixtures. The following table summarizes our long-term contractual obligations as of December 31, 2005 (in thousands).

|                             | Payments Due by Period |                     |                 |                 | More than<br>5 Years |
|-----------------------------|------------------------|---------------------|-----------------|-----------------|----------------------|
|                             | Total                  | Less than<br>1 year | 1-3 years       | 4-5 years       |                      |
| Operating lease obligations | \$ 5,546               | \$ 1,167            | \$ 3,192        | \$ 1,055        | \$ 132               |
| Equipment loan              | 1,431                  | 739                 | 692             | —               | —                    |
| Purchase obligation*        | 350                    | 350                 | —               | —               | —                    |
| Total                       | <u>\$ 7,327</u>        | <u>\$ 2,256</u>     | <u>\$ 3,884</u> | <u>\$ 1,055</u> | <u>\$ 132</u>        |

\*As of December 31, 2005, we had agreements with Omnicore International, L.L.C. (for more details regarding Omnicore please reference the "Certain Relationships and Related Party Transactions" section). One of these agreements provides for minimum levels of staffing at a specific price level resulting in an overall minimum commitment of \$0.4 million over the next six months. Fees paid for services rendered related to these agreements were \$8.0 million and \$2.2 million for 2005 and 2004 respectively. Services provided by Omnicore include data entry and related services as well as development and testing services. The current agreements may be terminated by either party without cause with 30 or 60 days written notice prior to the end of the term. Unless terminated, the agreements will automatically renew in six month increments. As of December 31, 2005 we do not intend to terminate our arrangements with Omnicore.

### **Effect of Inflation**

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 2003, 2004 and 2005.

### **Quantitative and Qualitative Disclosures About Market Risk**

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-term investments in a variety of securities, including commercial paper, money market funds and corporate debt securities. Our cash and cash equivalents at December 31, 2004 and 2005 included liquid money market accounts.

### **Recent Accounting Pronouncements**

In May 2003, the Financial Accounting Standards Board, or FASB, issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (SFAS No. 150). SFAS No. 150 requires that an issuer classify certain financial instruments as a liability because they embody an obligation of the issuer. The remaining provisions of SFAS No. 150 revise the definition of a liability to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. The provisions of this statement require that any financial

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instruments that are mandatorily redeemable on a fixed or determinable date or upon an event certain to occur be classified as liabilities. Our convertible preferred stock may be converted into common stock at the option of the stockholder, and therefore, it is not classified as a liability under the provisions of SFAS No. 150.

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)), which is a revision of SFAS No. 123. SFAS 123(R) supersedes APB No. 25, and amends SFAS No. 95, Statement of Cash Flows. Generally the approach in SFAS 123(R) is similar to the approach described in SFAS No. 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123(R).

SFAS 123(R) must be adopted no later than January 1, 2006. Early adoption was permitted in periods in which financial statements were not yet issued. Because we were a private company that used the minimum value method to determine values of our pro forma stock based compensation disclosures, we adopted SFAS 123(R) using the prospective method on January 1, 2006. Although we cannot fully determine the amount of the impact of this new standard since it will be dependent upon the extent of stock based compensation awards issued in the future as well as the fair value attributed to the awards, we expect that adoption of the new standard will decrease earnings in the future.

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

We had no off-balance sheet arrangements as of December 31, 2004 and 2005.

## BUSINESS

### Overview

We are a leading provider of e-commerce transaction management solutions to the communications services marketplace based on our penetration with key CSPs. Our proprietary on-demand software platform enables communications service providers, or CSPs, to take, manage and provision orders and other customer-oriented transactions and create complex service bundles. We target complex and high-growth industry segments including wireless, Voice over Internet Protocol, or VoIP, wireline and other markets. We have designed our solution to be flexible, allowing us to meet the rapidly changing and converging services offered by CSPs. By simplifying technological complexities through the automation and integration of disparate systems, we enable CSPs to acquire, retain and service customers quickly, reliably and cost-effectively. Our industry-leading customers include Cingular Wireless, Vonage Holdings, Cablevision Systems, Level 3 Communications, Verizon Business, Clearwire, 360networks, Time Warner Cable, Comcast and AT&T. Our CSP customers use our platform and technology to service both consumer and business customers, including over 300 of the Fortune 500 companies.

Our CSP customers rely on our services to speed, simplify and automate the process of activating their customers and delivering communications services across interconnected networks, focusing particularly on customers acquired through Internet-based channels. In addition, we offer and are targeting growth in services that automate other aspects of the CSPs' ongoing customer relationships, such as product upgrades and customer care. Our ActivationNow® software platform provides seamless integration between customer-facing CSP applications and "back-office" or infrastructure-related systems and processes. Our platform streamlines these business processes, enhancing the customer experience and allowing us to offer reliable, guaranteed levels of service, which we believe is an important differentiator of our service offering.

The majority of our revenues is generated from fees earned on each transaction processed utilizing our platform. We have increased our revenues rapidly, growing at a compound annual growth rate of 76% from 2001 to 2005. For 2005, we generated revenues of \$54.2 million, a 99.4% increase over 2004. Our net income for that period was \$12.4 million, versus a loss of approximately \$0.01 million for the prior year.

### Industry Background

#### *Communications Market*

The communications industry has undergone substantial regulatory, technological and competitive changes in recent years. Beginning with the court-ordered divestiture of the Bell Operating System in the 1980s and increasing with the implementation of the Telecommunications Act of 1996, government regulation has encouraged the proliferation of service providers and service delivery models. The opportunity created by opening the communications services market has encouraged new participants to enter and incumbent service providers to expand into new geographies and segments, thereby increasing overall competitive intensity. As a result, CSPs are facing significant operational and business opportunities and challenges as they are increasingly required to interoperate and share network resources. In addition, technological developments have increased the range of communications standards and protocols. These changes are causing CSPs to integrate multiple and often incompatible and complex processes and systems that make it difficult to provide a seamless end-user experience. Transactions, such as provisioning new services and porting customers between CSPs, present significant technological and operational challenges. Many CSPs have responded by developing their own in-house processes and systems which are frequently manual, time-consuming, costly and inflexible.

These changes in the communications industry present particularly acute challenges and complexities in high-growth market segments such as wireless and VoIP.

**Wireless** — The wireless communications industry has grown rapidly over the past decade due to the increasing demand from businesses and consumers for mobile and high-speed or “broadband” wireless voice and data systems. The expanding subscriber base and the corresponding growth in industry revenues have been driven by improved service quality, greater national and international roaming coverage, lower prices and the introduction of new messaging, data and content services. Wireless carriers face increasing competition and costs to acquire and retain subscribers. For CSPs to remain competitive and minimize customer churn, transactions such as activations, number porting, technology migrations, service plan changes, new feature requests and many others must be made available seamlessly, conveniently and cost-effectively.

**Voice over Internet Protocol** — VoIP is realizing dramatic growth as a leading alternative to traditional voice services. VoIP enables voice information to be sent in digital form in discrete packets rather than in the traditional circuit-committed protocols of the public switched telephone network, or PSTN. VoIP offers numerous benefits to both enterprises and consumers including lower cost than traditional voice services, a common transmission medium for voice and data (e.g. via broadband subscription to the home) and integrated applications such as unified messaging. The rapid growth in VoIP has attracted numerous CSP participants, both next-generation service providers with packet-based networks and existing telecom service providers with circuit-switched networks. This combination of traditional switched and packet-based network technologies is driving the development of hybrid and converged networks that create new operational challenges. VoIP service providers are faced with a highly competitive environment for customer acquisition and challenges associated with provisioning new services efficiently and cost-effectively.

### **E-commerce**

The growth of the Internet is changing the way businesses and individuals use the telecommunications network. For example, Internet-based “e-commerce” has expanded the role of the telecommunications network from a transportation system for communications traffic to a medium for conducting business transactions. The broader role for the network creates new opportunities for both established and new CSPs. In addition, e-commerce is becoming an important tool for CSP customer acquisition and ongoing service delivery, such as ongoing additions and changes to services, allowing CSPs to connect with end-users over the course of the customer lifecycle.

### **On-demand software delivery**

CSPs have historically used significant amounts of costly IT infrastructure and software to manage complex transactions and streamline workflows. Although many businesses have invested heavily in a wide range of enterprise software applications, the challenges associated with implementing and maintaining these applications have delayed or reduced the benefits of ownership. Challenges such as the difficulty of deploying complex applications across a distributed, heterogeneous IT infrastructure and the high cost of ownership of software licenses and support have motivated enterprises to seek out alternative application usage models. On-demand software is delivery of software as a service over the Internet or a private network, enabling a vendor to host and provide the application to multiple customers. CSPs are increasingly leveraging on-demand software to simplify their IT infrastructure and streamline complex workflows in a cost-effective manner. On-demand software typically eliminates large upfront license costs and requires little or no hardware or IT personnel to install, configure or maintain at the customer site and is growing in popularity among large corporations and small businesses alike.

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The substantial regulatory, technological and competitive changes in the communications industry, combined with the growth of e-commerce and the emergence of on-demand software delivery as a valuable application usage model have created a significant market opportunity for third-party solutions vendors. CSPs can reduce costs and increase customer satisfaction with cost-effective, automated and scalable third-party customer transaction management solutions that have guaranteed levels of service delivery.

### The Synchronoss Solution

Our ActivationNow® software platform provides comprehensive e-commerce order processing, transaction management and service provisioning. We have designed ActivationNow® to be a flexible, open and on-demand platform, offering a unique solution for managing transactions relating to a wide range of existing communications services as well as the rapid deployment of new services. In addition to handling large volumes of customer transactions quickly and efficiently, our solution is designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements. Our solution also offers a centralized reporting platform that provides intelligent, real-time analytics around the entire workflow related to an e-commerce transaction. Our platform's automation and ease of integration allows CSPs to lower the cost of new customer acquisition, enhance the accuracy and reliability of customer transactions, and respond rapidly to competitive market conditions.

Examples of customer-oriented transactions we automate and manage include:

- New account setup and activations — including credit checks, address validation and equipment availability;
- Feature requests — adding new functionality to existing services;
- Contract renewals — for consumers and enterprises;
- Number port requests — local number portability;
- Customer migration — between technologies and networks; and
- Equipment orders — wireless handsets, accessories, etc.

Our solution is also designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements, through a suite of capabilities we refer to as "exception handling." Our exception handling service is designed to consistently meet service level agreements, or SLAs, for transactions that are not fully automated or have erroneous process elements. Our exception handling service utilizes two tiers of our platform, the Workflow Manager and the Real-Time Visibility Manager, to identify, correct and process non-automated transactions and exceptions in real-time. Critical functions provided by our exception handling service center include streamlining operations by reducing the number of transactions processed with human intervention.

Our flexible solution can manage transactions relating to a wide range of existing communications services across the many segments of CSPs. For example, we enable wireless providers to conduct business-to-consumer, or B2C, and business-to-business, or B2B, e-commerce transactions. We also furnish VoIP providers with customer-branded portals, as well as the gateway to service their retail customers and subscribers. The capabilities of our ActivationNow® platform allow CSPs to improve operational performance and efficiencies and rapidly deploy new services.

Our solution is designed to be:

**Automated:** We designed our ActivationNow® platform to eliminate manual processes and to automate otherwise labor-intensive tasks, thus improving operating efficiencies and

reducing costs. By tracking every order and identifying those that are not provisioned properly, we substantially reduce the need for manual intervention. Our technology automatically guides a customer's request for service through the entire series of required steps.

**Reliable:** We are committed to providing high-quality, dependable services to our customers. To ensure reliability, system uptime and other service offerings are guaranteed through our commitment to service level agreements, or SLAs. Our product is 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 software platform recognizes and isolates transaction orders that are not configured to specifications, processes them in a timely manner and communicates these orders back to our customers, thereby improving efficiency and reducing backlog. If manual intervention is required, our exception handling is outsourced to centers located in India, Canada and the United States. In addition, our database design preserves data integrity while ensuring fast, efficient, transaction-oriented data retrieval methods. As a demonstration of resilience, the database design has remained constant during the life and evolution of other components of the software platform. This stability provides reusability of the business functionality as new, updated graphical user interfaces are developed.

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

**Scalable:** Our ActivationNow® platform is designed to process expanding transaction volumes reliably and cost-effectively. Transaction volume has increased rapidly since our inception. For 2005, we managed 5.3 million transactions, compared to 1.6 million for the same period in 2004. We anticipate substantial future growth in transaction volumes and believe our platform is capable of scaling its output commensurately, requiring principally routine computer hardware and software updates. In addition, our platform enables service providers to offer a variety of services more quickly and to package and price their services cost-effectively by integrating them with available network capacity and resources.

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

Our platform's capabilities combine to provide what we believe to be a more cost-effective, efficient and productive approach to e-commerce. Our solutions allow our customers to reduce overhead costs associated with building and operating their own e-commerce and customer transaction management infrastructure. We also provide our customers with the information and tools to more efficiently manage marketing and operational aspects of their business. In addition, the automation and ease of integration of our on-demand software allows CSPs to accelerate the deployment of their services and new service offerings by shortening the time between a customer's order and the provisioning of service.



## Demand Drivers for Our E-Commerce Transaction Management Solutions

Our services are capable of managing a wide variety of transactions across multiple CSP delivery models, allowing us to benefit from increased growth, complexity and technological change in the communications industry. As communications technology has evolved, new access networks, end-devices and applications with multiple features have emerged. This proliferation of services and advancement of technologies are accelerating subscriber growth and increasing the number of transactions between CSPs and their customers. Currently, growth in wireless services, the adoption of VoIP and the increasing importance of e-commerce are strongly driving demand for our transaction management solutions. In addition, we see an opportunity to provide our services to the high-growth market of bundled services (including voice, video, data and wireless) resulting from converging technology markets. We support and target transactions ranging from initial service activations to ongoing customer lifecycle transactions, such as additions, subtractions and changes to services. The need for CSPs to deliver these transactions efficiently increases demand for our on-demand software delivery model. The rapid emergence of all-digital, IP-based networks is causing the creation of telecommunications services to be less dependent on particular elements of network infrastructure. In this environment, CSPs are increasingly relying on intelligent software platform solutions such as our own in order to quickly develop new packages of service offerings. The critical driver of adoption of our services is shifting from cost reduction at CSPs to generating new revenues via on-demand service creation. In this environment, we believe that our on-demand capabilities will be a major value-added difference to our CSPs and their largest customers.

**Growth in wireless services.** Wireless subscribers and services have grown rapidly in recent years. According to In-Stat/ MDR, the global wireless market is expected to add an average of 186 million new subscribers each year, resulting in a total wireless population of more than 2 billion by 2007. Not only are more people using wireless phones, but there are entirely new kinds of wireless service providers entering the market, such as mobile virtual network operators (MVNO). An MVNO is a mobile operator that does not own its own spectrum and usually does not have its own network infrastructure, instead relying on business arrangements with traditional mobile operators. Demand for advanced services in the United States, such as next generation wireless technology for multi-media voice and content delivery, grew at a compound annual rate of 36% from 56.7 million users in 2004 to 77.2 million users in 2005, according to Yankee Group. We believe that the next-generation of wireless services and fast-growing MVNO marketplace present us with excellent growth opportunities. According to the Yankee Group, by 2010 the MVNO market will comprise more than 10 million subscribers with \$10.7 billion in service provider revenues.

**Adoption of VoIP.** Internet Protocol-based network technologies are transforming the communications marketplace and VoIP applications are just starting to be deployed. The total number of residential US VoIP customers is expected to grow from 3 million in 2005 to 27 million in 2009, representing a compound annual growth rate of 173% according to IDC. This forecast is further supported by Gartner, who predicts that consumer VoIP services spending in the United States will jump from \$1.9 billion in 2005 to \$9.5 billion in 2008. Our strong 2005 market capture across new entrants, cable companies, and traditional communications providers positions us well to leverage our existing base and maximize capture of new transaction types.

**Continued growth of e-commerce.** Internet-based commerce provides CSPs with the opportunity to cost-effectively gain new customers, provide service and interact more effectively. Forrester Research projects e-commerce sales in the United States to grow from \$172 billion in 2005 to \$329 billion in 2010. With the dramatic increase in Internet usage and desire to directly connect with end-users over the course of the customer lifecycle, CSPs are increasingly focusing on e-commerce as a channel for customer acquisition and delivery of ongoing services.

**Growth in on-demand software delivery model.** Our on-demand business model enables delivery of proprietary software solutions over the Internet as a service. Customers do not have to make large and risky upfront investments in software, additional hardware, extensive implementation services and additional IT staff. Because we implement all upgrades to software on our servers, they automatically become part of our service and available to benefit all customers immediately. According to International Data Corporation, or IDC, the on-demand software market in the United States is expected to grow from \$3 billion in 2003 to \$9 billion by 2008, a compound annual rate of 25%.

**Pressure on CSPs to improve efficiency.** Increased competition and excess network capacity have placed significant pressure on CSPs to reduce costs and increase revenues. At the same time, due to deregulation, the emergence of new network technologies and the proliferation of services, the complexity of back-office operations has increased significantly. As a result, CSPs are looking for ways to offer new communications services more rapidly and efficiently to existing and new customers. CSPs are increasingly turning to transaction-based, cost-effective, scalable and automated third-party solutions that can offer guaranteed levels of service delivery.

## Our Strengths

We believe the following key strengths differentiate us:

**Leading Provider of Transaction Management Solutions to the Communications Services Market.** We offer what we believe to be the most advanced e-commerce customer transaction management solution to the communications markets. Our industry leading position is built upon the strength of our platform and our extensive experience and expertise in identifying and addressing the complex needs of leading CSPs. We believe our customer transaction management solution is uniquely effective in enabling service providers to offer B2C and B2B e-commerce provisioning solutions and rapidly deploy new services, which many of our competitors are unable to offer or offer as efficiently or cost-effectively. We also provide customers with real-time workflow information at every step of the transaction process, allowing visibility into the entire customer experience. Our established and collaborative relationships with respected and innovative service providers such as Cingular Wireless and Vonage Holdings are indicators of, and contributors to, our industry-leading position.

**Well Positioned to Benefit from High Industry Growth Areas and E-Commerce.** We believe we are positioned to capitalize on the development, proliferation and convergence of communications services, including wireless and VoIP and the adoption of e-commerce as a critical customer channel. Our ActivationNow® platform is designed to be flexible and scalable to meet the demanding requirements of the evolving communications services industry, allowing us to participate in the highest growth and most attractive industry segments. We intend to leverage the flexibility and scalability of the platform and our track record of serving existing customers to extend our services in pursuit of opportunities arising from additional technologies and business models, including cable operators (MSOs), WiMAX operators, MVNOs and online content providers.

**Differentiated Approach to Non-Automated Processes.** Due to a variety of factors, CSP systems frequently encounter customer transactions with insufficient information or other erroneous process elements. These so-called exceptions, which tend to be particularly common in the early phases of a service roll-out, require non-automated, often time consuming handling. We believe our ability to address what we refer to as "exception handling" is one of our key differentiators. Our solution identifies, corrects and processes non-automated transactions and exceptions in real-time. Our exception handling service is designed to consistently meet SLAs for transactions that are not fully automated. Critical functions provided by our exception handling service center include streamlining operations by reducing the number of transactions processed with human interaction. Importantly, as exception handling matures within a service, an increasing number of transactions can become automated, which can result in increased operating leverage for our business.

**Transaction-Based Model with High Revenue Visibility.** We believe the characteristics of our business model enhance the predictability of our revenues. We are generally the exclusive provider of the services we offer to our customers and benefit from contracts of 12 to 48 months. All of our significant customers may terminate their contracts for convenience upon written notice and payment of contractual penalties. The majority of our revenues is transaction-based, allowing us to gauge future revenues against patterns of transaction volumes and growth. In addition, our customers provide us monthly rolling transaction forecasts and our contracts guarantee us the higher of (i) a percentage ranging from 75%-90% of these forecasts and (ii) certain specified monthly minimum revenues levels. We have also grown our revenues rapidly, at a 76% compound annual growth rate from 2001-2005. Our platform and systems are designed to accommodate further substantial increases in transaction volumes and transaction types. Our ability to leverage our technology to serve additional customers and develop new product offerings has enabled us to reduce costs and increase operating margins, a trend which we expect to continue.

**Trusted Partner, Deeply Embedded with Major, Influential Customers.** We provide our services to market-leading wireline, wireless, cable, broadband and VoIP service providers including Cingular Wireless, Vonage Holdings, Cablevision Systems, Level 3 Communications, Verizon Business, Clearwire, 360networks, Time Warner Cable, Comcast and AT&T. The high value-added nature of our services and our proven performance track record make us an attractive, valuable and important partner for our customers. Our transaction management solution is tightly integrated into our customers' critical infrastructure and embedded into their workflows, enabling us to develop deep and collaborative relationships with them. We believe this leads to higher reliability and more tailored product offerings with reduced development times and decreases the risk of our customers defecting to competing platforms. We work to deepen our customer relationships through on-going consultation, including quarterly customer advisory councils or discussion groups. This helps us to deliver higher quality services to our existing customers and anticipate the evolving requirements of the industry as a whole.

**On-Demand Offering that Enables Rapid, Cost-Effective Implementations.** We provide our e-commerce customer transaction management solutions through an on-demand business model, which enables us to deliver our proprietary technology over the Internet as a service. Our customers do not have to make large and risky upfront investments in software, additional hardware, extensive implementation services and additional IT staff at their sites. This increases the attractiveness of our transaction management solution to CSPs. Our expertise in the CSP marketplace coupled with our open, scalable and secure multi-tenant application architecture enables rapid implementations and allows us to serve customers cost-effectively. In addition, because all upgrades to our software technology are implemented by us on our servers, they automatically become part of our service and therefore benefit all of our customers immediately. This typically results in a lower total cost of ownership and increased return on investment for our customers, as well as an infrastructure that can easily be manipulated to provide our customers a rapid time to market with new services by leveraging our interfaces to a plethora of Operational Support Systems (OSS) and Business Support Systems (BSS) of Service Providers.

**Experienced Senior Management Team.** Each member of our senior management team has over 12 years of relevant industry experience, including prior employment with companies in the CSP, communications software, and communications infrastructure industries. This experience has enabled us to develop strong relationships with our customers. Our senior management team has been working together for the last three to seven years, with Messrs. Waldis, Berry and Garcia having worked together at Vertek Corporation prior to joining Synchronoss. The collective experience of the Synchronoss management team has also resulted in the receipt of various awards, the most recent of which include the New Jersey Technology Council 2005 Software/ Information Technology Company of the Year and the

naming of Synchronoss as one of the 50 fastest growing companies in New Jersey for 2005 by NJBiz. In addition, Mr. Waldis was named as the Ernst & Young Entrepreneur of the Year in 2004 in Pennsylvania.

## Our Growth Strategy

Our growth strategy is to establish our ActivationNow® platform as the premium platform for leading providers of communications services, while investing in extensions of the services portfolio. Key elements of this strategy are:

**Expand Customer Base and Target New and Converged Industry Segments.** The ActivationNow® platform is designed to address service providers and business models across the range of the communications services market, a capability we intend to exploit by targeting new industry segments such as cable operators (MSOs), wireless broadband/ WiMAX operators and online content providers. Due to our deep domain expertise and ability to integrate our services across a variety of CSP networks, we believe we are well positioned to provide services to converging technology markets, such as providers offering integrated packages of voice, video, data and/or wireless service.

**Continue to Exploit VoIP Industry Opportunities.** Continued rapid VoIP industry growth will expand the market and demand for our services. Being the trusted partner to VoIP industry leaders, including Vonage Holdings, Time Warner Cable and Cablevision, positions us well to benefit from the evolving needs, requirements and opportunities of the VoIP industry. TeleGeography's VoIP 2005 Second Quarter Market Update reported that the number of voice-over-broadband subscribers increased 40% in the second quarter of 2005, from 1.9 million to 2.7 million. Voice-over-Broadband, or VoB, is a relatively new service offering based on VoIP technology. According to the same source, VoB subscribers have grown 600% since the second quarter of 2004, when only 440,000 VoIP lines were in service. Quarterly voice-over-broadband revenues grew from \$151 million in the first quarter of 2005 to \$220 million in the second quarter of 2005 and revenues have grown 655% since the second quarter of 2004, when voice-over-broadband subscribers generated just \$33 million. This information is consistent with the Infonetics Research projection of VoIP subscribers in the North American market growing to over 24 million subscribers in 2008.

**Enhance Current Wireless Industry Leadership.** Spending in the global wireless industry has grown significantly in recent years. A Telecommunications Industry Association (TIA) report states that spending in the US wireless market grew at a double-digit growth rate in 2004. By 2008, the sector is expected to have revenues of \$212.5 billion representing a 10 percent compound annual growth rate from 2005 to 2008. The up-tick in spending is happening because myriad advanced applications are being offered, including wireless Internet access, multimedia messaging, games and Wi-Fi. These applications translate into new transaction types that we can meld into our workflow management system.

We currently process hundreds of thousands of wireless transactions every month, which are driven by increasing wireless subscribers and wireless subscriber churn resulting from local number portability, service provider competition and other factors. Beyond traditional wireless service providers, we believe the fast-growing mobile virtual network operator, or MVNO, marketplace presents us with attractive growth opportunities. We believe that our ability to enable rapid time-to-market through deep domain expertise sets us apart from our competition in attracting potential MVNO customers.

**Further Penetrate our Existing Customer Base.** We derive significant growth from our existing customers as they continue to expand into new distribution channels, require new service offerings and increase transaction volumes. As CSPs expand consumer, business and indirect distribution they require new transaction management solutions which drive increasing amounts of transactions over our platform. Many customers purchase multiple services from us,

and we believe we are well-positioned to cross-sell additional services to customers who do not currently purchase our full services portfolio. In addition, the increasing importance and expansion of Internet-based e-commerce has led to increased focus by CSPs on their e-channel distribution, thus providing another opportunity for us to further penetrate existing customers.

**Expand Into New Geographic Markets.** Our current customers operate primarily in North America. We believe there is an opportunity for us to obtain new customers outside of North America. We currently intend to take our business global by penetrating new geographic markets within the next two years, particularly Europe, Asia/ Pacific and Latin America, as these markets experience similar trends to those that have driven growth in North America.

**Maintain Technology Leadership.** Our proprietary technology allows CSPs to bring together disparate systems and manage the ordering, activation and provisioning of communications services, allowing them to lower the cost of new customer acquisition and product lifecycle management. We intend to build upon our technology leadership by continuing to invest in research and development to increase the automation of processes and workflows, thus driving increased interest in our solutions by making it more economical for CSPs to use us as a third party solutions provider. In addition, we believe our close relationships with our tier one CSPs will continue to provide us with valuable insights into the challenges that are creating demand for next-generation solutions.

## Products and Services

We are a leading provider of e-commerce transaction management solutions to the communications services marketplace based on our penetration with key CSPs. Our offerings are designed to allow our customers to respond to market demand quickly and efficiently, to optimize service offerings and to build stronger relationships with their customers.

### **ActivationNow® Software Platform**

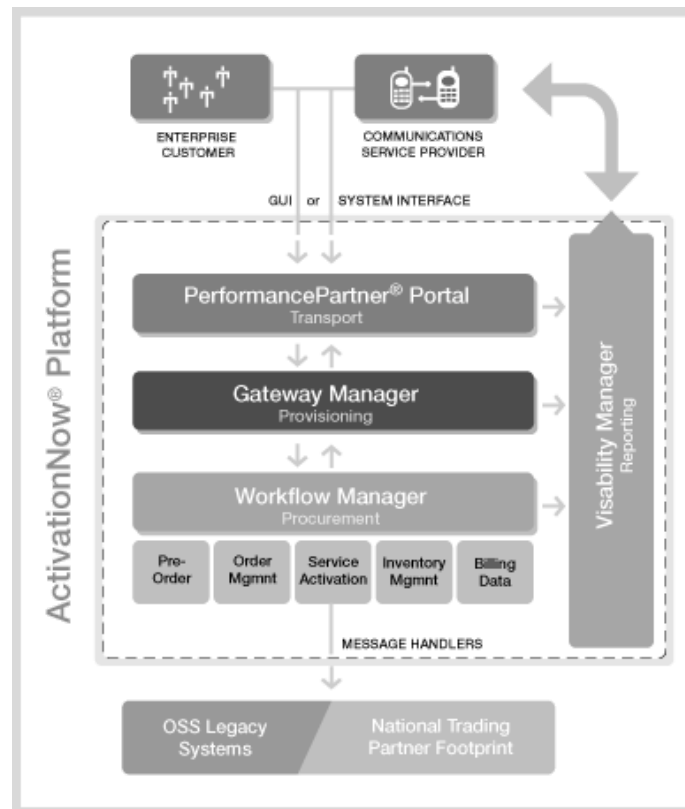
Our ActivationNow® software platform addresses a service provider's needs and requirements with a flexible design which can scale with their expanding business operations. The ActivationNow® platform is engineered to meet volume, speed to market and service guarantees which are important differentiators of the Synchronoss transaction management solution. The ActivationNow® platform is a fully hosted service delivered over the Internet or a dedicated communication channel. Each new customer addition comes with a fixed operation cost and with guaranteed service levels. In addition, ActivationNow® provides complete work flow management, including exception handling. Our ActivationNow® software platform:

- Provides what we believe to be one of the lowest cost per gross adds in the wireless e-commerce market;
- Handles extraordinary transaction volumes with our scalable platform;
- Delivers speed to market on new and existing offerings; and
- Guarantees performance backed by solid business metrics and SLAs.

The ActivationNow® platform is designed to integrate with back-office systems, allowing work to flow electronically across the service provider's organization while providing ready access to performance and resource usage information. Our integrated approach provides comprehensive support for current and emerging services, network technologies and evolving business processes.

The ActivationNow® software platform is comprised of four distinct tiers, each providing solutions to the most common and critical needs of our customers.

**PerformancePartner®Portal**



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

**Gateway Manager**

Our gateways, the service provisioning subsystems and second tier of the ActivationNow® platform, provide the capability to fulfill multiple transactions. These gateways are the engines that support our clients' front-end portals, handling hundreds of thousands of transactions on a monthly basis. Our gateways deliver flexible architecture, supporting seamless entry and rapid time to market for our CSP customers. In addition, these gateways contain business rules to interact with the CSPs' back-office and third party trading partners.

**WorkFlow Manager**

Our WorkFlow Manager provides a seamless interaction with all third party relationships, and enables CSPs to have a single transaction view, including all relevant data from third-party systems.

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The Workflow Manager is designed to ensure that each customer transaction is fulfilled accurately. The third tier of our ActivationNow® platform, the WorkFlow Manager, offers:

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

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

### ***Real-Time Visibility Manager***

Our Real-Time Visibility Manager provides historical trending and mobile reporting to our CSP customers. The fourth tier of our ActivationNow® platform supports best business practices and processes and allows CSPs to assess whether daily metrics are met or exceeded. The Real-Time Visibility Manager offers:

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

The Gateway Manager, WorkFlow Manager and Real-Time Visibility Manager tiers are typically deployed by all of our customers. The PerformancePartner® portal is deployed only if our customer does not have a front-end portal to interact with end-user customers. All of our four tiers are designed to be open and flexible to enable rapid deployments. One critical function provided by our ActivationNow® platform design is information management. By making information more accessible and useful, our ActivationNow® platform enables a service provider to manage its business more efficiently, to provide more services with the highest possible quality and to deliver superior customer care.

Our ActivationNow® platform is designed to recognize, isolate and address transactions when there is insufficient information or other erroneous process elements, through a suite of capabilities we refer to as “exception handling.” Our solution offers a centralized reporting platform that provides intelligent, real-time analytics around the entire workflow related to an e-commerce transaction. The two tiers of our platform, the Workflow Manager and the Real-Time Visibility Manager, identify, correct and process non-automated transactions and exceptions in real-time, which we believe are key differentiators for our solution.

### **Customers**

Our typical customers are providers of communications services, from traditional local and long-distance services to Internet-based services. We serve wireless service providers, such as Cingular Wireless; providers of VoIP services, such as Vonage Holdings and Cablevision Systems Corporation; VoIP enablers, such as Level 3 Communications and long distance carriers, such as Verizon Business. We also serve emerging CSPs, such as Clearwire. 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. Our contracts typically extend from 12 to 48 months in length and include minimum transaction or revenues commitments from our customers. All of our significant customers may terminate their contracts for convenience upon written notice and payment of contractual penalties. We have a long-standing relationship with Cingular Wireless dating back to January 25, 2001 when we began providing service to AT&T Wireless, which was subsequently acquired by Cingular Wireless. In addition to other on-going arrangements with Cingular Wireless, we are the primary provider of e-commerce transaction management solutions for Cingular Wireless under an agreement which was renewed and is effective as of September 1, 2005 and runs through January of 2008. Under the terms of this agreement, Cingular Wireless may terminate its relationship with us for convenience, although we believe it would encounter substantial costs in replacing our transaction management solution.

For 2004, we received 82% of our revenues from AT&T Wireless. Following the merger of AT&T Wireless and Cingular Wireless on November 15, 2004, we received 80% of our revenues from Cingular Wireless in 2005. Our three largest customers, Cingular Wireless, Vonage and Cablevision, accounted for between approximately 94% and 98% of our revenues in each of the quarters of 2005.

## **Sales and Marketing**

### **Sales**

We market and sell our services primarily through a direct sales force. To date, we have concentrated our sales efforts on a range of CSPs that offer wireless, broadband, VoIP and wireline services.

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, market research, our Web site, customers, partners and our ongoing public relations program.

Our sales effort has thus far been focused on North American customers. However, because of ongoing privatization and the increasing competition among CSPs in international markets, we intend to expand our sales and marketing efforts outside of North America, through a combination of direct sales in selected markets; continued partnerships; and the extension of our relationships with existing customers as they expand into international markets.

### **Marketing**

We focus our marketing efforts on product initiatives, creating awareness of our services and generating new sales opportunities. We base our product management strategy on an analysis of market requirements, competitive offerings and projected cost savings. Our product managers are active in numerous technology and industry forums at which we demonstrate our e-commerce transaction management solutions.

In addition, through our product marketing and marketing communications functions, we manage and maintain our Web site, publish product-related communications and educational white papers and conduct seminars and user-group meetings. We also have an active public-relations program and maintain relationships with recognized industry analysts. We also actively sponsor technology-related conferences and demonstrate our solution at trade shows targeted at providers of communications services.

## **Operations and Technology**

Synchronoss leverages a common, proprietary e-commerce information technology platform, to deliver carrier-grade services to our customers across communication market segments. Constructed using a combination of internally developed and licensed technologies, our e-commerce platform



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integrates our order management, gateway, workflow and reporting into a unified system. The platform is a secure foundation to build and offer additional services and to maximize performance, scalability and reliability.

### ***Exception Handling Services***

We differentiate our services from both the internal and competitive offerings by handling exceptions through both our technology and human touch solutions, a substantial portion of which is provided by third party vendors. Our business process engineers optimize each workflow; however, there will be exceptions and we handle these to ensure the highest quality customer experience at the lowest cost. Our exception handling services handle the customer communication touchpoints including provisioning orders, inbound calls, automated IVR responses (e.g., order status, address changes), web forums, inbound and outbound email, proactive outbound calls (e.g., out of stock, backorders, exceptions), and self-correct order tools. These services are continuously reviewed for improved workflow and automation. The primary third party vendors providing exception handling services are Omniglobe International, L.L.C. and HelpDesk Now, both of whom provide services under automatically renewable contracts.

### ***Data Center Facilities***

For over five years, we have operated and maintained a data center in Bethlehem, PA, and have consistently focused on the security, technology, maintenance, staffing and reliability of the data center facility. This secure facility houses all customer-facing, production, test and development systems that are the backbone of the services delivered to our customers. The facility and all systems are monitored 7 days a week, 24 hours a day, and are protected via multiple layers of physical and electronic security measures. In addition, a redundant power supply ensures constant, regulated power into the Managed Data Facility and a back-up generator system provides power indefinitely to the facility in the event of a utility power failure. All systems in the Managed Data Facility are monitored for availability and performance using industry standard tools such as HP OpenView®, Big Brother®, Oracle Enterprise Manager®, CiscoWorks® and Empirix OneSight®. To ensure customer responsiveness, Synchronoss' technical staff members are available 7 days a week, 24 hours a day, 365 days a year to ensure the continuous availability of our systems.

### ***Disaster Recovery Facility***

Construction has begun on a second data center facility at the company's corporate headquarters in Bridgewater, New Jersey, and will be completed in the end of June, 2006. Physical construction of the facility is nearly complete, and we have begun the process of installing critical hardware and back-up equipment. This facility will be used to provide a hot site for disaster recovery purposes. In the event of a major service disruption at our primary facility, production application services will be activated at the secondary facility and services will be restored in a period of time required to meet all customer facing service level agreements (SLAs) for availability and service delivery.

### ***Network***

Synchronoss uses AT&T, a tier one service provider, to provide a managed, fully-redundant network solution to deliver enterprise scale services to its customers. Specifically, Synchronoss has two OC-3 fiber optic rings, delivering 115MB/sec of highly redundant bandwidth to the Bethlehem and Bridgewater facilities. We are in the final phases of implementing a significant upgrade to our wide area network infrastructure that will support future business growth and strategy. This fiber optic based solution will be fully operational in the first quarter of 2006.

### ***Customer Support***

The Synchronoss Customer Service Center (CSC) acts as an initial point of contact for all customer related issues and requests. The CSC staff is available 7 days a week via phone, email or pager to facilitate the diagnosis and resolution of application and service related issues with which they are presented. Issues that require further investigation are immediately escalated to

Synchronoss product and infrastructure support teams on behalf of the customer to provide the greatest speed of problem resolution and highest levels of customer service.

## Competition

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

- the breadth and depth of our transaction management solutions, including our exception handling technology;
- the quality and performance of our product;
- our high-quality customer service;
- our ability to implement and integrate solutions;
- the overall value of our software; and
- the references of our customers.

The following summarizes the principal products and services that compete with our solutions:

Our solutions compete with CSPs' internally developed IT systems. While many CSPs continue to rely upon their internal solutions, we believe that due to the complexity of telecommunications networking infrastructure, systems developed in-house are often inefficient, costly and provide unreliable results. We believe our solutions provide a lower total cost of ownership, faster time-to-market and the ability to scale more rapidly based on end-user demand than internally developed solutions.

Our solutions compete with gateway systems vendors such as Neustar and VeriSign, which offer clearinghouse-type services such as managing area codes and phone numbers, routing telephone calls, managing Internet domain directories and securing electronic commerce and communications. We do not currently provide such services and therefore do not directly compete with the clearinghouse-type services offered by gateway systems vendors. In areas where we compete with gateway systems vendors, we believe we differentiate ourselves by deploying exception handling and managing transactions ranging from initial subscription to customer lifecycle transactions, such as on-going additions, subtractions and changes to services. We believe our expertise and proprietary technology enable CSPs to rely on us for complete transaction management solutions.

Our solutions also compete with systems integrators such as Accenture. These vendors develop customized solutions for CSPs, which typically involves building and operating a custom e-commerce transaction management solution. We believe our solutions provide lower startup and ongoing maintenance costs, faster time-to-market and better economies of scale versus these vendors. In addition, we differentiate ourselves with our ability to deploy exception handling and manage transactions ranging from initial subscription to customer lifecycle transactions.

We are aware of other software developers and smaller entrepreneurial companies that are focusing significant resources on developing and marketing products and services that will compete with our ActivationNow® platform. We anticipate continued growth in the communications industry and the entrance of new competitors in the order processing and transaction management solution market and that the market for our products and services will remain intensely competitive.

## **Government Regulation**

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

## **Intellectual Property**

To establish and protect our intellectual property, we rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions. Synchronoss®, the Synchronoss logo, PerformancePartner® and ActivationNow® are registered trademarks of Synchronoss Technologies, Inc. In addition to legal protections, we rely on the technical and creative skills of our employees, frequent product enhancements and improved product quality to maintain a technology-leadership position. We cannot be certain that others will not develop technologies that are similar or superior to our technology.

We generally enter into confidentiality and invention assignment agreements with our employees and confidentiality agreements with our alliance partners and customers, and generally control access to and distribution of our software, documentation and other proprietary information.

## **Employees**

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

As of February 9, 2006, we had 117 full-time employees of whom:

- 7 were in sales and marketing;
- 45 were in research and development;
- 10 were in finance and administration; and
- 55 were in operations.

None of our employees are covered by any collective bargaining agreements.

## **Facilities**

We lease approximately 21,150 square feet of office space in Bridgewater, New Jersey. In addition to our principal office space in Bridgewater, New Jersey, we lease facilities and offices in Bethlehem, Pennsylvania, Edison, New Jersey and Redmond, Washington. Lease terms for these locations expire between 2006 and 2009. We believe that the facilities we now lease are sufficient to meet our needs through at least the next 12 months. However, we may require additional office space after that time, and we now are evaluating expansion possibilities.

## **Legal Proceedings**

We are not currently subject to any legal proceedings; however, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

## MANAGEMENT

### Executive Officers and Directors

Our executive officers and directors, and their ages as of a recent date, are as follows:

| Name                     | Age | Position  |
|--------------------------|-----|---|
| Stephen G. Waldis        | 38  | Chairman of the Board of Directors, President and Chief Executive Officer |
| Lawrence R. Irving       | 49  | Chief Financial Officer and Treasurer                                     |
| David E. Berry           | 40  | Vice President and Chief Technology Officer                               |
| Robert Garcia            | 37  | Executive Vice President of Product Management and Service Delivery       |
| Peter Halis              | 44  | Executive Vice President of Operations                                    |
| Chris Putnam             | 36  | Executive Vice President of Sales   |
| William Cadogan(1)(2)(3) | 57  | Director  |
| Thomas J. Hopkins(1)(2)  | 49  | Director  |
| James McCormick(2)(3)    | 46  | Director  |
| Scott Yaphe(1)(3)        | 33  | Director  |

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

(3) Member of Nomination and Corporate Governance Committee.

**Stephen G. Waldis** has served as President and Chief Executive Officer of Synchronoss since founding the company in 2000 and has served as Chairman of the Board of Directors since February of 2001. Before founding Synchronoss, from 1994 to 2000, Mr. Waldis served as Chief Operating Officer at Vertek Corporation, a privately held professional services company serving the telecommunications industry. From 1992 to 1994, Mr. Waldis served as Vice President of Sales and Marketing of Logical Design Solutions, a provider of telecom and interactive solutions. From 1989 to 1992, Mr. Waldis worked in various technical and product management roles at AT&T. Mr. Waldis received a degree in corporate communications from Seton Hall University.

**Lawrence R. Irving** has served as Chief Financial Officer and Treasurer of Synchronoss since July 2001. Before joining Synchronoss, from 1998 to 2001, Mr. Irving served as Chief Financial Officer and Treasurer at CommTech Corporation, a telecommunications software provider that was acquired by ADC Telecommunications. From 1995 to 1998, Mr. Irving served as Chief Financial Officer of Holmes Protection Group, a publicly traded company which was acquired by Tyco International. Mr. Irving is a certified public accountant and a member of the New York State Society of Certified Public Accountants. Mr. Irving received a degree in accounting from Pace University.

**David E. Berry** has served as Vice President and Chief Technology Officer of Synchronoss since 2000. Before joining Synchronoss, Mr. Berry served as both technical sales support and lead architect at Vertek Corporation from 1995 to 1998, where he developed the first generation of online technologies for e-commerce customers. Mr. Berry received a bachelor of science degree in mathematics and computer science from Fairfield University.

**Robert Garcia** has served as Executive Vice President of Product Management and Service Delivery and General Manager of the western office of Synchronoss since August 2000. Before joining Synchronoss, Mr. Garcia was a Senior Business Consultant with Vertek Corporation from January 1999 to August 2000. Mr. Garcia has also held senior management positions with Philips Lighting Company and Johnson & Johnson Company. Mr. Garcia received a bachelor of science degree in logistics and economics from St. John's University in New York.

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**Peter Halis** has served as Executive Vice President of Operations of Synchronoss since 2002. Before joining Synchronoss, from 2000 to 2002, Mr. Halis was a worldwide partner and practice leader of the Northeast Technology, Media and Communications Practice of Arthur Andersen LLP, an accounting and consulting company. Mr. Halis received a bachelor of science degree in computer science and master of business administration degree in corporate finance both from New York University.

**Chris Putnam** has been with Synchronoss since January 2004, and has served as Executive Vice President of Sales of Synchronoss since April 2005. Mr. Putnam leads the Company's new business initiatives and sales teams, and is responsible for strategic account acquisitions such as Vonage and Level 3 Communications. His background includes supporting both the service provider and manufacturer communities in sales, sales management and business development capacities. Prior to joining Synchronoss, from 1999 to 2004, Mr. Putnam served as Director of Sales for Perot Systems' Telecommunications business unit.

**William Cadogan** has been a member of our board of directors since October 2005. In April of 2001, Mr. Cadogan began serving as a Senior Managing Director with Vesbridge Partners, LLC, formerly St. Paul Venture Capital, a venture capital firm. Mr. Cadogan served as Chief Executive Officer and Chairman of the board of directors of Mahi Networks, Inc., a leading supplier of multi-service optical transport and switching solutions, from November 2004 until its merger with Meriton Networks in October 2005. Prior to joining St. Paul Venture Capital in April 2001, Mr. Cadogan was Chairman and Chief Executive Officer of Minnesota-based ADC, Inc., a leading global supplier of telecommunications infrastructure products and services. Mr. Cadogan received a bachelor's degree in electrical engineering from Northeastern University and a master in business administration degree from the Wharton School at the University of Pennsylvania.

**Thomas J. Hopkins** is a Managing Director of Colchester Capital, LLC, an investment and advisory firm. Prior to Colchester Capital, Mr. Hopkins was involved in investment banking for over 17 years, principally at Deutsche Bank (and its predecessor Alex. Brown & Sons), Goldman, Sachs & Co. and Bear Stearns. He began his investment banking career at Drexel Burnham Lambert. Prior to investment banking, Mr. Hopkins was a lawyer for several years. Mr. Hopkins received a bachelor of arts degree from Dartmouth College, a juris doctorate from Villanova University School of Law and a master in business administration degree from the Wharton School at the University of Pennsylvania.

**James McCormick** is a founder of Synchronoss, has been a member of our board of directors since the company's inception and served as our Treasurer from September 2000 until December 2001. Mr. McCormick is founder and Chief Executive Officer of Vertek Corporation. Prior to founding Vertek in 1988, Mr. McCormick was a member of the Technical Staff at AT&T Bell Laboratories. Mr. McCormick was also a founding member and director of Formity Systems, a provider of telecommunications asset management software. Mr. McCormick received a bachelor of science in computer science from the University of Vermont and a master of science degree in computer science from the University of California — Berkeley.

**Scott Yaphe** has been a member of our board of directors since July 2003. Mr. Yaphe is a Partner at ABS Ventures, a venture capital firm. Prior to joining ABS Ventures, from June 1999 to October 2000, Mr. Yaphe was Director of Corporate Development at Saraide, a wireless software developer that was acquired by Infospace Inc. Prior to 2000, Mr. Yaphe was a management consultant at A.T. Kearney, Inc., a consulting firm. Mr. Yaphe received a master in business administration degree from the Harvard Business School and a bachelor of commerce from McGill University.

### **Corporate Governance and Board Composition**

Corporate governance is a system that allocates duties and authority among a company's stockholders, board of directors and management. The stockholders elect the board and vote on

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extraordinary matters; the board is the company's governing body, responsible for hiring, overseeing and evaluating management, including the Chief Executive Officer, and management runs the company's day-to-day operations. Our board of directors is comprised of at least a majority of independent directors, and believes that it is useful and appropriate to have our Chief Executive Officer also serve as our Chairman of the board.

**Classification of Directors.** We currently have five directors, several of whom were elected as directors under the board composition provisions of a stockholders agreement and our restated certificate of incorporation that will be terminated upon the closing of this offering. The board composition provisions of the stockholders agreement and our amended and restated certificate of incorporation will be terminated upon the closing of this offering. Upon the termination of these provisions, there will be no further contractual obligations regarding the election of our directors. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

Following the offering, the board of directors will be divided into three classes with members of each class of directors serving for staggered three-year terms. The board of directors will consist initially of two Class I directors (currently Mr. \_\_\_\_\_ and Mr. \_\_\_\_\_), two Class II directors (currently Mr. \_\_\_\_\_ and Mr. \_\_\_\_\_) and one Class III director (currently Mr. \_\_\_\_\_), whose initial terms will expire at the annual meetings of stockholders held in 2006, 2007 and 2008, respectively. Our classified board could have the effect of making it more difficult for a third party to acquire control of us. For more information on the classified board, see "Description of Capital Stock."

Mr. Waldis, our President and Chief Executive Officer, currently serves as the chairman of our board of directors and will continue to do so following the offering.

**Independent Directors.** Each of our directors other than Mr. Waldis and Mr. McCormick qualifies as an independent director in accordance with the published listing requirements of the Nasdaq Stock Market, or Nasdaq. The Nasdaq independence definition includes a series of objective tests, such as that the director is not also one of our employees and has not engaged in various types of business dealings with us. In addition, as further required by the Nasdaq rules, our board of directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management.

**Board Structure and Committees.** Our board of directors has established an audit committee, a compensation committee and a nomination and corporate governance committee. Our board of directors and its committees set schedules to meet throughout the year, and also can hold special meetings and act by written consent from time to time as appropriate. The independent directors of our board of directors also will hold separate regularly scheduled executive session meetings at least twice a year at which only independent directors are present. Our board of directors has delegated various responsibilities and authority to its committees as generally described below. The committees will regularly report on their activities and actions to the full board of directors. With the exception of James McCormick, each member of each committee of our board of directors qualifies as an independent director in accordance with the Nasdaq standards described above. Each committee of our board of directors has a written charter approved by our board of directors. Upon the effectiveness of the registration statement of which this prospectus forms a part, copies of each charter will be posted on our Web site at <http://www.synchronoss.com> under the Investor Relations section. The inclusion of our Web site address in this prospectus does not include or incorporate by reference the information on our Web site into this prospectus.

**Audit Committee.** The audit committee of our board of directors reviews and monitors our corporate financial statements and reporting and our external audits, including, among other things,

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our internal controls and audit functions, the results and scope of the annual audit and other services provided by our independent registered public accounting firm and our compliance with legal matters that have a significant impact on our financial statements. Our audit committee also consults with our management and our independent registered public accounting firm prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs. Our audit committee is responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters, and has established such procedures to become effective upon the effectiveness of the registration statement of which this prospectus forms a part. In addition, our audit committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors, including approving services and fee arrangements. All related party transactions will be approved by our audit committee before we enter into them. The current members of our audit committee are Thomas J. Hopkins, William Cadogan and Scott Yaphe.

In addition to qualifying as independent under the Nasdaq rules, each member of our audit committee can read and has an understanding of fundamental financial statements.

Our audit committee includes at least one member who has been determined by our board of directors to meet the qualifications of an audit committee financial expert in accordance with SEC rules. Mr. Hopkins is the independent director who has been determined to be an audit committee financial expert. This designation is a disclosure requirement of the SEC related to Mr. Hopkins' experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Hopkins any duties, obligations or liability that are greater than are generally imposed on him as a member of our audit committee and our board of directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of our audit committee or board of directors.

**Compensation Committee.** The compensation committee of our board of directors reviews, makes recommendations to the board and approves our compensation policies and all forms of compensation to be provided to our executive officers and directors, including, among other things, annual salaries, bonuses, and stock option and other incentive compensation arrangements. In addition, our compensation committee will administer our stock option plans, including reviewing and granting stock options, with respect to our executive officers and directors, and may from time to time assist our board of directors in administering our stock option plans with respect to all of our other employees. Our compensation committee also reviews and approves other aspects of our compensation policies and matters. The current members of our compensation committee are William Cadogan, Thomas J. Hopkins and James McCormick.

**Nomination and Governance Committee.** The nomination and governance committee of our board of directors will review and report to our board of directors on a periodic basis with regard to matters of corporate governance, and will review, assess and make recommendations on the effectiveness of our corporate governance policies. In addition, our nomination and governance committee will review and make recommendations to our board of directors regarding the size and composition of our board of directors and the appropriate qualities and skills required of our directors in the context of the then current make-up of our board of directors. This will include an assessment of each candidate's independence, personal and professional integrity, financial literacy or other professional or business experience relevant to an understanding of our business, ability to think and act independently and with sound judgment, and ability to serve our stockholders' long-term interests. These factors, and others as considered useful by our nomination and governance committee, will be reviewed in the context of an assessment of the perceived needs of our board of directors at a particular point in time. As a result, the priorities and emphasis of our nomination and governance committee and of our board of directors may change from time to time to take into

account changes in business and other trends, and the portfolio of skills and experience of current and prospective directors.

Our nomination and governance committee will establish procedures for the nomination process and lead the search for, select and recommend candidates for election to our board of directors (subject to legal rights, if any, of third parties to nominate or appoint directors). Consideration of new director candidates typically will involve a series of committee discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to our board of directors typically have been suggested by other members of our board of directors or by our executive officers. From time to time, our nomination and governance committee may engage the services of a third-party search firm to identify director candidates. After this offering, our nomination and governance committee will select the candidates for election to our board of directors. Our nomination and governance committee will consider candidates proposed in writing by stockholders, provided such proposal meets the eligibility requirements for submitting stockholder proposals for inclusion in our next proxy statement and is accompanied by certain required information about the candidate. Candidates proposed by stockholders will be evaluated by our nomination and governance committee using the same criteria as for all other candidates. The members of our nomination and governance committee are William Cadogan, James McCormick and Scott Yaphe.

**Code of Ethics and Business Conduct.** Our board of directors has adopted a code of ethics and business conduct that will become effective upon the effectiveness of the registration statement of which this prospectus forms a part, and that will apply to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) and directors. Upon the effectiveness of the registration statement of which this prospectus forms a part, the full text of our code of ethics and business conduct will be posted on our Web site at <http://www.synchronoss.com> under the Investor Relations section. We intend to disclose future amendments to certain provisions of our code of ethics and business conduct, or waivers of such provisions, applicable to our directors and executive officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), at the same location on our Web site identified above and also in a Current Report on Form 8-K within four business days following the date of such amendment or waiver. The inclusion of our Web site address in this prospectus does not include or incorporate by reference the information on our Web site into this prospectus.

### **Director Compensation**

Following this offering, each non-employee member of our board of directors will be entitled to receive an annual retainer of \$25,000. In addition, each non-employee director serving on our audit committee, compensation committee and nomination and governance committee will be entitled to an annual retainer of \$7,500, \$5,000 and \$5,000, respectively, and the chair of each such committee will be entitled to an additional annual retainer of \$7,500, \$5,000 and \$5,000, respectively. The retainer fees will be paid in four quarterly payments on the first day of each calendar quarter.

Non-employee directors will also be entitled to an initial stock option award to purchase 25,000 shares of our common stock upon such director's election to our board of directors. The option will become exercisable for 33% of the shares after one year of service as a director and the balance vesting equal monthly installments over the remaining two years. Each year thereafter, beginning in January of 2007, each non-employee director will receive an annual stock option award to purchase 10,000 shares of our common stock on the first day of every January, which will vest in equal monthly installments over the following year. All such options will be granted at the fair market value on the date of the award. For further information regarding the equity compensation of our non-employee directors, see "Management — Automatic Option Grant Program."

We currently have a policy to reimburse directors for travel, lodging and other reasonable expenses incurred in connection with their attendance at board and committee meetings.



### **Compensation Committee Interlocks and Insider Participation**

The compensation committee of the board of directors currently consists of William Cadogan, Thomas J. Hopkins and James McCormick. None of our executive officers has ever served as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board of directors or our compensation committee.

### **Limitation of Liability and Indemnification**

Prior to the effective date of this offering, we will enter into indemnification agreements with each of our directors. The form of agreement provides that we will indemnify each of our directors against any and all expenses incurred by that director because of his or her status as one of our directors, to the fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our bylaws. In addition, the form agreement provides that, to the fullest extent permitted by Delaware law, but subject to various exceptions, we will advance all expenses incurred by our directors in connection with a legal proceeding.

Our amended and restated certificate of incorporation and bylaws contain provisions relating to the limitation of liability and indemnification of directors. The amended and restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives any improper personal benefit.

Our amended and restated certificate of incorporation also provides that if Delaware law is amended after the approval by our stockholders of the certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law. The foregoing provisions of the amended and restated certificate of incorporation are not intended to limit the liability of directors or officers for any violation of applicable federal securities laws. As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated certificate of incorporation provides that we may indemnify our directors to the fullest extent permitted by Delaware law and the restated certificate of incorporation provisions relating to indemnity may not be retroactively repealed or modified so as to adversely affect the protection of our directors.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our bylaws provide that we are authorized to enter into indemnification agreements with our directors and officers and we are authorized to purchase directors' and officers' liability insurance, which we currently maintain to cover our directors and executive officers.

**Executive Compensation****Compensation Earned**

The following summarizes the compensation earned during 2005 by our chief executive officer and our four other most highly compensated executive officers who were serving as executive officers on December 31, 2005. We refer to these individuals as our "named executive officers." In accordance with SEC rules, the compensation in this table does not include certain perquisites and other personal benefits received by the named executive officers that did not exceed the lesser of \$50,000 or 10% of any officer's aggregate salary and bonus reported in this table.

**Summary Compensation Table**

| Name and Principal Position   | Annual Compensation |           |          | All Other Compensation(1) |
|---|---------------------|-----------|----------|---------------------------|
|   | Year                | Salary \$ | Bonus \$ |                           |
| Stephen G. Waldis<br>Chairman of the Board of Directors,<br>President and Chief Executive Officer | 2005                | 249,984   | 652,789  | 1,500                     |
| Lawrence R. Irving(2)<br>Chief Financial Officer and Treasurer                                    | 2005                | 210,000   | 233,283  | 1,500                     |
| David E. Berry<br>Vice President and<br>Chief Technology Officer                                  | 2005                | 200,000   | 227,783  | 1,500                     |
| Robert Garcia<br>Executive Vice<br>President of Product Management and<br>Service Delivery        | 2005                | 197,083   | 272,550  | 84,239(3)                 |
| Peter Halis(2)<br>Executive Vice President of Operations  | 2005                | 204,000   | 227,709  | 1,500                     |

(1) The amount shown under All Other Compensation in the table above represents 401(k) matching contributions.

(2) No restricted stock grants were made to our named officers during the year. As of December 31, 2005, Mr. Irving held 4,839 restricted shares of our common stock, which had a value as of that date of \$21,000, based on the determination by our board of directors of fair market value of our common stock as of December 31, 2005. As of December 31, 2005, Mr. Halis held 40,644 restricted shares of our common stock, which had a value as of that date of \$251,832. In each case, the purchaser shall vest with respect to the number of shares that would vest over a 12-month period if Synchronoss is subject to a change in control before the purchaser's service terminates and the purchaser is subject to an involuntary termination within 12 months following such change in control.

(3) The amount shown under Other Annual Compensation in the table above represents relocation expenses paid by the Company.

**Stock Options**

The following table presents for our named executive officers the number and value of securities underlying unexercised options that are held by these executive officers as of December 31, 2005. No options or stock appreciation rights were granted to or exercised by these executive officers in the last fiscal year, and no stock appreciation rights were outstanding at the end of that year. Subsequent to 2005, David Berry exercised 30,000 shares at \$0.29 per share.

Options granted to the named executive officers before September 30, 2003 were immediately exercisable with the underlying shares subject to our right of repurchase in the event that the optionee's employment terminated prior to full vesting. Our right of repurchase lapses as to 25% of the shares subject to the option on the one-year anniversary of the date of grant and an additional 2.0833% each month thereafter.

The figures in the "value of unexercised in-the-money options at fiscal year end" column are based on the midpoint of our initial public offering price range, less the exercise price paid or payable for these shares.

| Name               | Number of Securities Underlying Unexercised Options at December 31, 2005 |               | Value of Unexercised In-the-Money Options at December 31, 2005 |               |
|--------------------|--|---------------|--|---------------|
|                    | Exercisable  | Unexercisable | Exercisable  | Unexercisable |
|                    | Stephen G. Waldis  | —             | —  | —             |
| Lawrence R. Irving | —  | —             | —  | —             |
| David E. Berry     | 30,000   | —             | [ ]  | —             |
| Peter Halis        | —  | —             | —  | —             |
| Robert Garcia      | 110,000  | —             | [ ]  | —             |

**Employee Benefit Plans****2006 Equity Incentive Plan**

Our 2006 Equity Incentive Plan was adopted by our board of directors on \_\_\_\_\_, 2006 and is expected to be approved by our stockholders. The 2006 Equity Incentive Plan will become effective on the effective date of the registration statement of which this prospectus is a part. Our 2006 Equity Incentive Plan replaces our 2000 Stock Plan, our prior plan. No further option grants will be made under our 2000 Stock Plan after this offering. The options outstanding after this offering under the 2000 Stock Plan will continue to be governed by their existing terms.

**Share Reserve.** We have reserved \_\_\_\_\_ shares of our common stock for issuance under the 2006 Equity Incentive Plan, plus the number of shares remaining available for issuance under our 2000 Stock Plan, of which no more than \_\_\_\_\_ shares may be issued as direct stock awards. The number of shares reserved for issuance under the stock incentive plan will be increased automatically on January 1 of each year by a number equal to the lesser of:

- \_\_\_\_\_ shares; or
- \_\_\_\_\_ % of the shares of common stock outstanding at that time.

In general, if options or shares awarded under the 2000 Stock Plan or the 2006 Equity Incentive Plan are forfeited or repurchased, then those options or shares will again become available for awards under the 2006 Equity Incentive Plan.

**Administration.** The compensation committee of our board of directors administers the 2006 Equity Incentive Plan. The committee has the complete discretion to make all decisions relating to our 2006 Equity Incentive Plan. The compensation committee may also reprice outstanding options and modify outstanding awards in other ways.

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**Eligibility.** Employees, members of our board of directors who are not employees and consultants are eligible to participate in our 2006 Equity Incentive Plan.

**Types of Award.** Our 2006 Equity Incentive Plan provides for the following types of awards:

- incentive and nonstatutory stock options to purchase shares of our common stock;
- restricted shares of our common stock; and
- stock appreciation rights and stock units.

**Options and Stock Appreciation Rights.** The exercise price for options granted under the 2006 Equity Incentive Plan may not be less than 100% of the fair market value of our common stock on the option grant date. Optionees may pay the exercise price by using:

- cash;
- shares of common stock that the optionee already owns;
- a full-recourse promissory note, but this form of payment is not available to executive officers or directors;
- an immediate sale of the option shares through a broker designated by us; or
- a loan from a broker designated by us, secured by the option shares.

A participant who exercises a stock appreciation right receives the increase in value of our common stock over the base price. The base price for stock appreciation rights granted under the 2006 Equity Incentive Plan shall be determined by the compensation committee. The settlement value of the stock appreciation right may be paid in cash or shares of common stock. Options and stock appreciation rights vest at the times determined by the compensation committee. In most cases, our options and stock appreciation rights will vest over a four-year period following the date of grant. Options and stock appreciation rights generally expire 10 years after they are granted. The compensation committee may provide for a longer term except that options and stock appreciation rights generally expire earlier if the participant's service terminates earlier. No participant may receive options or stock appreciation rights under the 2006 Equity Incentive Plan covering more than \_\_\_\_\_ shares in one calendar year, except that a newly hired employee may receive options or stock appreciation rights covering up to \_\_\_\_\_ shares in the first year of employment.

**Restricted Shares and Stock Units.** Restricted shares may be awarded under the 2006 Equity Incentive Plan in return for:

- cash;
- a full-recourse promissory note;
- services already provided to us; and
- in the case of treasury shares only, services to be provided to us in the future.

Restricted shares vest at the times determined by the compensation committee. Stock units may be awarded under the 2006 Equity Incentive Plan. No cash consideration shall be required of the award recipients. Stock units may be granted in consideration of a reduction in the recipient's other compensation or in consideration of services rendered. Each award of stock units may or may not be subject to vesting and vesting, if any, shall occur upon satisfaction of the conditions specified by the compensation committee. Settlement of vested stock units may be made in the form of cash, shares of common stock or a combination of both.

**Change in Control.** If a change in control of Synchronoss occurs, an option or award under the 2006 Equity Incentive Plan will generally not accelerate vesting unless the surviving corporation does not assume the option or award or replace it with a comparable award. Generally, if an option or award is assumed or replaced on a change in control and if the holder's employment or service is

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involuntarily terminated without cause within twelve months following the change in control then the award will become exercisable and vested as to an additional number of shares as if the holder had remained in service for an additional twelve months. A change in control includes:

- a merger of Synchronoss after which our own stockholders own 50% or less of the surviving corporation or its parent company;
- a sale of all or substantially all of our assets;
- a proxy contest that results in the replacement of more than one-half of our directors over a 24-month period; or
- an acquisition of 50% or more of our outstanding stock by any person or group, other than a person related to Synchronoss, such as a holding company owned by our stockholders.

**Automatic Option Grant Program.** On October 21, 2005, our board of directors approved a program of automatic option grants for non-employee directors under the 2006 Equity Incentive Plan on the terms specified below:

- Each non-employee director who first joins our board of directors after the effective date of the 2006 Equity Incentive Plan will receive an initial option for 25,000 shares. The initial grant of this option will occur when the director takes office. The option will vest in three equal annual installments.
- Each January beginning with January of 2007, each non-employee director who will continue to be a director after that meeting will automatically be granted an option for 10,000 shares of our common stock. However, a new non-employee director who is receiving the initial option will not receive this option in the same calendar year. The option will vest in equal monthly installments over the one-year period following the option grant.
- A non-employee director's option granted under this program will become fully vested upon a change in control of Synchronoss.
- The exercise price of each non-employee director's option will be equal to the fair market value of our common stock on the option grant date. A director may pay the exercise price by using cash, shares of common stock that the director already owns, or an immediate sale of the option shares through a broker designated by us. The non-employee director's options have a 10-year term, except that they expire one year after the director leaves the board of directors.

**Amendments or Termination.** Our board of directors may amend or terminate the 2006 Equity Incentive Plan at any time. If our board of directors amends the plan, it does not need to ask for stockholder approval of the amendment unless applicable law requires it. The 2006 Equity Incentive Plan will continue in effect indefinitely, unless the board of directors decides to terminate the plan.

As of December 31, 2005, we had outstanding options under the prior plan to purchase an aggregate of 1,079,480 shares of common stock at exercise prices ranging from \$0.29 to \$10.00 per share, or a weighted average per share exercise price of \$1.40. A total of \_\_\_\_\_ shares of common stock are available for future issuance under the 2006 Equity Incentive Plan.

### **Employee Stock Purchase Plan**

Our Employee Stock Purchase Plan was adopted by our board of directors on \_\_\_\_\_, 2006 and is expected to be approved by our stockholders. The Employee Stock Purchase Plan will become effective on a date after the effective date of the registration statement of which this prospectus is a part to be determined by our board of directors. Our Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code.

**Share Reserve.** We have reserved \_\_\_\_\_ shares of our common stock for issuance under the plan.

**Administration.** The compensation committee of our board of directors will administer the plan.

**Eligibility.** All of our employees are eligible to participate if we employ them for more than 20 hours per week and for more than five months per year. Eligible employees may begin participating in the Employee Stock Purchase Plan at the start of any offering period.

**Offering Periods.** In general, each offering period is 24 months long, but a new offering period begins every six months or on such other date as determined by our board of directors. Thus up to four overlapping offering periods may be in effect at the same time. An offering period continues to apply to a participant for the full 24 months, unless the market price of common stock is lower when a subsequent offering period begins. In that event, the subsequent offering period automatically becomes the applicable period for purposes of determining the purchase price. The first offering period is expected to commence shortly after the effective date of this offering and will end on January 31, 2008.

**Amount of Contributions.** Our Employee Stock Purchase Plan permits each eligible employee to purchase common stock through payroll deductions. Each employee's payroll deductions may not exceed 15% of the employee's cash compensation. Purchases of our common stock will generally occur on January 31 and July 31 of each year, except that the first purchase will occur at least 6 months after the date of this prospectus. Each participant may purchase up to the number of shares determined by our board of directors on any purchase date, not to exceed \_\_\_\_\_ shares. The value of the shares purchased in any calendar year may not exceed \$25,000. Participants may withdraw their contributions at any time before stock is purchased.

**Purchase Price.** The price of each share of common stock purchased under our Employee Stock Purchase Plan will not be less than 85% of the lower of:

- the fair market value per share of common stock on the date immediately before the first day of the applicable offering period, or
- the fair market value per share of common stock on the purchase date.

**Other Provisions.** Employees may end their participation in the Employee Stock Purchase Plan at any time. Participation ends automatically upon termination of employment with Synchronoss. If a change in control of Synchronoss occurs, our Employee Stock Purchase Plan will end and shares will be purchased with the payroll deductions accumulated to date by participating employees. Our board of directors may amend or terminate the Employee Stock Purchase Plan at any time. Our chief executive officer may also amend non-material provisions of the plan. If our board of directors increases the number of shares of common stock reserved for issuance under the plan, except for the automatic increases described above, it must seek the approval of our stockholders.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2003, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$60,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than:

- compensation arrangements, which are described where required under “Management;” and
- the transactions described below.

We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are approved by a majority of the board of directors, including a majority of the independent and disinterested members of the board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

### Registration Rights Agreement

In November 2000, we entered into a registration rights agreement with certain of our Series A stockholders pursuant to which we granted such stockholders certain registration rights with respect to shares of our common stock issuable upon conversion of the shares of our Series A convertible preferred stock held by them. The agreement was approved by a majority of our board of directors, including a majority of the independent and disinterested members of the board of directors. For more information regarding this agreement, see “Description of Capital Stock — Registration Rights.”

### Investors Rights Agreement

In December 2000, we entered into an amended and restated investors rights agreement with certain holders of our common stock, Series 1 convertible preferred stock and Series A convertible preferred stock. The agreement was approved by a majority of our board of directors, including a majority of the independent and disinterested members of the board of directors. Pursuant to the agreement, certain restrictions have been placed upon the sale of shares of common stock by James McCormick and Stephen G. Waldis. The agreement also provides for the election of certain stockholder-designated directors to our board of directors and requires that we provide certain information rights to selected stockholders of the Company. The agreement will terminate upon a firm commitment initial public offering with an aggregate offering price of at least \$20 million and per share price of at least \$8.70. We anticipate that the amended and restated investors rights agreement will terminate upon the closing of this offering.

### Transactions with our Executive Officers and Directors

Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our directors, providing for indemnification against expenses and liabilities reasonably incurred in connection with their service for us on our behalf. For more information regarding these agreements, see “Management — Limitation of Liability and Indemnification.”

### Loans to Executive Officers.

We provided loans to the employees specified below for the purpose of their exercise of options to purchase shares of our common stock. Each loan was approved by a majority of our board of directors, including a majority of the independent and disinterested members of the board of directors. The loans bore interest at rates ranging from 2.8% to 6.3%. The shares acquired under the loan were pledged as security for the promissory note evidencing such loan. All of the loans were repaid by June 30, 2005.

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| <b>Name &amp; Title</b>   | <b>Principal Amount</b> | <b>Number of Shares Acquired with Loan</b> | <b>Date of Loan</b> | <b>Indebtedness as of 5/31/05*</b> | <b>Indebtedness as of 6/30/05</b> |
|---|-------------------------|--|---------------------|------------------------------------|-----------------------------------|
| Stephen G. Waldis<br>Chairman of the Board of Directors,<br>President and Chief Executive Officer | \$ 325,003              | 1,120,700                                  | 1/26/01             | \$ 195,701                         | \$ 0                              |
| Lawrence R. Irving<br>Chief Financial Officer and<br>Treasurer                                    | \$ 68,078<br>\$ 22,454  | 234,750<br>77,428                          | 6/1/01<br>7/9/02    | \$ 81,758<br>\$ 24,311             | \$ 0<br>\$ 0                      |
| David E. Berry<br>Vice President and Chief<br>Technology Officer                                  | \$ 31,000<br>\$ 5,800   | 155,000<br>20,000                          | 10/27/00<br>1/26/01 | \$ 39,979<br>\$ 7,288              | \$ 0<br>\$ 0                      |
| Peter Halis<br>Executive Vice President of Operations   | \$ 113,152              | 390,178                                    | 7/9/02              | \$ 122,512                         | \$ 0                              |
| Robert Garcia<br>Executive Vice President of Product<br>Management and Service Delivery           | \$ 6,200                | 31,000                                     | 10/27/00            | \$ 7,996                           | \$ 0                              |

\* Such amount is the largest aggregate indebtedness outstanding to the Registrant during 2005, the last fiscal year.

**Stock Option Awards**

For information regarding stock options and stock awards granted to our named executive officers and directors, see "Management — Director Compensation" and "Management — Executive Compensation."

**Omniglobe International, L.L.C.**

Omniglobe International, L.L.C., a Delaware limited liability company with operations in India, provides data entry services relating to our exception handling management. We pay Omniglobe an hourly rate for each hour worked by one of its data entry agents. For these services, we paid Omniglobe \$2.2 million and \$8.0 million during 2004 and 2005, respectively. For information regarding minimum contractual commitments to Omniglobe, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations."



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On March 12, 2004, certain of our executive officers and their family members acquired indirect equity interests in Omniglobe by purchasing an ownership interest in Rumson Hitters, L.L.C., a Delaware limited liability company, as follows:

| <u>Name</u>        | <u>Position with Synchronoss</u>  | <u>Indirect Equity Interest in Omniglobe</u> | <u>Purchase Price of Interest in Rumson Hitters, L.L.C.</u> |
|--------------------|---|--|---|
| Stephen G. Waldis  | Chairman of the Board of Directors, President and Chief Executive Officer | 12.23%                                       | \$ 95,000   |
| Lawrence R. Irving | Chief Financial Officer and Treasurer                                     | 2.58%  | \$ 20,000   |
| David E. Berry     | Vice President and Chief Technology Officer                               | 2.58%  | \$ 20,000   |
| Robert Garcia      | Executive Vice President of Product Management and Service Delivery       | 1.29%  | \$ 10,000   |

Since the date that our officers and their family members acquired their interests in Rumson Hitters, Omniglobe has paid an aggregate of \$1.3 million in distributions to all of its interest holders, including Rumson Hitters. In turn, Rumson Hitters has paid an aggregate of \$0.7 million in distributions to its interest holders, including \$153,655 in distributions to Stephen G. Waldis and his family members, \$32,348 in distributions to Lawrence R. Irving, \$32,348 in distributions to David E. Berry and his family members and \$16,174 in distributions to Robert Garcia.

Synchronoss considered making an investment in Omniglobe but elected not to pursue the opportunity based on the recommendation of our independent directors. Only after Synchronoss declined to pursue the opportunity did members of our management team make their investments. None of the members of our management team devotes time to the management of Omniglobe.

Upon completion of this offering, Rumson Hitters will repurchase, at the original purchase price, the equity interests in Rumson Hitters held by each of our employees and their family members, such that no employee of Synchronoss or family member of such employee will have any interest in Rumson Hitters or Omniglobe after this offering. Neither Synchronoss nor any of its employees will provide any of the funds to be used by Rumson Hitters in repurchasing such equity interests.

### **Vertek Corporation**

Vertek Corporation, a New Jersey corporation with principal offices in New Jersey and Vermont, is a solutions provider to the communications services industry. On October 2, 2000, Vertek contributed to Synchronoss all of its application service provider business (including rights to the intellectual property, all current contracts and licenses related to that business) and tangible assets with a book value of approximately \$2.1 million. In exchange, we issued to Vertek 2 million shares of our Series 1 convertible preferred stock and 8 million shares of our common stock. Vertek subsequently distributed its 8 million shares of our common stock to its stockholders. Synchronoss also assumed and agreed to perform, pay and discharge certain liabilities of Vertek relating to the application service provider business, which included a software contract payable over 30 monthly installments totaling approximately \$0.5 million and a lease for office space. At the time that Vertek contributed its application service provider business and tangible assets to Synchronoss, Vertek was held 84% by James McCormick, a member of our board of directors, and 16% by Stephen G. Waldis, our Chairman of the Board of Directors, President and Chief Executive Officer. However, pursuant to a subsequent agreement between Vertek and Messrs. McCormick and Waldis, Vertek repurchased all of the outstanding Vertek shares held by Mr. Waldis, such that Mr. McCormick is now the sole stockholder of Vertek. For various consulting services, we paid Vertek \$0.01 million in 2003 and \$0.4 million in 2004. We made no payments to Vertek in 2005.

**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table provides information concerning beneficial ownership of our capital stock as of December 31, 2005, and as adjusted to reflect the sale of the common stock being sold in this offering, by:

- each stockholder, or group of affiliated stockholders, that we know owns more than 5% of our outstanding capital stock;
- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each selling stockholder.

The following table lists the number of shares and percentage of shares beneficially owned based on 23,971,651 shares of common stock outstanding as of December 31, 2005, as adjusted to reflect the conversion of the outstanding shares of preferred stock upon completion of this offering. The table also lists the applicable percentage beneficial ownership based on \_\_\_\_\_ shares of common stock outstanding upon completion of this offering, assuming no exercise of the underwriters' over-allotment option to purchase up to an aggregate of \_\_\_\_\_ shares of our common stock.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting power and/or investment power with respect to the securities held. Shares of common stock subject to options currently exercisable or exercisable within 60 days of December 31, 2005, are deemed outstanding and beneficially owned by the person holding such options for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

Unless otherwise indicated, the principal address of each of the stockholders below is c/o Synchronoss Technologies, Inc., 750 Route 202 South, Sixth Floor, Bridgewater, New Jersey 08807.

| Name and Address of Beneficial Owner   | Shares Beneficially Owned Prior to Offering |         | Shares Being Offered(1) | Shares Beneficially Owned After Offering |         |
|--|---|---------|-------------------------|--|---------|
|  | Number                                      | Percent |                         | Number                                   | Percent |
| <b>5% Stockholders</b>   |   |         |                         |  |         |
| ABS Ventures(2)<br>890 Winter Street, Suite 225<br>Waltham, MA 02451                 | 3,793,104                                   | 15.8%   |                         |  | %       |
| Vertek Corporation(3)<br>463 Mountain View Drive<br>Colchester, VT 05446             | 2,000,000                                   | 8.3%    |                         |  |         |
| Rosewood Capital(4)<br>One Maritime Plaza, Suite 1401<br>San Francisco, CA 94111     | 2,579,498                                   | 10.7%   |                         |  |         |
| Ascent Venture Partners III, L.P.<br>255 State Street, 5th Floor<br>Boston, MA 02109 | 1,256,483                                   | 5.2%    |                         |  |         |

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| Name and Address of Beneficial Owner                | Shares Beneficially Owned Prior to Offering |         | Shares Being Offered(1) | Shares Beneficially Owned After Offering |         |
|---|---|---------|-------------------------|--|---------|
|   | Number                                      | Percent |                         | Number                                   | Percent |
| James M. McCormick(5)                               | 4,852,086                                   | 20.2%   |                         |  | %       |
| Stephen G. Waldis(6)                                | 2,352,624                                   | 9.8%    |                         |  |         |
| <b>Directors and Named Executive Officers</b>       |   |         |                         |  |         |
| James M. McCormick(5)                               | 4,852,086                                   | 20.2%   |                         |  | %       |
| Scott Yaphe(2)                                      | 3,793,104                                   | 15.8%   |                         |  | %       |
| Stephen G. Waldis(6)                                | 2,352,624                                   | 9.8%    |                         |  |         |
| Peter Halis   | 390,178                                     | 1.6%    |                         |  |         |
| Lawrence R. Irving                                  | 282,178                                     | 1.2%    |                         |  | %       |
| David E. Berry(7)                                   | 205,000                                     | 0.9%    |                         |  |         |
| Robert Garcia(8)                                    | 125,429                                     | 0.5%    |                         |  | %       |
| Chris Putnam(9)                                     | 40,000                                      | 0.2%    |                         |  |         |
| Thomas J. Hopkins                                   | 8,621                                       | —       |                         |  |         |
| All directors and executive officers as a group(10) | 12,049,220                                  | 49.8%   |                         |  |         |

\* Less than 1% of the outstanding shares of common stock.

- (1) Does not include shares subject to the underwriters' over-allotment option.
- (2) Consists of 3,751,830 shares held by ABS Ventures VI L.L.C. and 41,274 shares held by ABS Investors L.L.C. Mr. Yaphe, one of our directors, is a member of Calvert Capital IV, LLC which holds voting and dispositive power for the shares held of record by ABS Ventures VI L.L.C. He is also a member of ABS Investors L.L.C. Mr. Yaphe disclaims beneficial ownership of the shares held by each of the ABS Ventures funds, except to the extent of his pecuniary interest therein. Mr. Yaphe has no voting or dispositive control in either of the ABS Ventures funds.
- (3) Mr. McCormick, one of our directors, is the Chief Executive Officer and the sole stockholder of Vertek Corporation.
- (4) Consists of 2,138,295 shares held by Rosewood Capital IV, L.P., 420,970 shares held by Rosewood Capital III, L.P. and 20,233 shares held by Rosewood Capital IV Associates, L.P.
- (5) Excludes 889,000 shares held in two separate trusts for the benefit of certain of his family members, as to which he has no voting or investment power and disclaims beneficial ownership.
- (6) Includes 413,448 shares held by the Waldis Family Partnership, LP.
- (7) Includes 30,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 31, 2005.
- (8) Includes 110,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 31, 2005.
- (9) Consists of shares of common stock issuable upon exercise of options exercisable within 60 days of December 31, 2005.
- (10) Includes 180,000 shares of common stock issuable upon exercise of options exercisable within 60 days of December 31, 2005.

## DESCRIPTION OF CAPITAL STOCK

### General

Following the closing of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share. The following summary of our capital stock and certain provisions of our amended and restated certificate of incorporation and bylaws does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

### Common Stock

As of December 31, 2005 there were 23,971,651 shares of common stock outstanding, as adjusted to reflect the conversion of 11,549,256 shares of Series A convertible preferred stock into 11,549,256 shares of common stock and 2,000,000 shares of Series 1 convertible preferred stock into 2,000,000 shares of common stock upon the closing of this offering, that were held of record by approximately 185 stockholders. There will be \_\_\_\_\_ shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and assuming no exercise after \_\_\_\_\_, 200 of outstanding options or warrants, after giving effect to the sale of the shares of common stock to the public offered in this prospectus.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available. See "Dividend Policy." In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and nonassessable.

### Preferred Stock

Upon the closing of this offering, outstanding shares of Series A convertible preferred stock will be converted into 11,549,256 shares of common stock and outstanding shares of Series 1 convertible preferred stock will be converted into 2,000,000 shares of common stock, provided that the aggregate offering price of the shares offered in this offering equals or exceeds \$20,000,000 and the price per share in this offering equals or exceeds \$8.70 per share.

The board of directors has the authority to issue the preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Synchronoss without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any of the preferred stock.

## **Warrants**

As of December 31, 2005 there were outstanding warrants to purchase up to 94,828 shares of preferred stock at exercise prices of \$2.90 per share, up to 94,828 of which will be exercised prior to the closing of this offering. Upon the closing of this offering, warrants to purchase shares of preferred stock will be converted into warrants to purchase shares of common stock.

## **Registration Rights**

After this offering, the holders of approximately 11,644,084 shares of common stock will be entitled to rights with respect to the registration of those shares under the Securities Act. Under the terms of the agreement between us and the holders of these registrable securities, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, these holders are entitled to notice of registration and are entitled to include their shares of common stock in the registration. Holders of 11,644,084 shares of the registrable securities are also entitled to specified demand registration rights under which they may require us to file a registration statement under the Securities Act at our expense with respect to our shares of common stock, and we are required to use our best efforts to effect this registration. Further, the holders of these demand rights may require us to file additional registration statements on Form S-3. All of these registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration and our right not to effect a requested registration within six months following the initial offering of our securities, including this offering.

## **Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation, Bylaws and Delaware Law**

Some provisions of Delaware law and our amended and restated certificate of incorporation and bylaws could make the following transactions more difficult:

- our acquisition by means of a tender offer;
- our acquisition by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage and prevent coercive takeover practices and inadequate takeover bids. These provisions are designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, and also are intended to provide management with flexibility to enhance the likelihood of continuity and stability in our composition if our board of directors determines that a takeover is not in our best interests or the best interests of our stockholders. These provisions, however, could have the effect of discouraging attempts to acquire us, which could deprive our stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices. We believe that the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us, outweigh the disadvantages of discouraging takeover proposals because negotiation of takeover proposals could result in an improvement of their terms.

***Election and Removal of Directors.*** Our board of directors is divided into three classes serving staggered three-year terms. This system of electing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because generally at least two stockholders' meetings will be required for stockholders to effect a change in control of the board of directors. Our amended and restated certificate of incorporation and our bylaws contain provisions that establish specific procedures for appointing and removing members of the board of directors. Under our amended and restated certificate of incorporation, vacancies and newly created

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directorships on the board of directors may be filled only by a majority of the directors then serving on the board, and under our bylaws, directors may be removed by the stockholders only for cause.

**Stockholder Meetings.** Under our bylaws, only the board of directors, the Chairman of the board or our Chief Executive Officer may call special meetings of stockholders.

**Requirements for Advance Notification of Stockholder Nominations and Proposals.** Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

**Delaware Anti-Takeover Law.** We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or another transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior to the date of determination of interested stockholder status did own, 15% or more of the corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions that are not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

**Elimination of Stockholder Action by Written Consent.** Our amended and restated certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting after this offering.

**No Cumulative Voting.** Our amended and restated certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors. Cumulative voting allows a minority stockholder to vote a portion or all of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder will not be able to gain as many seats on our board of directors based on the number of shares of our stock the stockholder holds as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board's decision regarding a takeover.

**Undesignated Preferred Stock.** The authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us.

**Amendment of Charter Provisions.** The amendment of certain of the above provisions in our amended and restated certificate of incorporation requires approval by holders of at least two-thirds of our outstanding common stock.

These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company. Its telephone number is (212) 936-5100.

### **Nasdaq National Market Listing**

We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "SNCR."

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that a significant public market for our common stock will develop or be sustained after this offering. As described below, no shares currently outstanding will be available for sale immediately after this offering due to certain contractual and securities law restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could cause the prevailing market price to decline and limit our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding an aggregate of \_\_\_\_\_ shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of options or warrants to purchase common stock that were outstanding as of \_\_\_\_\_, 2006. The shares of common stock being sold in this offering will be freely tradable without restriction or further registration under the Securities Act unless purchased by our affiliates.

The remaining 24,029,839 shares of common stock held by existing stockholders are restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Section 4(1) or Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below.

The following table shows approximately when the 24,029,839 shares of our common stock that are not being sold in this offering, but which will be outstanding when this offering is complete, will be eligible for sale in the public market:

### Eligibility of Restricted Shares for Sale in the Public Market

| Days After Date of this Prospectus | Shares Eligible for Sale | Comment   |
|------------------------------------|--------------------------|---|
| Upon Effectiveness                 |                          | Shares sold in the offering   |
| Upon Effectiveness                 | —                        | Freely tradable shares saleable under Rule 144(k) that are not subject to the lock-up |
| 90 Days                            | —                        | Shares saleable under Rules 144 and 701 that are not subject to a lock-up             |
| 180 Days                           | 23,199,839               | Lock-up released, subject to extension; shares saleable under Rules 144 and 701       |
| Thereafter                         | 830,000                  | Restricted securities held for one year or less                                       |

Resale of 17,358,151 of the restricted shares that will become available for sale in the public market starting 180 days after the effective date will be limited by volume and other resale restrictions under Rule 144 because the holders are our affiliates.

### Lock-up Agreements

Our officers, directors and substantially all of our stockholders have agreed not to transfer or dispose of, directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for shares of our common stock, for a period of 180 days after the date of this prospectus, without the prior written consent of Goldman, Sachs & Co., which period of restriction may be extended for up to an additional 34 days under certain limited circumstances. Goldman, Sachs & Co. currently does not anticipate shortening or waiving any of the lock-up agreements and does not have any pre-established conditions for such modifications or waivers.

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However, Goldman, Sachs & Co. may, in its sole discretion, at any time, and without notice, release for sale in the public market all or any portion of the shares subject to the lock-up agreement.

### **Rule 144**

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year including the holding period of any prior owner except an affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding which will equal approximately \_\_\_\_\_ shares immediately after this offering; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not and has not been an affiliate of us at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for a least two years including the holding period of any prior owner except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

### **Rule 701**

Rule 701, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement, of Rule 144. Any employee, officer or director of or consultant to us who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that nonaffiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares. However, all Rule 701 shares are subject to lock-up agreements and will only become eligible for sale upon the expiration of the 180-day lock-up agreements. Goldman, Sachs & Co. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

Within 90 days following the effectiveness of this offering, we will file a Registration Statement on Form S-8 registering \_\_\_\_\_ shares of common stock subject to outstanding options or reserved for future issuance under our stock plans. As of December 31, 2005, options to purchase a total of 1,079,480 shares were outstanding and 980,923 shares were reserved for future issuance under our stock plans. Common stock issued upon exercise of outstanding vested options or issued under our Employee Stock Purchase Plan is available for immediate resale in the open market, subject to compliance by affiliates with the requirements of Rule 144 other than the holding period requirement.

### **Registration Rights**

Upon completion of this offering, the holders of 11,549,256 shares of our common stock and the holders of warrants to purchase 94,828 shares of our common stock have the right to have their shares registered under the Securities Act. See "Description of Capital Stock — Registration Rights." All such shares are covered by lock-up agreements; following the expiration of the lock-up period, registration of these shares under the Securities Act would result in the shares becoming freely



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tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by our affiliates.

We have agreed not to file any registration statements during the 180-day period after the date of this prospectus with respect to the registration of any shares of common stock or any securities convertible into or exercisable or exchangeable into common stock, other than one or more registration statements on Form S-8 covering securities issuable under our 2000 Stock Plan, 2006 Equity Incentive Plan and Employee Stock Purchase Plan, without the prior written consent of Goldman, Sachs & Co.

### **Form S-8 Registration Statements**

Prior to the expiration of the lock-up period, we intend to file one or more registration statements on Form S-8 under the Securities Act to register the shares of our common stock that are issuable pursuant to our 2000 Stock Plan, 2006 Equity Incentive Plan and Employee Stock Purchase Plan. See “Management — Employee Benefit Plans.” Subject to the lock-up agreements described above and any applicable vesting restrictions, shares registered under these registration statements will be available for resale in the public market immediately upon the effectiveness of these registration statements, except with respect to Rule 144 volume limitations that apply to our affiliates.

**UNDERWRITING**

We, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Deutsche Bank Securities Inc. and Thomas Weisel Partners LLC are the representatives of the underwriters.

| Underwriters                 | Number of Shares |
|------------------------------|------------------|
| Goldman, Sachs & Co.         |                  |
| Deutsche Bank Securities Inc |                  |
| Thomas Weisel Partners LLC   |                  |
| Total                        |                  |

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional \_\_\_\_\_ shares from us and \_\_\_\_\_ shares from the Waldis Family Partnership, LP to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

| Paid by the Company | No Exercise | Full Exercise |
|---------------------|-------------|---------------|
| Per Share           | \$          | \$            |
| Total               | \$          | \$            |

| Paid by the Selling Stockholders | No Exercise | Full Exercise |
|----------------------------------|-------------|---------------|
| Per Share                        | \$          | \$            |
| Total                            | \$          | \$            |

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

We and our directors, officers and holders of substantially all of our common stock, including the selling stockholders, have agreed, subject to certain exceptions, with the underwriters not to dispose of or hedge any of our and their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. Goldman, Sachs & Co. has advised us that they have no current intent or arrangement to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up period. There are no contractually specified conditions for the waiver of lock-up restrictions and any waiver is at the sole discretion of Goldman, Sachs & Co. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

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The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

At the request of Synchronoss, the underwriters have reserved for sale, at the initial public offering price, up to \_\_\_\_\_ shares offered in this prospectus for directors, officers, employees, business associates and other persons with whom we have a relationship. The number of shares of common stock available for sale to the general public will be reduced to the extent these persons purchase reserved shares. Any reserved shares that are not purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among us and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company's historical performance, estimates of the business potential and earnings prospects of the company, an assessment of the company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to list the common stock on The Nasdaq Stock Market's National Market under the symbol "SNCR".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us or the selling stockholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on The Nasdaq Stock Market's National Market, in the over-the-counter market or otherwise.

Each of the underwriters has represented and agreed that:

(a) it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA);

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the Issuer; and

(c) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than € 50,000,000, as shown in its last annual or accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

The shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended

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to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ million.

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

## **INDUSTRY AND MARKET DATA**

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.

## **LEGAL MATTERS**

The validity of the common stock being offered will be passed upon for Synchronoss by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Waltham, Massachusetts. As of the date of this prospectus, certain partners and employees of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP beneficially owned an aggregate of 51,725 shares of our common stock. The underwriters are represented by Ropes & Gray LLP.

## **EXPERTS**

Ernst & Young LLP, independent registered public accounting firm, has audited our financial statements and schedule at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, as set forth in their report. We have included our financial statements and schedule in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. This prospectus contains all information about us and our common stock that may be material to an investor in this offering. The registration statement includes exhibits to which you should refer for additional information about us.

You may inspect a copy of the registration statement and the exhibits and schedules to the registration statement without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect our registration statement on this Web site.

**SYNCHRONOSS TECHNOLOGIES, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2005**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
Synchronoss Technologies, Inc.

We have audited the balance sheets of Synchronoss Technologies, Inc. as of December 31, 2004 and 2005 and the related statements of operations, changes in stockholders' deficiency and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed on page F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Synchronoss Technologies, Inc. as of December 31, 2004 and 2005 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

MetroPark, NJ

February 17, 2006



## SYNCHRONOSS TECHNOLOGIES, INC.

## BALANCE SHEETS

(in thousands, except per share data)

|   | December 31,     |                  |                   |
|---|------------------|------------------|-------------------|
|   | 2004             | 2005             | 2005<br>Pro Forma |
| <b>Assets</b>   |                  |                  |                   |
| Current assets:   |                  |                  |                   |
| Cash and cash equivalents   | \$ 3,404         | \$ 8,786         | \$ 8,786          |
| Investments in marketable securities  | 1,193            | 4,152            | 4,152             |
| Accounts receivable, net of allowance for doubtful accounts of \$200 and \$221 at 2004 and 2005, respectively   | 7,245            | 13,092           | 13,092            |
| Prepaid expenses and other assets   | 699              | 1,189            | 1,189             |
| Deferred tax assets   | —                | 4,024            | 4,024             |
| Total current assets  | <u>12,541</u>    | <u>31,243</u>    | <u>31,243</u>     |
| Property and equipment, net   | 4,098            | 4,207            | 4,207             |
| Investments in marketable securities  | 5,924            | 3,064            | 3,064             |
| Deferred tax assets   | —                | 620              | 620               |
| Other assets  | 221              | 1,074            | 1,074             |
| Total assets  | <u>\$ 22,784</u> | <u>\$ 40,208</u> | <u>\$ 40,208</u>  |
| <b>Liabilities, redeemable convertible preferred stock and stockholders' deficiency</b>   |                  |                  |                   |
| Current liabilities:  |                  |                  |                   |
| Accounts payable  | \$ 999           | \$ 1,822         | \$ 1,822          |
| Accrued expenses (\$399 and \$577 was due to a related party at 2004 and 2005, respectively)  | 2,167            | 6,187            | 6,187             |
| Short-term portion of equipment loan payable  | 667              | 667              | 667               |
| Deferred revenues   | 631              | 793              | 793               |
| Total current liabilities   | <u>4,464</u>     | <u>9,469</u>     | <u>9,469</u>      |
| Equipment loan payable, less current portion  | 1,333            | 666              | 666               |
| Commitments and contingencies   |                  |                  |                   |
| Series A redeemable convertible preferred stock, \$.0001 par value; 13,103 shares authorized, 11,549 shares issued and outstanding in 2004 and 2005 (aggregate liquidation preference of \$66,985 at December 31, 2004 and 2005), zero pro-forma shares outstanding | 33,459           | 33,493           | —                 |
| Series 1 convertible preferred stock, \$.0001 par value; 2,000 shares authorized, issued and outstanding at December 31, 2004 and 2005 (aggregate liquidation preference of \$12,000 at December 31, 2004 and 2005), zero pro-forma shares outstanding              | 1,444            | 1,444            | —                 |
| Stockholders' (deficiency)/equity:  |                  |                  |                   |
| Common stock, \$.0001 par value; 30,000 shares authorized, 10,504 and 10,518 shares issued; 10,408 and 10,423 outstanding at December 31, 2004 and 2005, respectively; 23,971 pro-forma shares outstanding  | 1                | 1                | 2                 |
| Treasury stock, at cost (96 shares at December 31, 2004 and 2005)   | (19)             | (19)             | (19)              |
| Additional paid-in capital  | 869              | 1,661            | 36,597            |
| Deferred stock-based compensation   | —                | (702)            | (702)             |
| Stock subscription notes from stockholders  | (536)            | —                | —                 |
| Accumulated other comprehensive loss  | (111)            | (114)            | (114)             |
| Accumulated deficit   | (18,120)         | (5,691)          | (5,691)           |
| Total stockholders' (deficiency)/equity   | <u>(17,916)</u>  | <u>(4,864)</u>   | <u>30,073</u>     |
| Total liabilities and stockholders' (deficiency)/equity   | <u>\$ 22,784</u> | <u>\$ 40,208</u> | <u>\$ 40,208</u>  |

See accompanying notes.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**STATEMENTS OF OPERATIONS**  
**Years ended December 31, 2003, 2004, and 2005**  
**(in thousands, except per share data)**

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2003                    | 2004      | 2005      |
| Net revenues   | \$ 16,550               | \$ 27,191 | \$ 54,218 |
| Costs and expenses:  |                         |           |           |
| Cost of services (\$9, \$2,610 and \$8,089, were purchased from a related party in 2003, 2004 and 2005, respectively)* | 7,655                   | 17,688    | 30,205    |
| Research and development   | 3,160                   | 3,324     | 5,689     |
| Selling, general and administrative  | 4,053                   | 4,340     | 7,544     |
| Depreciation and amortization  | 2,919                   | 2,127     | 2,305     |
| Total costs and expenses   | 17,787                  | 27,479    | 45,743    |
| (Loss) income from operations  | (1,237)                 | (288)     | 8,475     |
| Interest and other income  | 321                     | 320       | 258       |
| Interest expense   | (128)                   | (39)      | (133)     |
| (Loss) income before income tax benefit  | (1,044)                 | (7)       | 8,600     |
| Income tax benefit   | —                       | —         | 3,829     |
| Net (loss) income  | (1,044)                 | (7)       | 12,429    |
| Preferred stock accretion  | (35)                    | (35)      | (34)      |
| Net (loss) income attributable to common stockholders  | \$ (1,079)              | \$ (42)   | \$ 12,395 |
| Net (loss) income attributable to common stockholders per common share:  |                         |           |           |
| Basic  | \$ (0.11)               | \$ (0.00) | \$ 0.53   |
| Diluted  | \$ (0.11)               | \$ (0.00) | \$ 0.47   |
| Weighted-average common shares outstanding:  |                         |           |           |
| Basic  | 9,838                   | 10,244    | 23,508    |
| Diluted  | 9,838                   | 10,244    | 26,204    |
| Pro forma net income   |                         |           | \$ 12,429 |
| Pro forma net income per share:  |                         |           |           |
| Basic  |                         |           | \$ 0.49   |
| Diluted  |                         |           | \$ 0.47   |
| Pro forma weighted-average shares outstanding:   |                         |           |           |
| Basic  |                         |           | 25,508    |
| Diluted  |                         |           | 26,204    |

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

See accompanying notes.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY**  
**Years ended December 31, 2003, 2004, and 2005**  
**(in thousands)**

|   | Common Stock  |             | Treasury Stock |                | Additional Paid-In Capital | Stock Subscription Notes from Stockholders | Deferred Stock Based Compensation | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Deficiency |
|---|---------------|-------------|----------------|----------------|----------------------------|--|-----------------------------------|--------------------------------------|---------------------|--------------------------------|
|   | Shares        | Amount      | Shares         | Amount         |                            |  |                                   |                                      |                     |                                |
| Balance December 31, 2002                                     | 10,501        | \$ 1        | (96)           | \$ (19)        | \$ 939                     | \$ (602)                                   | \$ —                              | \$ —                                 | \$ (17,069)         | \$ (16,750)                    |
| Interest on notes   |               |             |                |                |                            | (28)                                       |                                   |                                      |                     | (28)                           |
| Accretion of Series A redeemable convertible preferred stock  |               |             |                |                | (35)                       |  |                                   |                                      |                     | (35)                           |
| Employee's repayment of notes                                 |               |             |                |                |                            | 74   |                                   |                                      |                     | 74                             |
| Net loss  |               |             |                |                |                            |  |                                   |                                      | (1,044)             | (1,044)                        |
| Balance December 31, 2003                                     | 10,501        | 1           | (96)           | (19)           | 904                        | (556)                                      | —                                 | —                                    | (18,113)            | (17,783)                       |
| Interest on notes   |               |             |                |                |                            | (30)                                       |                                   |                                      |                     | (30)                           |
| Accretion of Series A redeemable convertible preferred stock  |               |             |                |                | (35)                       |  |                                   |                                      |                     | (35)                           |
| Employee's repayment of notes                                 |               |             |                |                |                            | 50   |                                   |                                      |                     | 50                             |
| Issuance of common stock on exercise of employee options      | 2             |             |                |                |                            |  |                                   |                                      |                     |                                |
| Comprehensive loss:   |               |             |                |                |                            |  |                                   |                                      |                     |                                |
| Net loss  |               |             |                |                |                            |  |                                   |                                      | (7)                 | (7)                            |
| Unrealized loss on investments in marketable securities       |               |             |                |                |                            |  |                                   | (111)                                |                     | (111)                          |
| Total comprehensive loss                                      |               |             |                |                |                            |  |                                   |                                      |                     | (118)                          |
| Balance December 31, 2004                                     | 10,503        | 1           | (96)           | (19)           | 869                        | (536)                                      | —                                 | (111)                                | (18,120)            | (17,916)                       |
| Interest on notes   |               |             |                |                |                            | (9)  |                                   |                                      |                     | (9)                            |
| Deferred stock-based compensation                             |               |             |                |                | 847                        |  | (847)                             |                                      |                     | —                              |
| Amortization of deferred compensation                         |               |             |                |                |                            |  | 120                               |                                      |                     | 120                            |
| Reversal of deferred compensation due to employee termination |               |             |                |                | (25)                       |  | 25                                |                                      |                     | —                              |
| Accretion of Series A redeemable convertible preferred stock  |               |             |                |                | (34)                       |  |                                   |                                      |                     | (34)                           |
| Employee's repayment of notes and interest                    |               |             |                |                |                            | 545  |                                   |                                      |                     | 545                            |
| Issuance of common stock on exercise of employee options      | 15            |             |                |                | 4                          |  |                                   |                                      |                     | 4                              |
| Comprehensive income:   |               |             |                |                |                            |  |                                   |                                      |                     |                                |
| Net income  |               |             |                |                |                            |  |                                   |                                      | 12,429              | 12,429                         |
| Unrealized loss on investments in marketable securities       |               |             |                |                |                            |  |                                   | (3)                                  |                     | (3)                            |
| Net total comprehensive income                                |               |             |                |                |                            |  |                                   |                                      |                     | 12,426                         |
| Balance December 31, 2005                                     | <u>10,518</u> | <u>\$ 1</u> | <u>(96)</u>    | <u>\$ (19)</u> | <u>\$ 1,661</u>            | <u>\$ —</u>                                | <u>\$ (702)</u>                   | <u>\$ (114)</u>                      | <u>\$ (5,691)</u>   | <u>\$ (4,864)</u>              |

See accompanying notes.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2003, 2004 and 2005**  
(in thousands)

|  | Year Ended December 31, |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2003                    | 2004            | 2005            |
| <b>Operating activities:</b>   |                         |                 |                 |
| Net (loss) income  | \$ (1,044)              | \$ (7)          | \$ 12,429       |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: |                         |                 |                 |
| Depreciation and amortization expense  | 2,919                   | 2,127           | 2,305           |
| Deferred income taxes  | —                       | —               | (4,644)         |
| Provision for (reversal of) doubtful accounts  | 137                     | (123)           | 21              |
| Amortization of deferred stock-based compensation  | —                       | —               | 120             |
| Non-cash interest expense  | 47                      | —               | —               |
| Non-cash interest income   | (28)                    | (30)            | —               |
| Changes in operating assets and liabilities:   |                         |                 |                 |
| Accounts receivable  | (4,658)                 | (1,790)         | (5,868)         |
| Prepaid expenses and other current assets  | (333)                   | (239)           | (490)           |
| Other assets   | 21                      | (109)           | (853)           |
| Accounts payable   | 1,237                   | (579)           | 823             |
| Accrued expenses   | 988                     | (253)           | 3,842           |
| Due to a related party   | 9                       | 399             | 178             |
| Amounts due from stockholder   | 1,075                   | —               | —               |
| Deferred revenues  | (427)                   | (1,044)         | 162             |
| Net cash (used in) provided by operating activities  | (57)                    | (1,648)         | 8,025           |
| <b>Investing activities:</b>   |                         |                 |                 |
| Purchases of fixed assets  | (2,419)                 | (3,282)         | (2,414)         |
| Employees' repayment of notes  | 75                      | 50              | 545             |
| Purchases of marketable securities available for sale  | (778)                   | —               | (2,959)         |
| Sale of marketable securities available for sale   | 2,961                   | 1,396           | 2,848           |
| Net cash used in by investing activities   | (161)                   | (1,836)         | (1,980)         |
| <b>Financing activities:</b>   |                         |                 |                 |
| Proceeds from equipment loan   | —                       | 2,000           | —               |
| Proceeds from issuance of common stock   | —                       | —               | 4               |
| Repayments of equipment loan   | (663)                   | (42)            | (667)           |
| Net cash provided by (used in) financing activities  | (663)                   | 1,958           | (663)           |
| Net (decrease) increase in cash and cash equivalents   | (881)                   | (1,526)         | 5,382           |
| Cash and cash equivalents at beginning of year   | 5,811                   | 4,930           | 3,404           |
| Cash and cash equivalents at end of period   | <u>\$ 4,930</u>         | <u>\$ 3,404</u> | <u>\$ 8,786</u> |
| <b>Supplemental disclosures of cash flow information</b>   |                         |                 |                 |
| Cash paid for interest   | <u>\$ 81</u>            | <u>\$ 39</u>    | <u>\$ 133</u>   |
| Cash paid for income taxes   | <u>\$ —</u>             | <u>\$ —</u>     | <u>\$ —</u>     |
| Accretion of redeemable preferred stock  | <u>\$ 35</u>            | <u>\$ 35</u>    | <u>\$ 34</u>    |

See accompanying notes.

**SYNCHRONOSS TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004 and 2005**

**(in thousands, except per share data)**

**1. Description of Business**

Synchronoss Technologies, Inc. (the Company, or Synchronoss) is a leading provider of e-commerce transaction management solutions to the communications services marketplace based on its penetration into key providers of communications services. The Company conducts its business operations primarily in the United States of America, with some aspects of its operations being outsourced to entities located in India and Canada. The Company's proprietary on-demand software platform enables communications service providers, or CSPs, to take, manage and provision orders and other customer-oriented transactions and perform related critical service tasks. The Company targets complex and high-growth industry segments including wireless, Voice over Internet Protocol, or VoIP, wireline and other markets. By simplifying technological complexities through the automation and integration of disparate systems, the Company enables CSPs to acquire, retain and service customers quickly, reliably and cost-effectively.

**2. Summary of Significant Accounting Policies**

***Pro Forma Information***

The pro forma balance sheet data as of December 31, 2005, reflects the automatic conversion of all outstanding shares of the Company's Series A and Series 1 convertible preferred stock into an aggregate of 13,549 shares of common stock upon completion of the Company's initial public offering.

Pro forma net income per share is computed using the weighted-average number of common shares outstanding, including the pro forma effects of the automatic conversion of all outstanding Series A and Series 1 convertible preferred stock into shares of the Company's common stock effective upon the assumed closing of the Company's proposed initial public offering, as if such conversion had occurred on January 1, 2005.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

***Revenue Recognition and Deferred Revenue***

The Company provides services principally on a transaction fee basis or, at times, on a fixed fee basis and recognizes the revenues as the services are performed or delivered as described below:

***Transaction service arrangements:*** Transaction service revenues consists of revenues derived from the processing of transactions through the Company's service platform and represents approximately 47%, 63% and 83% of net revenues during the years ended December 31, 2003, 2004 and 2005, respectively. Transaction service arrangements include services such as equipment orders, new account setup, number port requests, credit checks and inventory management.

Transaction revenues are principally based on a contractual price per transaction and revenues are recognized based on the number of transactions processed during each reporting period. For

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

these arrangements, revenues are recorded based on the total number of transactions processed at the applicable price established in the relevant contract. The total amount of revenues recognized is based primarily on the volume of transactions. At times, transaction revenues may also include billings to customers that reimburse the Company based on the number of individuals dedicated to processing transactions. The Company records revenues based on the applicable hourly rate per employee for each reporting period.

Some of the Company's contracts have guaranteed minimum volume transactions from its customers. In these instances, if the customers' total transaction volume for the period is less than the contractual amount, the Company records revenues at the minimum guaranteed amount.

Revenue is presented net of a provision for discounts, which are customer volume level driven, or credits, which are performance driven, and are determined in the period in which the volume thresholds are met or the services are provided.

Set-up fees for transactional service arrangements are deferred and recognized on a straight-line basis over the life of the contract since these amounts would not have been paid by the customer without the related transactional service arrangement. The amount of set-up fees amortized in revenues during the years ended December 31, 2003, 2004 and 2005, were \$661, \$650 and \$363, respectively. Deferred revenues principally represent set-up fees.

**Subscription Service Arrangements:** Subscription service arrangements which are generally based upon fixed fees represent approximately 27%, 17% and 6% of the Company's net revenues for the years ended December 31, 2003, 2004 and 2005, and relate principally to the Company's enterprise portal management services. The Company records revenues on a straight line basis over the life of the contract for its subscription service contracts.

**Professional Service and Other Service Arrangements:** Professional services and other services arrangements represent approximately 26%, 20% and 11% of the Company's net revenues for the years ended December 31, 2003, 2004 and 2005. Professional services include process and workflow consulting services and development services, respectively. Professional services, when sold with transactional service arrangements, are accounted for separately when these services have value to the customer on a standalone basis and there is objective and reliable evidence of fair value of each deliverable. When accounted for separately, professional service (i.e. consulting services) revenues are recognized on a monthly basis, as services are performed and billed, according to the terms of the contract.

In addition, in determining whether professional services can be accounted for separately from transaction service revenues, the Company considers the following factors for each professional services agreement: availability of the consulting services from other vendors, whether objective and reliable evidence of fair value exists for these services and the undelivered transaction service revenue, the nature of the consulting services, the timing of when the consulting contract was signed in comparison to the transaction service start date, and the contractual dependence of the transactional service on the customer's satisfaction with the consulting work.

**Concentration of Credit Risk**

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. The Company maintains its cash and cash equivalents in bank accounts, which, at times, exceed federally insured limits. The Company invests in high-quality financial instruments, primarily certificates of deposits and United States bonds. The Company has not recognized any losses in

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

such accounts. The Company believes it is not exposed to significant credit risk on cash and cash equivalents. Concentration of credit risks with respect to accounts receivable are limited because of the creditworthiness of the Company's major customers.

One customer accounted for 41%, 82% and 80% of revenues in 2003, 2004 and 2005, respectively. One customer accounted for 65%, 92% and 76% of accounts receivable at December 31, 2003, 2004 and 2005, respectively.

***Fair Value of Financial Instruments***

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosures of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Due to their short-term nature, the carrying amounts reported in the financial statements approximate the fair value for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. As of December 31, 2003, 2004 and 2005, the Company believes the carrying amount of its equipment loan approximates its fair value since the interest rate of the equipment loan approximates a market rate. The fair value of the Company's convertible preferred stock is not practicable to determine, as no quoted market price exists for the convertible preferred stock nor have there been any recent transactions in the Company's convertible preferred stock. The convertible preferred stock will be converted into common stock of the Company upon consummation of a qualified initial public offering.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with a maturity of three months or less at the date of acquisition, to be cash equivalents.

***Investments in Marketable Securities***

Marketable securities consist of fixed income investments with a maturity of greater than three months and other highly liquid investments that can be readily purchased or sold using established markets. In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, these investments are classified as available-for-sale and are reported at fair value on the Company's balance sheet. The Company classifies its securities with maturity dates of twelve months or more as long term. Unrealized holding gains and losses are reported within accumulated other comprehensive income as a separate component of stockholders' deficiency. Unrealized holding gains and losses were not material in 2003. If a decline in the fair value of a marketable security below the Company's cost basis is determined to be other than temporary, such marketable security is written down to its estimated fair value as a new cost basis and the amount of the write-down is included in earnings as an impairment charge. No other than temporary impairment charges have been recorded in any of the years presented herein.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable consist of amounts due to the company from normal business activities. The Company maintains an allowance for estimated losses resulting from the inability of its customers to make required payments. The Company estimates uncollectible amounts based upon historical bad debts, current customer receivable balances, age of customer receivable balances, the customer's financial condition and current economic trends.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

***Property and Equipment***

Property and equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets, which range from 3 to 5 years, or the lesser of the related initial term of the lease or useful life for leasehold improvements.

Expenditures for routine maintenance and repairs are charged against operations. Major replacements, improvements and additions are capitalized in accordance with Company policy.

***Deferred Offering Costs***

Costs directly attributable to the Company's offering of its equity securities have been deferred and capitalized as part of Other Assets. These costs will be charged against the proceeds of the offering once completed. The total amount deferred as of December 31, 2005 was approximately \$850.

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

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, a review of long-lived assets for impairment is performed when events or changes in circumstances indicate 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 its 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 excess of the asset's carrying amount over 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. There were no impairment charges recognized during the years ended December 31, 2003, 2004 and 2005.

***Cost of Services***

Cost of Services includes all direct materials, direct labor and those indirect costs related to revenues such as indirect labor, materials and supplies and facilities cost, exclusive of depreciation expense.

***Research and Development***

Research and development costs are expensed as incurred. Research and development expense consists primarily of costs related to personnel, including salaries and other personnel-related expenses, consulting fees and the cost of facilities, computer and support services used in service technology development. We also expense costs relating to developing modifications and enhancements of our existing technology and services.

***Advertising***

The Company expenses advertising as incurred. Advertising expenses were \$2, \$1, and \$40 for the years ended December 31, 2003, 2004 and 2005, respectively.



**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

**Income Taxes**

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), *Accounting for Income Taxes*. Under SFAS No. 109, the liability method is used in accounting for income taxes. Under this method deferred income tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities and for operating losses and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse. 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.

**Comprehensive Loss**

Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income*, requires components of other comprehensive loss, including unrealized gains and losses on available-for-sale securities, to be included as part of total comprehensive loss. The components of comprehensive loss are included in the statements of changes in stockholders' deficiency.

**Stock-Based Compensation**

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations as permitted under Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS 123) which requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. The following table illustrates the effect on net (loss) income if the Company had applied the minimum value recognition provisions of SFAS 123.

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2003                    | 2004             | 2005             |
| <b>Numerator:</b>   |                         |                  |                  |
| Net (loss) income attributable to common stockholders, as reported  | \$ (1,079)              | \$ (42)          | \$ 12,395        |
| Add non-cash employee compensation and preferred stock accretion as reported                                  | —                       | —                | 155              |
| Less total stock-based employee compensation expense determined under the minimum value method for all awards | (4)                     | (7)              | (139)            |
| Pro forma net (loss) income   | <u>\$ (1,083)</u>       | <u>\$ (49)</u>   | <u>\$ 12,411</u> |
| <b>Net income (loss) per common share:</b>  |                         |                  |                  |
| Basic:  |                         |                  |                  |
| As reported   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.53</u>   |
| Pro forma   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.53</u>   |
| Diluted:  |                         |                  |                  |
| As reported   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.47</u>   |
| Pro forma   | <u>\$ (0.11)</u>        | <u>\$ (0.00)</u> | <u>\$ 0.47</u>   |

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

Pro forma information regarding net income (loss) is required by FAS 123 and has been determined as if the Company has been accounting for its stock options awards under the minimum value method of that statement. The value of these options was estimated at the date of grant using a minimum value method with the following weighted-average assumptions:

|                          | <b>Employee<br/>Stock Options</b>  |             |             |
|--------------------------|------------------------------------|-------------|-------------|
|                          | <b>Year Ended<br/>December 31,</b> |             |             |
|                          | <b>2003</b>                        | <b>2004</b> | <b>2005</b> |
| Expected term (in years) | 6.5                                | 7.0         | 5.0         |
| Risk-free interest rate  | 4.26%                              | 3.92%       | 4.38%       |
| Dividend yield           | 0.00%                              | 0.00%       | 0.00%       |

The minimum value option-pricing valuation model was developed for use in estimating the value of options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions.

***Basic and Diluted Net (Loss) Income Attributable to Common Stockholders per Common Share***

The Company calculates net income (loss) per share in accordance with SFAS No. 128, *Earnings Per Share*. The Company has determined that its Series A Redeemable Convertible Preferred Stock represents a participating security. Because the Series A Redeemable Convertible Preferred Stock participates equally with common stock in dividends and unallocated income, the Company calculated basic earnings per share when the Company reports net income using the if-converted method, which in the Company's circumstances is equivalent to the two class approach required by EITF 03-6 *Participating Securities and the Two-Class Method under FASB Statement No. 128*. Net losses are not allocated to the Series A Redeemable Convertible Series A Preferred Stockholders. The Series I convertible preferred stock, stock options and warrants are not considered for diluted earnings per share for the years ended December 31, 2003 and 2004 as their effect is anti-dilutive for such periods.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net income (loss) attributable to common stockholders per common share and pro forma net income (loss) attributable to common stockholders per common share.

|   | <b>Year Ended December 31,</b> |                |                  |
|---|--------------------------------|----------------|------------------|
|   | <b>2003</b>                    | <b>2004</b>    | <b>2005</b>      |
| <b>Historical</b>   |                                |                |                  |
| Numerator:  |                                |                |                  |
| Net (loss) income   | \$ (1,044)                     | \$ (7)         | \$ 12,429        |
| Accretion of convertible preferred stock                              | (35)                           | (35)           | (34)             |
| Net (loss) income attributable to common stockholders                 | <u>\$ (1,079)</u>              | <u>\$ (42)</u> | <u>\$ 12,395</u> |
| Denominator:  |                                |                |                  |
| Weighted average common shares outstanding                            | 9,838                          | 10,244         | 11,959           |
| Assumed conversion of Series A Redeemable convertible preferred stock | —                              | —              | 11,549           |
| Weighted average common shares outstanding — basic                    | 9,838                          | 10,244         | 23,508           |
| Dilutive effect of:   |                                |                |                  |
| Unvested restricted shares  | —                              | —              | 46               |
| Stock options and warrants for the purchase of common stock           | —                              | —              | 650              |
| Conversion of Series 1 convertible preferred stock into common stock  | —                              | —              | 2,000            |
| Weighted average common shares outstanding — diluted                  | <u>9,838</u>                   | <u>10,244</u>  | <u>26,204</u>    |
| <b>Pro forma</b>  |                                |                |                  |
| Numerator:  |                                |                |                  |
| Net income  |                                |                | <u>\$ 12,429</u> |
| Denominator:  |                                |                |                  |
| Historical weighted average common shares outstanding — basic         |                                |                | 23,508           |
| Assumed conversion of preferred stock into common stock               |                                |                | 2,000            |
| Pro forma weighted average common shares outstanding — basic          |                                |                | 25,508           |
| Dilutive effect of:   |                                |                |                  |
| Unvested restricted shares  |                                |                | 46               |
| Stock options and warrants for the purchase of common stock           |                                |                | 650              |
| Pro forma weighted average common shares outstanding — diluted        |                                |                | <u>26,204</u>    |

**Impact of Recently Issued Accounting Standards**

In May 2003, the Financial Accounting Standards Board, or FASB, issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS No. 150). SFAS No. 150 requires that an issuer classify certain financial instruments as a liability because they embody an obligation of the issuer. The remaining provisions of SFAS No. 150 revise the definition of a liability to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. The provisions of this statement require that any financial instruments that are mandatorily redeemable on a fixed or determinable date or upon an event certain to occur be classified as liabilities. Since the Company's convertible preferred stock may be converted into common stock at the option of the stockholder, it is not classified as a liability under the provisions of SFAS No. 150.

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which is a revision of SFAS No. 123. SFAS 123(R) supersedes APB

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

No. 25, and amends SFAS No. 95, *Statement of Cash Flows*. Generally the approach in SFAS 123(R) is similar to the approach described in SFAS No. 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123(R).

SFAS 123(R) must be adopted no later than January 1, 2006. Early adoption will be permitted in periods in which financial statements have not yet been issued. Because the Company used the minimum value method to determine values of its pro forma stock based compensation disclosures, the Company will adopt SFAS 123(R) using the prospective method on January 1, 2006.

Although the Company cannot fully determine the amount of the impact of this new standard since it will be dependent upon the extent of stock based compensation awards issued in the future as well as the fair value attributed to the awards, it expects that adoption of the new standard will decrease earnings in the future.

### **Segment Information**

The Company currently operates in one business segment providing critical technology services to the communications industry. The Company is not organized by market and is managed and operated as one business. A single management team reports to the chief operating decision maker who comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities with respect to its services. Accordingly, the Company does not accumulate discrete financial information with respect to separate service lines and does not have separately reportable segments as defined by SFAS No. 131, *Disclosure About Segments of an Enterprise and Related Information*.

### **3. Investments in Marketable Securities**

The following is a summary of available for sale securities held by the Company:

|                          | <u>Cost</u>     | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|--------------------------|-----------------|---------------------------------------|--|-----------------------|
| <b>December 31, 2005</b> |                 |                                       |  |                       |
| Certificates of deposit  | \$ 3,416        | \$ —                                  | \$ (60)                                | \$3,356               |
| Government bonds         | <u>3,914</u>    | <u>—</u>                              | <u>(54)</u>                            | <u>3,860</u>          |
|                          | <u>\$ 7,330</u> | <u>\$ —</u>                           | <u>\$ (114)</u>                        | <u>\$7,216</u>        |
| <b>December 31, 2004</b> |                 |                                       |  |                       |
| Certificates of deposit  | \$ 3,916        | \$ —                                  | \$ (77)                                | \$3,839               |
| Government bonds         | <u>3,312</u>    | <u>—</u>                              | <u>(34)</u>                            | <u>3,278</u>          |
|                          | <u>\$ 7,228</u> | <u>\$ —</u>                           | <u>\$ (111)</u>                        | <u>\$7,117</u>        |

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

The Company's available for sale investments have the following maturities at:

|  | December 31,    |                 |
|--|-----------------|-----------------|
|  | 2004            | 2005            |
| Due in one year or less                  | \$ 1,193        | \$ 4,152        |
| Due after one year, less than five years | 5,924           | 3,064           |
|  | <u>\$ 7,117</u> | <u>\$ 7,216</u> |

**3. Investments in Marketable Securities (continued)**

Unrealized gains and losses are reported as a component of accumulated other comprehensive loss in stockholders' deficiency. For the years ended December 31, 2003, 2004 and 2005, realized losses were \$9, \$17 and \$39, respectively. The cost of securities sold is based on specific identification method.

Unrealized loss positions for which other than temporary impairments have not been recognized at December 31, 2004 and 2005 are summarized as follows:

|                        | December 31,  |               |
|------------------------|---------------|---------------|
|                        | 2004          | 2005          |
| Less than 12 months    | \$ 34         | \$ 66         |
| Greater than 12 months | 77            | 48            |
|                        | <u>\$ 111</u> | <u>\$ 114</u> |

Unrealized gains and losses were not material in 2003. Unrealized losses in the Company's portfolio relate primarily to fixed income debt securities. For these securities, the unrealized losses are due to increases in interest rates and not changes in credit risk. The Company has concluded that the unrealized losses in its marketable securities are not other-than-temporary as the Company has the ability to hold the securities to maturity or a planned forecasted recovery.

**4. Property and Equipment**

Property and equipment consist of the following:

|  | December 31,    |                 |
|--|-----------------|-----------------|
|  | 2004            | 2005            |
| Computer hardware                              | \$ 6,888        | \$ 7,928        |
| Computer software                              | 6,070           | 5,882           |
| Furniture and fixtures                         | 481             | 498             |
| Leasehold improvements                         | 750             | 904             |
|  | <u>14,189</u>   | <u>15,212</u>   |
| Less accumulated depreciation and amortization | (10,091)        | (11,005)        |
|  | <u>\$ 4,098</u> | <u>\$ 4,207</u> |

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

**5. Accrued Expenses**

Accrued expenses consist of the following:

|                                   | <b>December 31,</b> |                 |
|-----------------------------------|---------------------|-----------------|
|                                   | <b>2004</b>         | <b>2005</b>     |
| Accrued compensation and benefits | \$ 926              | \$ 2,635        |
| Accrued other                     | 1,241               | 2,737           |
| Income tax payable                | —                   | 815             |
|                                   | <u>\$ 2,167</u>     | <u>\$ 6,187</u> |

**6. Financing Arrangements**

On October 6, 2004, the Company entered into a Loan and Security Agreement (the "Agreement") with a bank which expires on December 1, 2007. The Agreement includes a Revolving Promissory Note for up to \$2,000 and an Equipment Term Note for up to \$3,000. This replaced a previous loan which was fully paid in 2004.

Availability under the Agreement for the Revolving Promissory Note is based on defined percentages of eligible accounts receivable. Borrowings on the revolving credit agreement bear interest at the prime rate plus 1.25% (6.5% at December 31, 2004 and 8.5% at December 31, 2005) payable monthly. Interest only on the unpaid principal amount is due and payable monthly in arrears, commencing January 1, 2005 and continuing on the first day of each calendar month thereafter until maturity, at which point all unpaid principal and interest related to the revolving advances will be payable in full. There were no draws against the Revolving Promissory Note as of December 31, 2005.

As of December 31, 2004 and 2005, the Company had outstanding borrowings of \$2,000 and \$1,333, respectively, against the Equipment Term Note to fund purchases of eligible equipment. Borrowings on the equipment line bear interest at the prime rate plus 1.75% (7% at December 31, 2004 and 9% at December 31, 2005) and principal and interest is payable monthly.

The Company paid a facility fee and certain other bank fees in connection with the financing arrangement. The agreement requires the Company to meet certain financial covenants. The Company was in compliance with the covenants at December 31, 2004 and December 31, 2005. Borrowings are collateralized by all of the assets of the Company.

Principal payments due on the outstanding Equipment Term Note at December 31, 2005 are as follows:

|      |                 |
|------|-----------------|
| 2006 | 667             |
| 2007 | 666             |
|      | <u>\$ 1,333</u> |

**7. Capital Structure**

As of December 31, 2004 and 2005, the Company's authorized capital stock was 45,103 shares of stock with a par value of \$0.0001 of which 30,000 shares were designated Common Stock and 15,103 shares were designated Preferred Stock (Series A and Series 1).

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

**Common Stock**

Each holder of Common Stock is entitled to vote on all matters and is entitled to one vote for each share held. Dividends on Common Stock will be paid when, as and if declared by the Board of Directors. No dividends have ever been declared or paid by the Company. At December 31, 2004 and 2005, there were 13,549 shares of Common Stock reserved for the conversion of the Series 1 and Series A Preferred Stock and 4,483 shares of Common Stock reserved for issuance under the 2000 Stock Plan.

**Preferred Stock**

Preferred Stock may be issued from time to time in one or more series. The Company designated 2,000 shares as Series 1 Convertible Preferred Stock ("Series 1") and 13,103 as Series A Redeemable Convertible Preferred Stock ("Series A") as of December 31, 2004 and 2005. The Series A Redeemable Convertible Preferred Stock and the Series 1 Convertible Preferred Stock are automatically convertible into common stock on a one-for-one basis in the event of an underwritten public offering (or a combination of offerings) of common stock with gross proceeds to the Company of not less than \$20 million (Qualified IPO) and a per share price of at least \$8.70.

**Series A Redeemable Convertible Preferred Stock**

The holders of Series A have the right, at their option, at any time, to convert their shares into fully paid and non-assessable shares of Common Stock at the conversion price of \$2.90 per share, adjusted for events as defined in the Certificate of Incorporation (as amended and restated). The holders of Series A are entitled to one vote for each share of Common Stock into which the Series A could then be converted. In the event the Company declares or pays dividends to the holders of the Common Stock, the holders of Series A are entitled to such dividends, based on the number of shares of Common Stock into which the Series A could then be converted. Upon any liquidation, sale, merger, dissolution or winding up of the Corporation, the holders of Series A are entitled to receive, in preference to Series 1, Common Stock and any other series of Preferred Stock, an amount equal to \$5.80 per share, plus any accrued or declared but unpaid dividends with any remaining assets being distributed ratably to the holders of Series 1 and Common Stock.

The holders of a majority of the Series A Preferred Stock had the right to require the Company to redeem all shares of the Series A Preferred Stock at the initial purchase price plus any declared but unpaid dividends in three equal installments beginning on the date which is five years after the first issuance of shares of Series A Preferred Stock (November 13, 2005). The redemption right was exercisable by the holders of a majority of the Series A Preferred Stock by providing written notice to the Company at least 30 days prior to November 13, 2005. Notice of exercise was not provided to the Company at least 30 days prior to November 13, 2005, resulting in termination of the redemption right as of October 14, 2005 (the date 30 days prior to November 13, 2005). The Series A Redeemable Convertible Preferred Stock continues to be classified in the "mezzanine" section of the Balance Sheet as the security has certain change in control provisions that warrant such a classification.

The carrying value of the Series A Redeemable Convertible Preferred Stock was increased by periodic accretions so that the carrying amount was equal to the redemption amount at the redemption date. These increases were effected through charges to additional paid-in capital. At December 31, 2005, the Series A Redeemable Convertible Preferred Stock amount was fully accreted to its redemption value of \$33.5 million.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

**Series 1 Convertible Preferred Stock**

The holders of Series 1 have the right, at their option, at any time, to convert their shares into fully paid and non-assessable shares of Common Stock by dividing the liquidation preference (\$12 million) by the conversion price of \$6.00 per share, adjusted for events as defined in the Certificate of Incorporation (as amended and restated). The holders of Series 1 are entitled to one vote for each share of Common Stock into which the Series 1 could then be converted. The Series 1 holders are not entitled to dividends. Upon any liquidation, sale, merger, dissolution or winding up of the Corporation, the holders of Series 1 are entitled to receive, in preference to Common Stock, an amount equal to \$6.00 per share, plus any accrued or declared but unpaid dividends, with any remaining assets being distributed ratably to the holders of Common Stock.

The Series 1 Convertible Preferred Stock is classified in the “mezzanine” section of the balance sheet because the security has certain change in control provisions that warrant such a classification. However, the Series 1 Convertible Preferred Stock is not being accreted because as of December 31, 2005 it is not probable that a change in control would require a payment to the Series 1 shareholder.

**Warrants**

Prior to 2003, the Company issued Series A Preferred Stock warrants to a bank as part of a loan and security agreement. The Company has 95 of these warrant shares outstanding for each of the years ended 2003, 2004 and 2005. The warrants have an exercise price of \$2.90 per share (adjusted for stock splits, stock dividends, etc.). The value of the warrants was capitalized as debt issuance cost and amortized to interest expense over the term of the loans. The total charge to interest expense was not material for the periods presented herein. The warrants may be exercised at any time, in whole or in part, during the exercise period, which expires on May 20, 2008. No warrants were issued or exercised in 2003, 2004 and 2005. The warrants will automatically become exercisable for shares of common stock upon the closing of a qualified public offering.

**8. Stock Plan**

On October 27, 2000, the Board of Directors approved the Synchronoss Technologies, Inc. 2000 Stock Plan (the “Stock Plan”) to provide employees, outside directors and consultants an opportunity to acquire a proprietary interest in the success of the Company or to increase such interest, by receiving options or purchasing shares of the Company’s stock at a price not less than the fair market value at the date of grant for “incentive” stock options and a price not less than 30% of the fair market value at the date of grant for “non-qualified” options. No option will have a term in excess of 10 years. The Company has reserved up to 4,483 shares for issuance under the Stock Plan.

The Stock Plan is administered by the Board and is responsible for determining the individuals to be granted options or shares, the number each individual will receive, the price per share, and the exercise period of each option. In establishing its estimates of fair value of our common stock, the Company considered the guidance set forth in the AICPA Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, and performed a retrospective determination of the fair value of its common stock for the year ended December 31, 2005, utilizing a combination of valuation methods.



**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

**Stock Options**

The following table summarizes information about stock options outstanding.

|                                  | Options Outstanding        |                  |                              |                                 |
|----------------------------------|----------------------------|------------------|------------------------------|---------------------------------|
|                                  | Shares Available for Grant | Number of Shares | Option Price Per Share Range | Weighted-Average Exercise Price |
| Balance at December 31, 2002     | 1,792                      | 285              | \$ 0.29                      | \$ 0.29                         |
| Options granted                  | (278)                      | 278              | 0.29                         | 0.29                            |
| Options exercised                | —                          | —                | 0.29                         | 0.29                            |
| Options forfeited                | 155                        | (155)            | —                            | .29                             |
| Balance at December 31, 2003     | 1,669                      | 408              | 0.29                         | 0.29                            |
| Options granted                  | (562)                      | 562              | 0.29                         | 0.29                            |
| Options exercised                | —                          | (1)              | 0.29                         | 0.29                            |
| Options forfeited                | 179                        | (179)            | —                            | 0.29                            |
| Balance at December 31, 2004     | 1,286                      | 790              | 0.29                         | —                               |
| Options granted                  | (425)                      | 424              | 0.45 - 10.00                 | 3.15                            |
| Options exercised                | —                          | (15)             | 0.29                         | 0.29                            |
| Options forfeited                | 120                        | (120)            | 0.29 - 10.00                 | 0.30                            |
| Balance at December 31, 2005     | <u>981</u>                 | <u>1,079</u>     |                              |                                 |
| Exercisable at December 31, 2003 |                            | <u>88</u>        |                              |                                 |
| Exercisable at December 31, 2004 |                            | <u>178</u>       |                              |                                 |
| Exercisable at December 31, 2005 |                            | <u>377</u>       |                              |                                 |

At December 31, 2005, the average remaining contractual life of outstanding options was approximately 8.4 years. The weighted-average fair value of options granted during 2003, 2004 and 2005 was approximately \$0.07, \$0.07 and \$5.11 per share, respectively.

Options may be exercised in whole or in part for 100% of the shares subject to vesting at any time after the date of grant. Options generally vest 25% on the first year anniversary date of grant plus an additional 1/48 for each month thereafter. If an option is exercised prior to vesting, the underlying shares are subject to a right of repurchase at the exercise price paid by the option holder. The right of repurchase shall lapse with respect to the first 25% of the purchased shares when the purchaser completes 12 months of continuous service and shall lapse an additional 1/48 of the purchased shares when the purchaser completes each month of continuous service thereafter. There were no options exercised prior to vesting during 2003, 2004 and 2005.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

The Company performed a retrospective determination of the fair value of the Company's common stock for the year ended December 31, 2005 and granted stock options with exercise prices as follows:

| <u>Grant Date</u> | <u>Number of<br/>Options Granted</u> | <u>Exercise Price</u> | <u>Retrospective<br/>Determination of<br/>Fair Value</u> | <u>Intrinsic Value</u> |
|-------------------|--------------------------------------|-----------------------|--|------------------------|
| April 12, 2005    | 207                                  | \$ 0.45               | \$ 1.84  | \$ 1.39                |
| July 14, 2005     | 98                                   | \$ 0.45               | \$ 6.19  | \$ 5.74                |
| October 21, 2005  | 120                                  | \$ 10.00              | \$ 7.85  | —                      |

The Company recorded approximately \$847 in gross deferred compensation expense and recognized compensation expense of approximately \$120 during the year ended December 31, 2005 in connection with these stock grants. The Company reversed deferred compensation of approximately \$25 related to employee terminations during the year ended December 31, 2005.

The following table summarizes information about stock options outstanding at December 31, 2005:

| <u>Exercise Price</u> | <u>Options Outstanding</u> | <u>Options<br/>Vested</u> | <u>Weighted-Average<br/>Remaining<br/>Contractual Life<br/>(in years)</u> |
|-----------------------|----------------------------|---------------------------|---|
| \$0.29                | 681                        | 199                       | 7.82  |
| \$0.45                | 279                        | —                         | 9.37  |
| \$10.00               | 119                        | —                         | 9.81  |
|                       | <u>1,079</u>               | <u>199</u>                |   |

**Restricted Stock Purchases**

Under the Stock Plan, certain eligible individuals may be given the opportunity to purchase the Company's Common Stock at a price not less than the par value of the shares. The Board of Directors determines the purchase price at its sole discretion. The purchase price paid for restricted stock awards granted to date has been equal to the fair market value at the date of grant. Shares awarded or sold under the Stock Plan are subject to certain special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Under most circumstances, the right of repurchase shall lapse with respect to the first 25% of the purchased shares when the purchaser completes 12 months of continuous service and shall lapse an additional 1/48 of the purchased shares when the purchaser completes each month of continuous service thereafter. Unless otherwise provided in the stock purchase agreement, any right to repurchase the shares at the original purchase price upon termination of the purchaser's service shall lapse with respect to the number of shares that would vest over a twelve-month period or shall lapse to all remaining shares if the Company is subject to a change of control before the purchaser's service terminates or if the purchaser is subject to an involuntary termination within 12 months following a change of control. No restricted shares were purchased or granted during 2004 and 2005. As of December 31, 2004 and 2005 approximately \$47 (162 shares) and \$13 (45 shares), respectively, of restricted stock is unvested and subject to repurchase rights.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

**Stock Subscription Notes**

As permitted under the Stock Plan, the purchasers of restricted stock signed full recourse promissory notes for the value of their shares at the date of grant and interest rates range from 5.5% to 6.3%. The notes were collateralized by a first-priority interest in all of the shares and the purchaser is personally liable for full payment of the principal and interest, with the Company having full recourse against the borrower's personal assets. At December 31, 2004 notes and accrued interest receivable of \$536 remain outstanding and are classified in stockholders' deficiency. As of December 31, 2005, all loans were fully repaid and there are no further loans outstanding.

**9. 401(k) Plan**

The Company has a 401(k) plan (the "Plan") covering all eligible employees. The Plan allows for a discretionary employer match. The Company incurred and expensed \$54, \$38 and \$71 for the years ended December 31, 2003, 2004 and 2005, respectively, in 401(k) contributions during the year.

**10. Income Taxes**

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax asset are as follows:

|                                  | December 31,   |                |                 |
|----------------------------------|----------------|----------------|-----------------|
|                                  | 2003           | 2004           | 2005            |
| Deferred tax assets:             |                |                |                 |
| Current deferred tax assets:     |                |                |                 |
| Accrued vacation                 | \$ 25          | \$ 25          | \$ 35           |
| Accrued miscellaneous            | —              | —              | 101             |
| Bad debts reserve                | 144            | 80             | 89              |
| Net operating loss carryforwards | —              | —              | 3,799           |
|                                  | <u>169</u>     | <u>105</u>     | <u>4,024</u>    |
| Non-current deferred tax assets: |                |                |                 |
| Net operating loss carryforwards | 6,646          | 6,612          | —               |
| Depreciation and amortization    | 458            | 437            | 356             |
| Deferred compensation            | —              | —              | 49              |
| Charitable contributions         | 12             | 21             | 51              |
| AMT credit carryover             | —              | —              | 164             |
| Total gross deferred tax assets  | <u>7,285</u>   | <u>7,175</u>   | <u>4,644</u>    |
| Valuation allowance              | <u>(7,285)</u> | <u>(7,175)</u> | <u>—</u>        |
| Net deferred income taxes        | <u>\$ —</u>    | <u>\$ —</u>    | <u>\$ 4,644</u> |

The Company records a valuation allowance for temporary differences for which it is more likely than not that the Company will not receive future tax benefits. During 2005, the Company generated substantial taxable income and expects to continue to generate taxable income for the foreseeable future. As such, the Company determined that it is more likely than not that it will realize its future tax benefits and reduced the valuation allowance to zero.

At December 31, 2005, the Company has approximately \$8,400 of Federal and \$14,500 of state net operating loss carry forwards available to offset future taxable income. The federal and state net operating loss carry forwards will begin expiring in 2021 and 2011, respectively, if not utilized. In addition, the utilization of the state net operating loss carry forwards is subject to a \$2,000 annual limitation. The Company has determined that substantially all of its net operating losses are available for future use since it has not had a "change in ownership", as defined by the Tax Reform

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
(in thousands, except per share data)

Act of 1986, since 2000. The Company believes that it is possible that a change in ownership could occur if the Company completes its initial public offering as a result of the issuance of new shares of Common Stock in the initial public offering. If such a change in ownership occurs, its ability to use the net operating loss carryforwards may be limited.

Significant components of the Company's deferred tax assets and liabilities as of December 2003, 2004, and 2005 are shown above. Due to the uncertainty of the Company's ability to realize the benefit of the deferred tax assets, the net deferred tax assets are fully offset by a valuation allowance at December 31, 2003 and 2004.

A reconciliation of the statutory tax rates and the effective tax rates for the three years ended December 31, 2005 are as follows:

|                                     | <b>Year Ended<br/>December 31,</b> |             |              |
|-------------------------------------|------------------------------------|-------------|--------------|
|                                     | <b>2003</b>                        | <b>2004</b> | <b>2005</b>  |
| Statutory rate                      | 34%                                | 34%         | 34%          |
| State taxes, net of federal benefit | 0%                                 | 0%          | 5%           |
| Permanent adjustments               | (1)%                               | (631)%      | 0%           |
| Valuation allowance                 | (33)%                              | 597%        | (84)%        |
| Net                                 | <u>—</u>                           | <u>—</u>    | <u>(45)%</u> |

Income tax expense (benefit) consisted of the following components:

|                    | <b>Year Ended December 31,</b> |             |                   |
|--------------------|--------------------------------|-------------|-------------------|
|                    | <b>2003</b>                    | <b>2004</b> | <b>2005</b>       |
| <b>Current:</b>    |                                |             |                   |
| Federal            | \$ —                           | \$ —        | \$ 164            |
| State              | —                              | —           | 651               |
| <b>Deferred:</b>   |                                |             |                   |
| Federal            | —                              | —           | (3,579)           |
| State              | —                              | —           | (1,065)           |
| Income tax benefit | <u>\$ —</u>                    | <u>\$ —</u> | <u>\$ (3,829)</u> |

**11. Commitments and Contingencies**

**Leases**

The Company leases office space, automobiles and office equipment under noncancelable operating lease agreements, which expire through March 2012. Aggregate annual future minimum lease payments under these noncancelable leases are as follows:

| <b>Year ending December 31:</b> |                 |
|---------------------------------|-----------------|
| 2006                            | \$ 1,168        |
| 2007                            | 1,180           |
| 2008                            | 1,106           |
| 2009                            | 905             |
| 2010                            | 529             |
| 2011 and thereafter             | 658             |
|                                 | <u>\$ 5,546</u> |

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
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Rent expense for the years ended December 31, 2003, 2004 and 2005 was \$619, \$873 and \$1,353, respectively.

**12. Related Parties**

***Omniglobe International, L.L.C.***

Omniglobe International, L.L.C., a Delaware limited liability company with operations in India, provides data entry services relating to the Company's exception handling management. The Company pays Omniglobe an hourly rate for each hour worked by each of its data entry agents. For these services, the Company has paid Omniglobe \$0, \$2,211 and \$8,089 in 2003, 2004 and 2005, respectively. At December 31, 2004 and 2005, amounts due to Omniglobe were \$399 and \$577, respectively.

As of December 31, 2005, the Company had agreements with Omniglobe. One of the Company's agreements with Omniglobe provides for minimum levels of staffing at a specific price level resulting in an overall minimum commitment of \$350 over the next six months. Services provided include data entry and related services as well as development and testing services. The current agreements may be terminated by either party without cause with 30 or 60 days written notice prior to the end of the term. Unless terminated, the agreement will automatically renew in six month increments. As of December 31, 2005 the Company does not intend to terminate its arrangements with Omniglobe.

On March 12, 2004, certain of the Company's executive officers and their family members acquired indirect equity interests in Omniglobe by purchasing an ownership interest in Rumson Hitters, L.L.C., a Delaware limited liability company, as follows:

| <b>Name</b>        | <b>Position with Synchronoss</b>  | <b>Equity Interest in Omniglobe</b> | <b>Purchase Price of Interest in Runson Hitters, L.L.C.</b> |
|--------------------|---|-------------------------------------|---|
| Stephen G. Waldis  | Chairman of the Board of Directors, President and Chief Executive Officer | 12.23%                              | \$ 95,000   |
| Lawrence R. Irving | Chief Financial Officer and Treasurer                                     | 2.58%                               | \$ 20,000   |
| David E. Berry     | Vice President and Chief Technology Officer                               | 2.58%                               | \$ 20,000   |
| Robert Garcia      | Executive Vice President of Product Management and Service Delivery       | 1.29%                               | \$ 10,000   |

Since the date that the Company's officers and their family members acquired their interests in Rumson Hitters, Omniglobe has paid an aggregate of \$1.3 million in distributions to all of its interest holders, including Runson Hitters. In turn, Rumson Hitters has paid an aggregate of \$0.7 million in distributions to its interest holders, including \$153,655 in distributions to Stephen G. Waldis and his family members, \$32,348 in distributions to Lawrence R. Irving, \$32,348 in distributions to David E. Berry and his family members and \$16,174 in distributions to Robert Garcia.

Synchronoss considered making an investment in Omniglobe but elected not to pursue the opportunity based on the recommendation of the Company's independent directors. Only after Synchronoss declined to pursue the opportunity did members of the Company's management team

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
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make their investments. None of the members of the management team devotes time to the management of Omniglobe.

Upon completion of the Company's initial public offering, Rumson Hitters will repurchase, at the original purchase price, the equity interests in Rumson Hitters held by each of the Company's employees and their family members, such that no employee of the Company or family member of such employee will have any interest in Rumson Hitters or Omniglobe after this offering. Neither the Company nor any of its employees will not provide any of the funds to be used by Rumson Hitters in repurchasing such equity interests.

**Vertek Corporation**

Vertek Corporation, a New Jersey corporation with principal offices in New Jersey and Vermont, is a solutions provider to the communications services industry and at December 31, 2005 is 100% owned by one of the Company's directors, James McCormick.

For various consulting services, the Company paid Vertek \$9,000, \$399,230 and \$0 in 2003, 2004 and 2005, respectively. However, Synchronoss may use the consulting services of Vertek for various contracts that Company is currently pursuing. At December 31, 2004 and 2005, there were no amounts due to or from Vertek.

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

|   | Quarter Ended                         |           |              |             |
|---|---------------------------------------|-----------|--------------|-------------|
|   | March 31                              | June 30   | September 30 | December 31 |
|   | (in thousands, except per share data) |           |              |             |
| <b>2004</b>   |                                       |           |              |             |
| Net Revenues  | \$ 5,819                              | \$ 6,265  | \$ 6,381     | \$ 8,726    |
| Gross Profit  | 2,051                                 | 1,952     | 2,240        | 3,260       |
| Net (loss) income                                     | (320)                                 | (204)     | 119          | 398         |
| Net (loss) income attributable to common stockholders | (329)                                 | (212)     | 110          | 389         |
| Basic net (loss) income per common share(1)           | (0.02)                                | (0.01)    | 0.01         | 0.02        |
| Diluted net income per common share(1)                | (0.01)                                | (0.01)    | 0.00         | 0.02        |
| <b>2005</b>   |                                       |           |              |             |
| Net Revenues  | \$ 11,350                             | \$ 13,776 | \$ 14,115    | \$ 14,977   |
| Gross Profit  | 5,069                                 | 5,829     | 6,139        | 6,976       |
| Net income  | 1,527                                 | 1,929     | 1,998        | 6,975(2)    |
| Net income attributable to common stockholders        | 1,519                                 | 1,921     | 1,987        | 6,968       |
| Basic net (loss) income per common share(1)           | 0.07                                  | 0.09      | 0.09         | 0.32        |
| Diluted net income per common share(1)                | 0.06                                  | 0.08      | 0.08         | 0.29        |

(1) Per common share amounts for the quarters and full years have been calculated separately. Accordingly, quarterly amounts do not add to the annual amount because of differences in the weighted-average common shares outstanding during each period principally due to the effect of the Company's issuing shares of its common stock during the year.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**  
**(in thousands, except per share data)**

(2) Includes the impact of a reduction of the Company's deferred tax valuation allowance of \$4.6 million.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in the prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of the date.

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Through and including \_\_\_\_\_, 2006 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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Shares

**Synchronoss  
Technologies, Inc.**

Common Stock

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**Goldman, Sachs & Co.  
Deutsche Bank Securities  
Thomas Weisel Partners LLC**

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**PART II****Information Not Required in Prospectus****Item 13. Other Expenses of Issuance and Distribution**

The following table presents the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fees.

|                                    |    |       |   |
|------------------------------------|----|-------|---|
| SEC Registration fee               | \$ | 8,025 | * |
| NASD fee                           |    |       | * |
| Nasdaq National Market listing fee |    |       | * |
| Printing and engraving expenses    |    |       | * |
| Legal fees and expenses            |    |       | * |
| Accounting fees and expenses       |    |       | * |
| Blue sky fees and expenses         |    |       | * |
| Custodian and transfer agent fees  |    |       | * |
| Miscellaneous fees and expenses    |    |       | * |
| Total                              | \$ |       | * |

\* To be provided by subsequent amendment.

**Item 14. Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's board of directors to grant indemnification to directors and officers in terms sufficiently broad to permit indemnification under limited circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended (the "Securities Act"). Article VI, Section 6.1 of our bylaws provides for mandatory indemnification of our directors and officers to the maximum extent permitted by the Delaware General Corporation Law. Our amended and restated certificate of incorporation provides that, under Delaware law, our directors and officers shall not be liable for monetary damages for breach of the officers' or directors' fiduciary duty as officers or directors to our stockholders and us. This provision in the amended and restated certificate of incorporation does not eliminate the directors' or officers' fiduciary duty, and in appropriate circumstances, equitable remedies like injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director or officer will continue to be subject to liability for breach of the director's or officer's duty of loyalty to us, for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, for actions leading to improper personal benefit to the director or officer, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. This provision also does not affect a director's or officer's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. We have entered into indemnification agreements with our directors and officers, a form of which is attached as Exhibit 10.1 and incorporated by reference. The indemnification agreements provide our directors and officers with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. Reference is made to Section 8 of the underwriting agreement contained in Exhibit 1.1 to this prospectus, indemnifying our directors and officers against limited liabilities. In addition, Section 1.7 of the Registration Rights Agreement contained in Exhibits 4.5 to this registration statement provides for indemnification of certain of our stockholders against liabilities described in the Registration Rights Agreement.

**Item 15. Recent Sales of Unregistered Securities**

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

1. We granted direct issuances or stock options to purchase 1,264,000 shares of our common stock at exercise prices ranging from \$0.29 to \$10.00 per share to employees, consultants, directors and other service providers under our 2000 Stock Plan. We did not grant any direct issuances or stock options outside of the 2000 Plan.

2. We issued and sold an aggregate of \_\_\_\_\_ shares of our common stock to employees, consultants, and other service providers for aggregate consideration of approximately \$ \_\_\_\_\_ under direct issuances or exercises of options granted under our 2000 Stock Plan. We did not issue or sell any shares of our common stock to employees, consultants, and other service providers outside of the 2000 Stock Plan.

3. The sale of the above securities was deemed to be exempt from registration under Rule 701 promulgated under Section 3(b) of the Securities Act as transactions under compensation benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution and appropriate legends were affixed to the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us.

**Item 16. Exhibits and Financial Statement Schedules**

**(a) Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 1.1*               | Form of Underwriting Agreement.   |
| 3.1#               | Amended and Restated Certificate of Incorporation of the Registrant.  |
| 3.2*               | Form of Restated Certificate of Incorporation to be effective upon closing.   |
| 3.3#               | Bylaws of the Registrant.   |
| 3.4*               | Amended and Restated Bylaws of the Registrant to be effective upon closing.   |
| 4.1                | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.  |
| 4.2*               | Form of Registrant's Common Stock certificate.  |
| 4.3#               | Amended and Restated Investors Rights Agreement, dated December 22, 2000, by and among the Registrant, certain stockholders and the investors listed on the signature pages thereto.  |
| 4.4#               | Amendment No. 1 to Synchronoss Technologies, Inc. Amended and Restated Investors Rights Agreement, dated April 27, 2001, by and among the Registrant, certain stockholders and the investors listed on the signature pages thereto. |
| 4.5#               | Registration Rights Agreement, dated November 13, 2000, by and among the Registrant and the investors listed on the signature pages thereto.  |
| 4.6#               | Amendment No. 1 to Synchronoss Technologies, Inc. Registration Rights Agreement, dated May 21, 2001, by and among the Registrant, certain stockholders listed on the signature pages thereto and Silicon Valley Bank.               |
| 5.1*               | Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP.   |
| 10.1*              | Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.  |
| 10.2†#             | Synchronoss Technologies, Inc. 2000 Stock Plan and forms of agreements thereunder.  |
| 10.3*†             | 2006 Equity Incentive Plan and forms of agreements thereunder.  |
| 10.4*†             | 2006 Employee Stock Purchase Plan.  |

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| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 10.5#              | Lease Agreement between the Registrant and BTCT Associates, L.L.C. for the premises located at 750 Route 202 South, Bridgewater, New Jersey, dated as of May 11, 2004.                          |
| 10.6#              | Lease Agreement between the Registrant and Liberty Property Limited Partnership for the premises located at 1525 Valley Center Parkway, Bethlehem, Pennsylvania, dated as of February 14, 2002. |
| 10.7#              | Lease Agreement between the Registrant and Apple Tree LLC for the premises located at 8201 164th Avenue NE, Redmond, Washington, dated as of November 28, 2005.                                 |
| 10.8#              | Warrants to Purchase Series A Preferred Stock of the Registrant issued to Silicon Valley Bank, dated as of May 21, 2001 and June 26, 2002.  |
| 10.9#              | Loan and Security Agreement between the Registrant and Silicon Valley Bank, dated as of May 21, 2001.   |
| 10.10‡             | Cingular Master Services Agreement, effective September 1, 2005 by and between the Registrant and Cingular Wireless LLC.  |
| 23.1*              | Consent of Ernst & Young, LLP, Independent Registered Public Accounting Firm.   |
| 23.2*              | Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (contained in Exhibit 5.1).  |
| 24.1#              | Power of Attorney (included on signature page of this filing).  |

† Compensation Arrangement.

\* To be filed by amendment.

‡ Confidential treatment has been requested for portions of this document. The omitted portions of this document have been filed with the Securities and Exchange Commission.

# Previously filed as an exhibit to this Registration Statement filed February 28, 2004.

**(b) Financial Statement Schedules**

The following financial supplement schedule is filed as part of this Registration Statement:

Schedule II: Valuation and Qualifying Accounts

All other schedules have been omitted as they are not required, not applicable, or the required information is otherwise included.

**Schedule II: Valuation and Qualifying Accounts**

| <b>Allowance for Doubtful Accounts</b> | <b>Balance Beginning of Year</b> | <b>Charged to Expense</b> | <b>Write-Offs</b> | <b>Balance at End of Year</b> |
|--|----------------------------------|---------------------------|-------------------|-------------------------------|
|  |                                  |                           |                   |                               |
|  |                                  |                           | (in thousands)    |                               |
| December 31, 2003                      | \$ 220                           | \$ 137                    | \$ —              | \$ 357                        |
| December 31, 2004                      | \$ 357                           | \$ (123)                  | \$ (34)           | \$ 200                        |
| December 31, 2005                      | \$ 200                           | \$ 21                     | \$ —              | \$ 221                        |

Note: Additions to the allowance for doubtful accounts are charged to expenses.

**Item 17. Undertakings**

We undertake to provide to the underwriters at the closing specified in the underwriting agreement, certificates in the denominations and registered in the names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant under the Delaware General Corporation Law, the amended and restated certificate of incorporation or our bylaws, the underwriting agreement, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities, other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of ours in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with the securities being registered in this offering, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether this indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of this issue.

We undertake that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered, and the offering of these securities at that time shall be deemed to be the initial bona fide offering.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bridgewater, State of New Jersey, on this 14th day of April, 2006.

SYNCHRONOSS TECHNOLOGIES, INC.

By: /s/ STEPHEN G. WALDIS

Stephen G. Waldis  
Chairman of the Board of Directors,  
President and Chief Executive Officer

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| <u>Signature</u>                             | <u>Title</u>   | <u>Date</u>    |
|--|--|----------------|
| <u>/s/ STEPHEN G. WALDIS</u>                 | Chairman of the Board of Directors, President and Chief Executive Officer          | April 14, 2006 |
| Stephen G. Waldis                            |  |                |
| <u>/s/ LAWRENCE R. IRVING</u>                | Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) | April 14, 2006 |
| Lawrence R. Irving                           |  |                |
| *  | Director   | April 14, 2006 |
| William Cadogan                              |  |                |
| *  | Director   | April 14, 2006 |
| Thomas J. Hopkins                            |  |                |
| *  | Director   | April 14, 2006 |
| James McCormick                              |  |                |
| *  | Director   | April 14, 2006 |
| Scott Yaphe                                  |  |                |
| <u>By: /s/ STEPHEN G. WALDIS</u>             |  |                |
| Stephen G. Waldis<br><i>Attorney-in-Fact</i> |  |                |

## INDEX TO EXHIBITS

| Exhibit No. | Description   |
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| 3.4*        | Amended and Restated Bylaws of the Registrant to be effective upon closing.   |
| 4.1         | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.  |
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| 10.10‡      | Cingular Master Services Agreement, effective September 1, 2005 by and between the Registrant and Cingular Wireless LLC.  |
| 23.1*       | Consent of Ernst & Young, LLP, Independent Registered Public Accounting Firm.   |
| 23.2*       | Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (contained in Exhibit 5.1).  |
| 24.1#       | Power of Attorney (included on signature page of this filing).  |

† Compensation Arrangement.

\* To be filed by amendment.

‡ Confidential treatment has been requested for portions of this document. The omitted portions of this document have been filed with the Securities and Exchange Commission.

# Previously filed as an exhibit to this Registration Statement filed February 28, 2004.

MASTER SERVICES AGREEMENT NO. \* \* \*

BETWEEN

SYNCHRONOSS TECHNOLOGIES, INC.

AND

CINGULAR WIRELESS LLC

FOR

SERVICES

1  
PROPRIETARY INFORMATION

The information contained in this Agreement is not for use or disclosure outside CINGULAR, Supplier, their affiliated companies and their third party representatives, except under written Agreement by the contracting Parties.

Services

CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

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PROPRIETARY INFORMATION

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Services

CONFIDENTIAL MATERIAL REDACTED AND FILED SEPARATELY WITH THE COMMISSION.



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ii  
PROPRIETARY INFORMATION

The information contained in this Agreement is not for use or disclosure outside CINGULAR, Supplier, their affiliated companies and their third party representatives, except under written Agreement by the contracting Parties.

CONFIDENTIAL MATERIAL REDACTED AND FILED SEPARATELY WITH THE COMMISSION.

ARTICLE I - PREAMBLE

1.1 PREAMBLE AND EFFECTIVE DATE

This Master Services Agreement ("Agreement") effective as of September 1, 2005 ("Effective Date"), is between SYNCHRONOSS TECHNOLOGIES, INC., on behalf of itself its subsidiaries and its Affiliates (as defined below) a Delaware corporation with offices at 1525 Valley Center Parkway, Bethlehem, Pennsylvania 18017 (hereinafter referred to as "Supplier"), and CINGULAR WIRELESS LLC, a Delaware limited liability company, having an office and place of business at \* \* \*, on behalf of itself and its Affiliates (hereinafter referred to as "CINGULAR"), each of which may be referred to in the singular as "Party" or in the plural as "Parties."

1.2 SCOPE OF AGREEMENT

During the term of this Agreement, CINGULAR may authorize Supplier to perform work as specified in orders ("Orders") issued by CINGULAR to Supplier. Supplier will be subject to the terms and conditions contained in each Order and Supplier will perform those services in accordance with the terms of the Order and this Agreement. Pricing shall be based on those rates negotiated for each Order.

ARTICLE II - DEFINITIONS

2.1 "AFFILIATE" means (1) a company, whether incorporated or not, which owns, directly or indirectly, a forty percent (40%) interest in either Party (a "parent company"), and (2) a company, whether incorporated or not, in which a five percent (5%) or greater interest is owned, either directly or indirectly, by: (i) either Party or (ii) a parent company.

2.2 "CANCELLATION" means the occurrence by which either Party puts an end to this Agreement or Orders placed under this Agreement for breach by the other, and its effect is the same as that of "Termination" and, except as otherwise provided for herein, the canceling Party also retains any remedy for breach of the whole Agreement or any unperformed balance.

2.3 "INFORMATION" means all ideas, discoveries, concepts, know-how, trade secrets, techniques, designs, Specifications, drawings, sketches, models, manuals, samples, tools, computer programs, technical information, and other confidential business, customer or personnel information or data, whether provided orally, in writing, or through electronic or other means.

2.4 "LIABILITY" means all losses, damages, expenses, costs, penalties, fines and fees, including reasonable attorneys' fees, arising from or incurred in connection with a claim or cause of action related to performance or omission of acts under this Agreement or any Order, including, but not limited to, claims or causes of actions brought by third parties.

2.5 "ORDER" means such purchase orders, work orders, forms, memoranda or other written communications as may be delivered to Supplier for the purpose of ordering Services hereunder.

3  
PROPRIETARY INFORMATION

The information contained in this Agreement is not for use or disclosure outside CINGULAR, Supplier, their affiliated companies and their third party representatives, except under written Agreement by the contracting Parties.

CONFIDENTIAL MATERIAL REDACTED AND FILED SEPARATELY WITH THE COMMISSION.

2.6 "SERVICE(S)" means any and all labor or service provided in connection with this Agreement or an applicable Order, including, but not limited to, consultation, engineering, installation, removal, maintenance, training, technical support, repair, and programming. The term "Service" shall also include any Material, including any Documentation, provided by Supplier in connection with providing the Services.

2.7 "SPECIFICATIONS" mean (i) Supplier's applicable Specifications and descriptions, including any warranty statements, and (ii) CINGULAR's requirements, Specifications, and descriptions specified in, or attached to, this Agreement or an applicable Order, which shall control over an inconsistency with Supplier's Specifications and descriptions.

2.8 "TERMINATION" means the occurrence by which either Party, pursuant to the provisions or powers of this Agreement or pursuant to laws and regulations, puts an end to this Agreement and/or Orders placed under this Agreement other than for breach. On "Termination" all executory obligations are discharged, but any right based on breach of performance survives except as otherwise provided herein.

2.9 "WORK" means all Material and Services, collectively, that Supplier is supplying pursuant to Orders placed under this Agreement.

### ARTICLE III - GENERAL CLAUSES

#### 3.1 AFFILIATE

Supplier agrees that an Affiliate may place Orders with Supplier, which incorporate the terms and conditions of this Agreement, and that the term "HINGULAR" shall be deemed to refer to an Affiliate when an Affiliate places an Order with Supplier under this Agreement. An Affiliate will be responsible for its own obligations, including but not limited to, all charges incurred in connection with such Order. The Parties agree that nothing in this Agreement will be construed as requiring HINGULAR to indemnify Supplier, or to otherwise be responsible, for any acts or omissions of an Affiliate, nor shall anything in this Agreement be construed as requiring an Affiliate to indemnify Supplier, or to otherwise be responsible, for the acts or omissions of HINGULAR.

#### 3.2 AMENDMENTS AND WAIVERS

This Agreement and any Orders placed hereunder may be amended or modified only by a written document signed by the authorized representative of the Party against whom enforcement is sought; provided that HINGULAR may, at any time, make changes to the scope of Work, and Supplier shall not unreasonably withhold or condition its consent. \* \* \* No course of dealing or failure of either Party to strictly enforce any term, right or condition of this Agreement shall be construed as a general waiver or relinquishment of such term, right, or condition. A waiver by either Party of any default shall not be deemed a waiver of any other default.

#### 4 PROPRIETARY INFORMATION

The information contained in this Agreement is not for use or disclosure outside HINGULAR, Supplier, their affiliated companies and their third party representatives, except under written Agreement by the contracting Parties.

CONFIDENTIAL MATERIAL REDACTED AND FILED SEPARATELY WITH THE COMMISSION.

### 3.3 ASSIGNMENT

\* \* \* Any attempted assignment or transfer not consented to in writing, except for an assignment to receive money due hereunder, will be void. It is expressly agreed that any assignment of money will be void if (i) the assignor fails to give the non-assigning Party at least thirty (30) days prior written notice, or (ii) the assignment imposes or attempts to impose upon the non-assigning Party additional costs or obligations in addition to the payment of such money, or (iii) the assignment attempts to preclude CINGULAR from dealing solely and directly with Supplier in all matters pertaining to this Agreement, or (iv) the assignment denies, alters or attempts to alter any of the non-assigning Party's rights hereunder.

### 3.4 CANCELLATION AND TERMINATION

#### a. Cancellation:

1. If either Party fails to cure a material default under this Agreement or applicable Order within \* \* \* after written notice, then, in addition to all other rights and remedies, the Party not in default may cancel this Agreement and/or the Order under which the default occurred. \* \* \* Additional provisions for Cancellation of Orders hereunder are set forth in this Agreement.
2. If Supplier is the Party in default, CINGULAR may Cancel any Orders which may be affected by Supplier's default \* \* \*.

#### b. Termination:

\* \* \* In such event, or if Supplier Cancels this Agreement or any Order as a result of CINGULAR's failure to cure a material default, CINGULAR shall pay Supplier its actual and direct costs incurred to provide the Material and Services ordered by CINGULAR, but no more than a percentage of the Services performed or Material Delivered, less reimbursements. If requested, Supplier agrees to substantiate such costs with proof satisfactory to CINGULAR. In no event shall CINGULAR's Liability exceed the price of any Material or Services ordered hereunder. After the receipt of CINGULAR's payment for any Services, Supplier shall deliver the physical embodiments, if any, of such Services. \* \* \*

#### c. Partial Cancellation and Termination:

Where a provision of this Agreement or the applicable Laws permit CINGULAR to Terminate or Cancel an Order, such Termination or Cancellation may, at CINGULAR's option, be either complete or partial. In the case of a partial Termination or Cancellation, CINGULAR may, at its option, Accept a portion of the Material or Services covered by an Order and pay Supplier for such Material or Services at the unit prices set forth in such Order. The right to cancel an Order shall also include the right to cancel any other related Order.

### 3.5 COMPLIANCE WITH LAWS

Supplier shall comply with all applicable federal, state, county, and local rules, including, without limitation, all statutes, laws, ordinances, regulations and codes ("Laws"). Supplier's obligation to comply with all Laws includes the procurement of permits, certificates, approvals, inspections and licenses, when needed, in the performance of this Agreement. Supplier further agrees to comply with all applicable Executive and Federal regulations as set forth in "Executive Orders and Federal

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Regulations," a copy of which is attached as Appendix 3.5 and by this reference made a part of this Agreement. Supplier shall defend, indemnify and hold CINGULAR harmless from and against any Liability that may be sustained by reason of Supplier's failure to comply with this Section.

### 3.6 CONFLICT OF INTEREST

Supplier represents and warrants that no officer, director, employee, or agent of CINGULAR has been or will be employed, retained or paid a fee, or otherwise has received or will receive any personal compensation or consideration, by or from Supplier or any of Supplier's officers, directors, employees or agents in connection with the obtaining, arranging or negotiation of this Agreement or other documents entered into or executed in connection with this Agreement.

### 3.7 CONSTRUCTION AND INTERPRETATION

- a. The language of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any Party. The Parties agree that this Agreement has been prepared jointly and has been the subject of arm's length and careful negotiation. Each Party has been given the opportunity to independently review this Agreement with legal counsel and other consultants, and each Party has the requisite experience and sophistication to understand, interpret and agree to the particular language of the provisions. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, the drafting of the language of this Agreement shall not be attributed to either Party.
- b. Article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The use of the word "include" shall mean "includes, but is not limited to." The singular use of words shall include the plural and vice versa. Except as otherwise specified, Supplier's price for Material and Services includes the price for all related Material or Services necessary for CINGULAR to use the Material and/or Services for its intended purpose, as well as all other Supplier obligations under this Agreement. All obligations and rights of the Parties are subject to modification as the parties may specifically provide in an Order. "Services" and "Software" shall be treated as "goods" for purposes of applying the provisions of the Uniform Commercial Code ("UCC"). If there is an inconsistency or conflict between the terms in this Agreement and in an Order, the terms in the Order shall take precedence.

### 3.8 CUMULATIVE REMEDIES

Except as specifically identified as a Party's sole remedy, any rights of Cancellation, Termination, Liquidated Damages or other remedies prescribed in this Agreement, are cumulative and are not exclusive of any other remedies to which the injured Party may be entitled. Neither Party shall retain the benefit of inconsistent remedies.

### 3.9 DELIVERY, PERFORMANCE AND ACCEPTANCE

Services performed by Supplier shall be deemed to be accepted by CINGULAR when Services are \* \* \*. Payments, including progress payments, if any, shall not be construed as Acceptance of Services performed up to the time of such payments. CINGULAR shall notify Supplier of any Services considered to be unsatisfactory. Supplier shall, \* \* \*, take prompt action to correct such unsatisfactory Services. If such unsatisfactory Services have not been corrected within a reasonable

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time (not to exceed \* \* \*from date of notification), CINGULAR may, in addition to all other rights and remedies provided by law or this Agreement, \* \* \*.

### 3.10 ENTIRE AGREEMENT

- a. The terms contained in this Agreement and in any Orders, including all exhibits, appendices and subordinate documents attached to or referenced in this Agreement or in any Orders, constitute the entire integrated Agreement between Supplier and CINGULAR with regard to the subject matter contained herein. This Agreement supercedes all prior oral and written communications, agreements and understandings of the Parties, if any, with respect hereto. Acceptance of Material or Services, payment or any inaction by CINGULAR, shall not constitute CINGULAR's consent to or Acceptance of any additional or different terms from those stated in this Agreement, except for terms in an Order inserted by CINGULAR and signed by both Parties. Estimates furnished by CINGULAR are for planning purposes only and shall not constitute commitments. Supplier covenants never to contend otherwise.
- b. No oral promises or statement have induced either Party to enter into this Agreement, and the Parties agree that the Agreement's express language may only be modified or amended through a subsequent written document signed by the Parties.

### 3.11 FORCE MAJEURE

- a. Neither Party shall be deemed in default of this Agreement or any Order to the extent that any delay or failure in the performance of its obligations results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods or strikes ("Force Majeure").
- b. If any Force Majeure condition affects Supplier's ability to perform, Supplier shall give immediate notice to CINGULAR, and CINGULAR may elect to either: (i) Terminate the affected Order(s) or any part thereof, (ii) suspend the affected Order(s) or any part thereof for the duration of the Force Majeure condition, with the option to obtain Material and Services to be furnished under such Order(s) elsewhere, \* \* \* or (iii) resume performance under such Order(s) once the Force Majeure condition ceases, with an option in CINGULAR to extend any affected Delivery Date for the length of time that the Force Majeure condition existed. Unless CINGULAR gives written notice within thirty (30) days after being notified of the Force Majeure condition, option (ii) shall be deemed selected.

### 3.12 GOVERNING LAW

This Agreement and performance hereunder shall be governed by the Laws of the State of \* \* \*, exclusive of its choice of law provisions.

### 3.13 INDEMNITY

TO THE FULLEST EXTENT PERMITTED BY LAW, SUPPLIER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS CINGULAR AND ITS AFFILIATES (INCLUDING THEIR EMPLOYEES, OFFICERS, DIRECTORS, AGENTS AND CONTRACTORS) AGAINST ANY LIABILITY ARISING FROM OR INCIDENTAL TO SUPPLIER'S OBLIGATIONS UNDER THIS AGREEMENT OR THE

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MATERIAL OR SERVICES PROVIDED BY SUPPLIER, INCLUDING (i) INJURIES TO PERSONS, INCLUDING DEATH OR DISEASE, (ii) DAMAGES TO PROPERTY, INCLUDING THEFT, (iii) SUPPLIER'S FAILURE TO COMPLY WITH ALL LAWS, AND (iv) LIENS ON CINGULAR'S PROPERTY.

- b. \* \* \* THIS INDEMNITY SHALL SURVIVE THE DELIVERY, INSPECTION AND ACCEPTANCE OF THE MATERIAL OR SERVICES AND THE CANCELLATION, TERMINATION OR EXPIRATION OF THIS AGREEMENT.

CINGULAR shall notify Supplier within a reasonable period of time of any written claim, demand, notice or legal proceedings ("Claim") for which Supplier may be responsible under this indemnity obligation. A delay in notice shall not relieve Supplier of its indemnity obligation, except to the extent Supplier can show it was prejudiced by the delay.

- c. Supplier shall assume, at its expense, the sole defense of the Claim through counsel selected by Supplier and shall keep CINGULAR fully informed as to the progress of such defense. Upon reasonable request of Supplier and at Supplier's expense, CINGULAR shall cooperate with Supplier in the defense of the Claim. At its option and expense, CINGULAR may retain or use separate counsel to represent it, including in-house counsel. Supplier shall maintain control of the defense, except that if the settlement of a Claim would adversely affect CINGULAR, Supplier may settle the Claim as to CINGULAR only with its consent, which consent shall not be withheld or delayed unreasonably. Supplier shall pay the full amount of any judgment, award or settlement with respect to the Claim and all other expenses related to the resolution of the Claim, including costs, interest and reasonable attorneys' fees. If CINGULAR is required to take any action to enforce its indemnity rights under this Agreement, or to assume the defense of any Claim for which it is entitled to receive an indemnity under this Agreement, because of Supplier's failure to promptly assume such defense, then CINGULAR may also recover from Supplier any reasonable attorneys' fees (including cost of in-house counsel at market rates for attorneys of similar experience) and other costs of enforcing its indemnity rights or assuming such defense.

Supplier agrees not to implead or bring any action against CINGULAR or CINGULAR's employees based on any claim by any person for personal injury or death that occurs in the course or scope of employment of such person by Supplier and relates to Supplier's performance under this Agreement.

### 3.14 INFORMATION

- a. Information furnished by CINGULAR.

1. Any Information furnished to Supplier in connection with this Agreement, including Information provided under a separate Non-Disclosure prior to executing this Agreement, shall remain CINGULAR's property. Unless such Information was previously known to Supplier free of any obligation to keep it confidential, or has been or is subsequently made public by CINGULAR or a third party, without violating a confidentiality obligation, it shall be kept confidential by Supplier, shall be used only in performing under this Agreement, and may not be used for other purposes, except as may be agreed upon between Supplier and CINGULAR in writing. Supplier is granted no rights or license to such Information. All copies of such Information, in written, graphic or other tangible form, shall be returned to CINGULAR upon the earlier of (i) CINGULAR's request or (ii) upon Termination, Cancellation, or expiration of this Agreement. All copies of such Information in intangible form, such as electronic records, including electronic mail, shall be destroyed upon the earlier of (i) CINGULAR's request or (ii) upon Termination, Cancellation, or expiration of this Agreement,

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and Supplier shall certify to CINGULAR the destruction of all intangible copies of such Information.

b. Information furnished by Supplier.

Any Information furnished to CINGULAR under this Agreement shall remain Supplier's property. \* \* \* If Supplier provides CINGULAR with any proprietary or confidential Information\* \* \*, CINGULAR shall use the same degree of care to prevent its disclosure to others as CINGULAR uses with respect to its own proprietary or confidential Information. \* \* \*

c. Nothing in this Agreement shall prevent either party from disclosing the other party's name or Information pursuant to any court order, lawful requirement of a governmental agency or when disclosure is required by operation of law (including disclosures pursuant to any applicable securities laws and regulations).

3.15 INFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS

a. Supplier agrees to defend, indemnify and hold CINGULAR harmless from and against \* \* \*.

b. Supplier agrees to defend or settle, at its' own expense, any action or suit for which it is responsible under this Section. CINGULAR agrees to notify Supplier promptly of any claim of infringement and cooperate in every reasonable way to facilitate the defense. Supplier shall afford CINGULAR, at its own expense and with counsel of CINGULAR's choice, an opportunity to participate on an equal basis with Supplier in the defense or settlement of any such claim.

3.16 INSURANCE

a. With respect to performance hereunder, and in addition to Supplier's obligation to indemnify, Supplier agrees to maintain, at all times during the term of this Agreement, the following minimum insurance coverages and limits and any additional insurance and/or bonds required by law:

b. Workers' Compensation insurance with benefits afforded under the Laws of the state in which the Services are to be performed and Employers Liability insurance with minimum limits of \$\* \* \* for Bodily Injury-each accident, \$\* \* \* for Bodily Injury by disease-policy limits and \$\* \* \* for Bodily Injury by disease-each employee.

c. Commercial General Liability insurance with minimum limits of: \$\* \* \* General Aggregate limit; \$\* \* \* each occurrence sub-limit for all bodily injury or property damage incurred in any one occurrence; \$\* \* \* each occurrence sub-limit for Personal Injury and Advertising; \$\* \* \* Products/Completed Operations Aggregate limit, with a \$\* \* \* each occurrence sub-limit for Products/Completed Operations. Fire Legal Liability sub-limits of \$300,000 are required for lease agreements.

d. CINGULAR and its Affiliated companies will be listed as an Additional Insured on the Commercial General Liability policy.

e. If use of a motor vehicle is required, Automobile Liability insurance with minimum limits of \$\* \* \* combined single limits per occurrence for bodily injury and property damage, which coverage shall extend to all owned, hired and non-owned vehicles.

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- f. CINGULAR requires that companies affording insurance coverage have a rating of A- or better and a Financial Size Category rating of VIII or better rating, as rated in the A.M. Best Key Rating Guide for Property and Casualty Insurance Companies.
- g. A certificate of insurance stating the types of insurance and policy limits provided the Supplier must be received prior to commencement of any Work. If a certificate is not received, Supplier hereby authorizes CINGULAR, and CINGULAR may, but is not required to, obtain insurance on behalf of Supplier as specified herein. CINGULAR will either invoice Supplier for the costs incurred to so acquire insurance or will reduce by an applicable amount any amount owed to Supplier.
- h. The cancellation clause on the certificate of insurance will be amended to read as follows:  
  
"THE ISSUING COMPANY WILL MAIL \* \* \* WRITTEN NOTICE TO THE CERTIFICATE HOLDER PRIOR TO CANCELLATION OR A MATERIAL CHANGE TO POLICY DESCRIBED ABOVE."
- i. The Supplier shall also require all subcontractors performing Work on the project or who may enter upon the work site to maintain the same insurance requirements listed above.

### 3.17 DISPUTE RESOLUTION

- a. EXCLUSIVE PROCEDURE. Any dispute arising out of or relating to this Agreement shall be resolved in accordance with the procedures specified in this Section 3.17, which, notwithstanding the parties' right to seek injunctive relief, shall be the sole and exclusive procedures for the resolution of any such disputes.
- b. NEGOTIATION BETWEEN EXECUTIVES. Before resorting to other remedies available to them, the parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within \* \* \* after delivery of the notice, the receiving party shall submit to the other a written response. The notice and the response shall include (a) a statement of each party's position and a summary of arguments supporting that position, and (b) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within \* \* \* after delivery of the disputing party's notice, the executives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored.
- c. NON-BINDING MEDIATION. If the dispute has not been resolved by negotiation as provided herein, the parties shall endeavor to settle the dispute by mediation under the then current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes. The neutral third party will be selected from the CPR Panel of Neutrals, with the assistance of CPR, unless the parties agree otherwise.
- d. LITIGATION. If a dispute has not been resolved by non-binding means as provided herein within \* \* \* of the initiation of such procedures, either party may initiate litigation;

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provided, however, that if one party has requested the other to participate in a non-binding procedure and the other has failed to participate, the requesting party may initiate litigation before the expiration of the \* \* \* period.

- e. CONFIDENTIAL NEGOTIATIONS. All negotiations pursuant to this section 3.17 are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- f. OBLIGATION TO CONTINUE PERFORMANCE. Each party is required to continue to perform its obligations under this contract pending final resolution of any dispute arising out of or relating to this Agreement.

### 3.18 INVOICING AND PAYMENT

- a. Except as otherwise specified in an Order, Supplier shall render an invoice in duplicate, in arrears on a monthly basis or as otherwise agreed by the Parties. The invoice shall specify in detail (i) Material and/or Services provided, (ii) associated fees, (iii) whether any item is taxable and the amount of tax per item, (iv) shipping charges, and (v) total amount due. The invoice shall also reference the purchase order number and the Order number. CINGULAR shall pay Supplier within \* \* \* of the date of receipt of the invoice in accordance with the prices set forth in this Agreement or in the applicable Order. Payment for Material or Services not conforming to the Specifications, and portions of any invoice in dispute, may be withheld by CINGULAR until such nonconformance or dispute has been resolved. If CINGULAR disputes any invoice rendered or amount paid, CINGULAR shall so notify Supplier. The Parties shall use their best efforts to resolve invoicing and payment disputes expeditiously. \* \* \*
- b. \* \* \* Supplier shall pay any amount due to CINGULAR that is not so applied against Supplier's invoices for any reason to CINGULAR within \* \* \* after written demand by CINGULAR.
- c. Supplier agrees to accept standard, commercial methods of payment and evidence of payment obligation including, but not limited to, credit card payments, purchasing card payments, CINGULAR's purchase orders and electronic fund transfers in connection with the purchase of the Material and Services.

### 3.19 LICENSES AND PATENTS

No licenses express or implied, under any patents, copyrights, trademarks or other intellectual property rights are granted by CINGULAR to Supplier under this Agreement.

### 3.20 LIMITATION OF LIABILITY

In no event shall either party be liable to the other for consequential, incidental, special or punitive damages, or for loss of revenue or profit in connection with the performance or failure to perform this Agreement, regardless of whether such Liability arises from breach of contract, tort or any other theory of Liability. With the exception of indemnity obligations,

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payment obligations, failure to comply with law, or intentional misconduct, in no event shall either party's direct damages hereunder exceed \$\* \* \*.

3.21 \* \* \*

\* \* \*

3.22 MINORITY/WOMAN/DISABLED VETERAN-OWNED BUSINESS ENTERPRISES ("MBE/WBE/DVBE") (AND APPENDICES)

- a. Supplier commits to goals for the participation of M/WBE and DVBE firms (as defined in the Section entitled "MBE/WBE/DVBE Cancellation Clause") as follows: \* \* \* MBE PARTICIPATION; \* \* \* WBE PARTICIPATION; and \* \* \* DVBE PARTICIPATION. These goals apply to all annual expenditures by any entity pursuant to this Agreement with Supplier.
- b. Supplier MBE/WBE/DVBE participation may be achieved through cost of goods content, contract specific subcontracting or the use of value-added resellers. The participation levels identified above will be renegotiated to comply with any regulatory requirements imposed on CINGULAR.
- c. Attached hereto and incorporated herein as Appendix 3.22(a) is Supplier's completed Participation Plan outlining its M/WBE-DVBE goals and specific and detailed plans to achieve those goals. Supplier will submit an updated Participation Plan \* \* \*. Supplier will submit M/WBE-DVBE Results Reports \* \*, using the form attached hereto and incorporated herein as Appendix 3.22(b). Participation Plans and Results Reports will be submitted to the Prime Supplier Results Manager.

3.23 NON-EXCLUSIVE MARKET

It is expressly understood and agreed that this Agreement does not grant Supplier an exclusive privilege to provide to CINGULAR any or all Material and Services of the type described in this Agreement, nor does it require CINGULAR to purchase or license any Material or Services. It is understood, therefore, that CINGULAR may contract with other manufacturers and suppliers for the procurement or trial of comparable Material and Services and that CINGULAR may itself perform the Services described herein.

3.24 NOTICES

- a. Except as otherwise provided in this Agreement or an applicable Order, all notices or other communications hereunder shall be deemed to have been duly given when made in writing and either (i) delivered in person, or (ii) when received, if provided by an overnight or similar delivery service, or (iii) when received, if deposited in the United States Mail, postage prepaid, return receipt requested, and addressed as follows:

To: Synchronoss Technologies, Inc.  
750 Route 202 South, Sixth Floor  
Bridgewater, NJ 08807  
\* \* \*

Copy to

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Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP  
610 Lincoln Street  
Waltham, Massachusetts 02451  
Attention: \* \* \*, Esq.

To: Cingular Wireless LLC  
\* \* \*  
\* \* \*  
Attn.: \* \* \*  
\* \* \*

Copy to

Cingular Wireless LLC  
\* \* \*  
\* \* \*  
Attn: \* \* \*

- b. The address to which notices or communications may be given by either Party may be changed by written notice given by such Party to the other pursuant to this Section.

### 3.25 PUBLICITY

Supplier shall not use CINGULAR's or its Affiliates' names or any language, pictures, trademarks, service marks or symbols which could, in CINGULAR's judgment, imply CINGULAR's or its Affiliates' identity or endorsement by CINGULAR, its Affiliates or any of its employees in any (i) written, electronic or oral advertising or presentation or (ii) brochure, newsletter, book, electronic database or other written matter of whatever nature, without CINGULAR's prior written consent (hereafter the terms in subsections (i) and (ii) of this Section shall be collectively referred to as "Publicity Matters"). Supplier will submit to CINGULAR for written approval, prior to publication, all Publicity Matters that mention or display CINGULAR's or its Affiliates' names, trademarks or service marks, or that contain any symbols, pictures or language from which a connection to said names or marks may be inferred or implied.

### 3.26 RECORDS AND AUDITS

Supplier agrees that it will:

- a. Maintain complete and accurate records related to the Material and Services provided by Supplier to CINGULAR, including records of all amounts billable to and payments made by CINGULAR in accordance with Generally Accepted Accounting Principles and Practices, uniformly and consistently applied in a format that will permit audit;
- b. Retain such records and reasonable billing detail for a period of at least \* \* \* from the date of final payment for Material and Services;
- c. Provide reasonable supporting documentation to CINGULAR concerning any disputed invoice amount within \* \* \* after receipt of written notification of such dispute; and,

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- d. Permit CINGULAR and its authorized representatives to inspect and audit during normal business hours the charges invoiced to CINGULAR. Should CINGULAR request an audit, Supplier will make available any pertinent records and files to CINGULAR during normal business hours at no additional charge.

### 3.27 SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable, such invalidity or non-enforceability shall not invalidate or render unenforceable any other portion of this Agreement. The entire Agreement will be construed as if it did not contain the particular invalid or unenforceable provision(s), and the rights and obligations of Supplier and CINGULAR will be construed and enforced accordingly.

### 3.28 SURVIVAL OF OBLIGATIONS

Obligations and rights in connection with this Agreement, which by their nature would continue beyond the Termination, Cancellation or expiration of this Agreement, including, but not limited to, those in the Sections entitled "Compliance with Laws", "Infringement of Third Party Intellectual Property Rights", "Indemnity", "Publicity", "Severability", "Information", "Independent Contractor" and "Warranty" will survive the Termination, Cancellation or expiration of this Agreement.

### 3.29 TAXES

- a. Supplier may invoice CINGULAR the amount of any federal excise taxes or state or local sales taxes imposed upon the sale of Material or provision of Services as separate items, if applicable, listing the taxing jurisdiction imposing the tax. Installation, labor and other non-taxable charges must be separately stated. CINGULAR agrees to pay all applicable taxes to Supplier, which are stated on, and at the time the Material or Service invoice is submitted by Supplier. Supplier agrees to remit taxes to the appropriate taxing authorities. Supplier agrees that it will honor properly prepared retail sales tax exemption certificates, which CINGULAR may submit, pursuant to the relevant Sales/Use tax provisions of the taxing jurisdictions.

### 3.30 TERM OF AGREEMENT

- a. This Agreement is effective on September 1, 2005, and shall continue in effect unless Terminated or Canceled by either party as provided in this Agreement. The Parties may extend the term of this Agreement by mutual agreement in writing.
- b. The Termination, Cancellation or expiration of this Agreement shall not affect the obligations of either Party to the other Party pursuant to any Order previously executed hereunder, and the terms and conditions of this Agreement shall continue to apply to such Order as if this Agreement had not been Terminated or Canceled.

### 3.31 WARRANTY

- a. Supplier warrants to CINGULAR that any Services provided hereunder will be performed in a first-class, professional manner, in strict compliance with the Specifications, and with the care, skill and diligence, and in accordance with the applicable standards, currently recognized in

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Supplier's profession or industry. If Supplier fails to meet applicable professional standards, Supplier will, \* \* \*.

b. Supplier represents and warrants that:

1. There are no actions, suits, or proceedings, pending or threatened, which will have a material adverse effect on Supplier's ability to fulfill its obligations under this Agreement;
2. Supplier will immediately notify CINGULAR if, during the term of this Agreement, Supplier becomes aware of any action, suit, or proceeding, pending or threatened, which may have a material adverse effect on Supplier's ability to fulfill the obligations under this Agreement or any Order;
3. Supplier has all necessary skills, rights, financial resources, and authority to enter into this Agreement and related Orders, including the authority to provide or license the Material or Services;
4. \* \* \*;
5. No consent, approval, or withholding of objection is required from any entity, including any governmental authority with respect to the entering into or the performance of this Agreement or any Order;
6. The Material and Services will be provided free of any lien or encumbrance of any kind;
7. Supplier will be fully responsible and liable for all acts, omissions, and Work performed by any of its representatives, including any subcontractor;
8. All representatives, including subcontractors, will strictly comply with the provisions specified in this Agreement and any Order; and,
9. Supplier will strictly comply with the terms of this Agreement or Order, including those specified in any Exhibits or Appendices thereto.

d. All warranties will survive inspection, Acceptance, payment and use. These warranties will be in addition to all other warranties, express, implied or statutory. Supplier will defend, indemnify and hold CINGULAR harmless from and against all Liabilities for a breach of these warranties.

e. If at any time during the warranty period for Services, CINGULAR believes there is a breach of any warranty, CINGULAR will notify Supplier setting forth the nature of such claimed breach. Supplier shall \* \* \*.

f. If a breach of warranty has not been corrected within a commercially reasonable time, or if \* \* \*.

### 3.32 WORK ORDERS

a. CINGULAR may order Material and Services by submitting Orders in connection with this Agreement. CINGULAR will submit Orders that specify, as a minimum, the following information:

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1. A description of the Services and/or Material, including any numerical/alphabetical identification referenced in the applicable price list;
  2. The requested Delivery/Due Date;
  3. The applicable price(s)/fee(s);
  4. The location to which the Material is to be shipped, or the site where Services will be rendered;
  5. The location to which invoices are to be sent for payment; and,
  6. CINGULAR's Order number.
- b. The terms in this Agreement shall apply to Orders submitted in connection with this Agreement, and preprinted terms on the back of any Order shall not apply.

#### ARTICLE IV - SPECIAL TERMS

##### 4.1 ACCESS

- a. When appropriate, Supplier shall have reasonable access to CINGULAR's premises during normal business hours, and at such other times as may be agreed upon by the Parties, to enable Supplier to perform its obligations under this Agreement. Supplier shall coordinate such access with CINGULAR's designated representative prior to visiting such premises. Supplier will ensure that only persons employed by Supplier or subcontracted by Supplier will be allowed to enter CINGULAR's premises. If CINGULAR requests Supplier or its subcontractor to discontinue furnishing any person provided by Supplier or its subcontractor from performing Work on CINGULAR's premises, Supplier shall immediately comply with such request. Such person shall leave CINGULAR's premises immediately, and Supplier shall not furnish such person again to perform Work on CINGULAR's premises without CINGULAR's written consent.
- b. CINGULAR may require Supplier or its representatives, including employees and subcontractors, to exhibit identification credentials, which CINGULAR may issue to gain access to CINGULAR's premises for the performance of Services. If, for any reason, any Supplier's representative is no longer performing such Services, Supplier shall immediately inform CINGULAR. Notification shall be followed by the prompt delivery to CINGULAR of the identification credentials, if issued by CINGULAR, or a written statement of the reasons why the identification credentials cannot be returned.
- c. Supplier shall ensure that its representatives, including employees and subcontractors will, while on or off CINGULAR's premises, will perform Services which (i) conform to the Specifications, (ii) protect CINGULAR's Material, buildings and structures, (iii) do not interfere with CINGULAR's business operations, and (iv) are performed with care and due regard for the safety, convenience and protection of CINGULAR, its employees, and property and in full conformance with the policies specified in the CINGULAR Code of Conduct, which prohibits the possession of a weapon or an implement which can be used as a weapon (a copy of the CINGULAR Code of Conduct is available upon request).
- d. \* \* \*

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#### 4.2 BACKGROUND CHECK

Supplier shall conduct a background check for each individual providing Services to CINGULAR on behalf of Supplier to identify whether the individual has been convicted of a felony. Supplier agrees that no individual convicted of a felony will be permitted to provide Services in connection with this Agreement or any order submitted by CINGULAR without CINGULAR's written consent.

#### 4.3 INDEPENDENT CONTRACTOR

Supplier hereby represents and warrants to CINGULAR that:

- a. Supplier is engaged in an independent business and will perform all obligations under this Agreement as an independent contractor and not as the agent or employee of CINGULAR;
- b. Supplier's personnel performing Services shall be considered solely the employees of Supplier and not employees or agents of CINGULAR;
- c. Supplier has and retains the right to exercise full control of and supervision over the performance of the Services and full control over the employment, direction, assignment, compensation, and discharge of all personnel performing the Services;
- d. Supplier is solely responsible for all matters relating to compensation and benefits for all of Supplier's personnel who perform Services. This responsibility includes, but is not limited to, (i) timely payment of compensation and benefits, including, but not limited to, overtime, medical, dental, and any other benefit, and (ii) all matters relating to compliance with all employer obligations to withhold employee taxes, pay employee and employer taxes, and file payroll tax returns and information returns under local, state and federal income tax laws, unemployment compensation insurance and state disability insurance tax laws, social security and Medicare tax laws, and all other payroll tax laws or similar laws with respect to all Supplier personnel providing Services; and,
- e. Supplier will indemnify, defend, and hold CINGULAR harmless from all Liabilities, costs, expenses and claims related to Supplier's failure to comply with the immediately preceding paragraph.

#### 4.4 WORK DONE BY OTHERS

If any part of Supplier's Work is dependent upon work performed by others, Supplier shall inspect and promptly report to CINGULAR any defect that renders such other work unsuitable for Supplier's proper performance. Supplier's silence shall constitute approval of such other work as fit, proper and suitable for Supplier's performance of its Work.

#### 4.5 CINGULAR CORPORATE INFORMATION SECURITY POLICY, COMPLIANCE BY BUSINESS PARTNERS, VENDORS, CONTRACTORS

Security Requirements for System or Network Access by Contractors

Contractors must comply with these security requirements ("Requirements") to have access to Cingular's computers, computer peripherals, computer communications networks, computer

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PROPRIETARY INFORMATION

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systems/applications/software, network elements and their support systems, and the information stored, transmitted, or processed using these resources ("Information Resources.") "Contractor" means a person or business entity with a written agreement ("Agreement") to perform services for Cingular. "User" means any individual performing services under the Agreement, whether as an employee, approved subcontractor, or agent of Contractor. "Cingular Sponsor" means the Cingular management employee responsible for the oversight of the services provided by Contractor.

These Requirements apply to Contractors and Users performing services on Cingular premises or remotely accessing Cingular infrastructure, systems or applications using Cingular-provisioned client-VPN and to those providing services to Cingular that are hosted external to Cingular premises.

A. COMPLIANCE WITH LAW AND GENERAL POLICY. Contractors must comply with the "CINGULAR CORPORATE INFORMATION SECURITY POLICY" as set forth on Exhibit 1. Contractors must protect Cingular Information Resources and Cingular proprietary or confidential data or information in accordance with the terms and conditions of the Agreement (including any separate confidentiality agreements), and must comply with all applicable international, federal, state, and local laws and regulations related to use of Information Resources and protection of Cingular's data or information. Contractor is responsible for ensuring that all Users it employs or contracts with comply with these Requirements. Additionally, regarding its Users, Contractor shall:

1. Ensure that all Users are covered by a legally binding obligation that protects Cingular's proprietary and confidential information and are briefed on these Requirements.
2. Perform a criminal background check on each User prior to allowing the User to access an Information Resource, and not allow such access if the User has been convicted of or is currently awaiting trial for a felony offense or a misdemeanor related to computer security, theft, fraud or violence.
3. Not subcontract any part of the work under the Agreement whereby a subcontractor will have access to Cingular's Information Resources without written approval of Cingular.

B. AUDITS. Upon at least \* \* \* notice from Cingular, and subject to reasonable security requirements of Contractor, Contractor shall provide Cingular's designated representatives, if under a commercially reasonable nondisclosure agreement with both Cingular and Contractor, with access to and any assistance that it may require with respect to the Contractor's facilities, systems and software for the purpose of performing commercially reasonable tests and audits to determine compliance with these Requirements, including intellectual property audits if applicable, data privacy and security audits, and audits or inspections of the services and related operational processes and procedures, and access to any SAS-70 audits performed during the term of the Agreement. If Contractor is advised that it is not in compliance with any aspect of these Requirements, Contractor shall promptly take actions to comply with the audit findings. If Contractor is substantially in nonconformance with the foregoing, in addition to any remedies that Cingular may have, Contractor shall bear the reasonable cost of a re-audit after Contractor indicates to Sponsor that the audit findings have been remedied. Cingular may audit or inspect any computer hardware or software used by Users in the performance of work for Cingular, and may periodically review or monitor any use of Information Resources by User. Any User using Cingular Information Resources in an inappropriate manner may be subject to removal from the Cingular account, and to any other legal remedies Cingular may have.

C. PRIVACY OF CUSTOMER INFORMATION. Contractor acknowledges that information regarding Cingular's customers and personnel, such as their account information, (including by way of example, name, address, telephone number, credit card information or social security number) ("Customer Information") are subject to certain privacy laws and regulations, as well as the requirements of Cingular. Such Customer Information is to be considered private, sensitive and confidential. Accordingly, with respect to Customer Information, Contractor agrees it shall not:



1. Use Customer Information for any purpose except as expressly authorized by Cingular in writing;
2. Disclose Customer Information to any party except as expressly authorized by Cingular in writing;
3. Incorporate Customer Information into any database other than in a database maintained exclusively for the storage of Cingular's Customer Information;
4. Sale, license or lease Customer Information to any other party;
5. Allow access to Customer Information only to those employees of Contractor with a need to know and for use only for the purposes set forth in the Agreement.

D. NOTIFICATION OF SECURITY BREACH. Contractor will immediately notify Cingular Sponsor of any breach of these Requirements, including any breach that allows or could allow a third party to have access to any Customer Information, including but not limited to the following:

- Social Security Number
- Driver License Number
- Home Address
- Credit or debit card numbers
- Date of birth
- Visa / passport number

- Bank account numbers
- Mother's maiden name
- Application PIN or password
- Tax identification number
- Credit information
- Cingular Account Information

The information contained in this Agreement is not for use or disclosure outside CINGULAR, Supplier, their affiliated companies and their third party representatives, except under written Agreement by the contracting Parties.

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E. VISA Cardholder Information Security Program (CISP)

If applicable, Contractor shall adhere to all Payment Card Industry (PCI) Data Security Standard Requirements (VISA), as may be modified, for storing, processing, and transmitting credit card or debit cardholder information on behalf of Cingular Wireless. Security requirements apply to all "system components" which is defined as any network component or server, or application included or connected to the Cingular Customer Cardholder data environment. Network components include, but are not limited to firewalls, switches, routers, wireless access points, network appliances, or other appliances. Servers include, but not limited to, web database, authentication, and DNS mail proxy. Applications include all purchased and custom applications including internal and external web applications.

In the event that Contractor causes harm due to negligence or compromises a Cingular Wireless customer's cardholder information, it shall be liable for all penalties, or expenses incurred as a result of such a compromise.

For detailed information regarding the Visa Cardholder information Security Program, see the following web page:  
[http://usa.visa.com/business/accepting\\_visa/ops\\_risk\\_management/cisp.html?ep=v\\_sym\\_cisp](http://usa.visa.com/business/accepting_visa/ops_risk_management/cisp.html?ep=v_sym_cisp)

To view the Payment Card Industry (PCI) Data Security Program requirements, navigate to "PCI Data Security Standard" and open the PDF.

F. RETURN OR DESTRUCTION OF DATA. At the termination or expiration of the Agreement or when there is no longer a business need or data retention requirement, or at the request of Cingular, and in accordance with all laws, Contractor will either return, or purge and destroy at Cingular's direction, all Cingular data, including Customer Information from Contractor's and User's own information resources, according to Cingular standards, and will notify Cingular when this has been accomplished.

G. CHANGES. These Requirements are subject to change and revision by Cingular from time to time. Cingular is responsible for advising Contractor of any changes. Contractor is responsible for complying with the revised Requirements. If Contractor is unable to comply with the Requirements as revised, it may seek a waiver within a reasonable time following the notification of change.

H. WAIVER AND EFFECT. By accepting these Requirements, Contractor agrees to comply fully with all the Requirements. If Contractor wishes to provide Cingular with services that are not in full compliance with the Requirements, it shall request and negotiate with the Cingular Sponsor a written waiver.

I. REMEDIES. Failure of Contractor to comply with the Requirements may result in Cingular's terminating the Agreement and exercising any other legal rights it may have.

J. CONFLICTS/NON-INTEGRATION. These Requirements are intended to supplement and not replace any written agreements that the Contractor may enter into with Cingular. In the event of a conflict between these Requirements and a signed written agreement between the parties, the signed written agreement shall control. In the event there is a conflict between these Requirement and any oral agreement between the parties, these Requirements shall control.

4.6 OWNERSHIP OF WORK PRODUCT

\* \* \*

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PROPRIETARY INFORMATION

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Services

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives:

SYNCHRONOSS TECHNOLOGIES, INC.

CINGULAR WIRELESS LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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PROPRIETARY INFORMATION

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Appendix 1

EXECUTIVE ORDERS AND FEDERAL REGULATIONS

Work under this Agreement may be subject to the provisions of certain Executive Orders, federal laws, state laws and associated regulations governing performance of this Agreement including, but not limited to: Executive Order 11246, Executive Order 11625, Executive Order 11701 and Executive Order 12138, Section 503 of the Rehabilitation Act of 1973, as amended, and the Vietnam Era Veteran's Readjustment Assistance Act of 1974. To the extent that such Executive Orders, federal laws, state laws and associated regulations apply to the work under this Agreement, and only to that extent, Supplier (also referred to as "Contractor") agrees to comply with the provisions of all such Executive Orders, federal laws, state laws and associated regulations, as now in force or as may be amended in the future, including, but not limited to, the following:

1. EQUAL EMPLOYMENT OPPORTUNITY DUTIES AND PROVISIONS OF GOVERNMENT CONTRACTORS

In accordance with 41 C.F.R. Section 60-1.4(a), the parties incorporate herein by this reference the regulations and contract clauses required by that section, including, but not limited to, Supplier's agreement that it will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Supplier will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin.

2. AGREEMENT OF NON SEGREGATED FACILITIES

In accordance with 41 C.F.R. Section 60-1.8, Supplier agrees that it does not and will not maintain or provide for its employees any facilities segregated on the basis of race, color, religion, sex or national origin at any of its establishments, and that it does not, and will not, permit its employees to perform their services at any location, under its control, where such segregated facilities are maintained. The term "facilities" as used herein means waiting rooms, work areas, restaurants and other eating areas, time clocks, rest rooms, washrooms, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees; provided that separate or single-user restrooms and necessary dressing or sleeping areas shall be provided to assure privacy between the sexes.

3. AGREEMENT OF AFFIRMATIVE ACTION PROGRAM

Supplier agrees that it has developed and is maintaining an Affirmative Action Plan as required by 41 C.F.R. Section 60-1.4(b).

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PROPRIETARY INFORMATION

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Services

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4. AGREEMENT OF FILING

Supplier agrees that it will file, per current instructions, complete and accurate reports on Standard Form 100 (EE0-1), or such other forms as may be required under 41 C.F.R. Section 60-1.7(a).

5. AFFIRMATIVE ACTION FOR HANDICAPPED PERSONS AND DISABLED VETERANS, VETERANS OF THE VIETNAM ERA.

In accordance with 41 C.F.R. Section 60-250.20, and 41 C.F.R. Section 60-741.20, the parties incorporate herein by this reference the regulations and contract clauses required by those provisions to be made a part of government contracts and subcontracts.

6. UTILIZATION OF SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS CONCERNS

As prescribed in 48 C.F.R., Ch. 1, 19.708(a):

- (a) It is the policy of the United States that small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and small business concerns owned and controlled by women shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for systems, assemblies, components and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment amounts due pursuant to the terms of the subcontracts with small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and small business concerns owned and controlled by women.
- (b) Supplier hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. Supplier further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of Supplier's compliance with this clause.
- (c) As used in this Agreement, the term "small business concern" shall mean a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern (i) which is at least fifty-one percent (51%) unconditionally owned by one or more socially and economically disadvantaged individuals, or, in the case of any publicly owned business, at least fifty-one percent (51%) of the stock of which is unconditionally owned by one or more socially and economically disadvantaged individuals; and (ii) whose management and daily business operations are controlled by one or more such individuals. This term shall also mean a small business concern that is at least fifty-one percent (51%) unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian Organization, or a publicly owned business having at least fifty-one percent (51%) of its stock unconditionally owned by one of these entities which has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian Organization, and which meets the requirements of 13 CRF part 124. Supplier shall presume that "socially and economically disadvantaged individual" includes Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian Americans and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small

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PROPRIETARY INFORMATION

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Business Act. Supplier shall presume that socially and economically disadvantaged entities also include Indian Tribes and Native Hawaiian Organizations.

- (d) The term "small business concern owned and controlled by women" shall mean a small business concern (i) which is at least fifty-one percent (51%) owned by one or more women, or, in the case of any publicly owned business, at least fifty-one percent (51%) of the stock of which is owned by one or more women, and (ii) whose management and daily business operations are controlled by one or more women; and
- (e) Suppliers acting in good faith may rely on written representations by their subcontractors regarding their status as a small business concern, a small business concern owned and controlled by socially and economically disadvantaged individuals or a small business concern owned and controlled by women.

7. SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS SUBCONTRACTING PLAN.

The subcontractor will adopt a plan similar to the plan required by 48 CFR Ch. 1 at 52.219-9.

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Appendix 2(a)

PRIME SUPPLIER  
MBE/WBE/DVBE PARTICIPATION PLAN

PRIME SUPPLIER NAME \_\_\_\_\_

ADDRESS: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

DESCRIBE GOODS OR SERVICES BEING PROVIDED UNDER THIS AGREEMENT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

DESCRIBE YOUR M/WBE-DVBE OR SUPPLIER DIVERSITY PROGRAM AND THE PERSONNEL DEDICATED TO THAT PROGRAM:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THE FOLLOWING, TOGETHER WITH ANY ATTACHMENTS IS SUBMITTED AS AN MBE/WBE/DVBE PARTICIPATION PLAN.

1. GOALS

A. WHAT ARE YOUR MBE/WBE/DVBE PARTICIPATION GOALS?

- MINORITY BUSINESS ENTERPRISES (MBES) \_\_\_\_\_%
- WOMEN BUSINESS ENTERPRISES (WBES) \_\_\_\_\_%
- DISABLED VETERANS BUSINESS ENTERPRISES (DVBES) \_\_\_\_\_%

B. WHAT IS THE ESTIMATED ANNUAL VALUE OF THIS CONTRACT WITH CINGULAR WIRELESS? \_\_\_\_\_

C. WHAT ARE THE DOLLAR AMOUNTS OF YOUR PROJECTED MBE/WBE/DVBE PURCHASES?

- MINORITY BUSINESS ENTERPRISES (MBES) \_\_\_\_\_
- WOMEN BUSINESS ENTERPRISES (WBES) \_\_\_\_\_
- DISABLED VETERANS BUSINESS ENTERPRISES (DVBES) \_\_\_\_\_

\* SEE MBE/WBE/DVBE CANCELLATION CLAUSE IN AGREEMENT FOR DEFINITIONS OF MBE, WBE, AND DVBE\*

2. LIST THE PRINCIPAL GOODS AND/OR SERVICES TO BE SUBCONTRACTED TO MBE/WBE/DVBES OR DELIVERED THROUGH MBE/WBE/DVBE VALUE ADDED RESELLERS.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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DETAILED PLAN FOR USE OF M/WBES-DVBES AS SUBCONTRACTORS, DISTRIBUTORS, VALUE ADDED RESELLERS

For every product and service you intend to use, provide the following information: (Attach additional sheets if necessary)

| COMPANY NAME | CLASSIFICATION<br>(MBE/WBE/DVBE) | PRODUCTS<br>/SERVICES<br>TO BE PROVIDED | \$ VALUE | DATE TO BEGIN |
|--------------|----------------------------------|---|----------|---------------|
|--------------|----------------------------------|---|----------|---------------|

3. SELLER AGREES THAT IT WILL MAINTAIN ALL NECESSARY DOCUMENTS AND RECORDS TO SUPPORT ITS EFFORTS TO ACHIEVE ITS MBE/WBE/DVBE PARTICIPATION GOAL (S). SELLER ALSO ACKNOWLEDGES THE FACT THAT IT IS RESPONSIBLE FOR IDENTIFYING, SOLICITING AND QUALIFYING MBE/WBE/DVBE SUBCONTRACTORS, DISTRIBUTORS AND VALUE ADDED RESELLERS.
4. THE FOLLOWING INDIVIDUAL, ACTING IN THE CAPACITY OF MBE/WBE/DVBE COORDINATOR FOR SELLER, WILL:
  - ADMINISTER THE MBE/WBE/DVBE PARTICIPATION PLAN,
  - SUBMIT SUMMARY REPORTS, AND
  - COOPERATE IN ANY STUDIES OR SURVEYS AS MAY BE REQUIRED IN ORDER TO DETERMINE THE EXTENT OF COMPLIANCE BY THE SELLER WITH THE PARTICIPATION PLAN.

NAME: (PRINTED) \_\_\_\_\_

TITLE: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_

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DATE: \_\_\_\_\_

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Appendix 2(b)

CINGULAR

M/WBE-DVBE QUARTERLY RESULTS REPORT

NOTE: Subcontracting & Value Added Reseller Results should reflect ONLY M/WBE-DVBE dollars directly traceable to purchases DURING THE REPORT QUARTER.

1. REPORTING COMPANY:

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City, \_\_\_\_\_  
 State, \_\_\_\_\_  
 Zip: \_\_\_\_\_  
 Telephone: \_\_\_\_\_

2. CONTRACT/WORK ORDER NUMBER:

(If available)

3. REPORT QUARTER:

This report reflects the utilization of Minority Business Enterprise/ Woman Business Enterprise/Disabled Veterans Enterprise participation for period through (Please indicate dates)

PARTICIPATION GOAL

PARTICIPATION ACHIEVEMENT

4.

5.

|                            | ANNUAL |       |       |
|----------------------------|--------|-------|-------|
|                            | GOAL   | WBE   | DVBE  |
| Percent of Total Purchases | ____%  | ____% | ____% |

|   | ACTUAL FOR QUARTER |      |      |
|---|--------------------|------|------|
|   | MBE                | WBE  | DVBE |
| Subcontracting Dollars Value Added Reseller Dollars | \$__               | \$__ | \$__ |
| Total Purchase                                      | \$__               | \$__ | \$__ |

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Agreement Number: \_\_\_\_\_

Dollars \$ \_\_\_\_\_  
Percentage of Total \_\_\_\_\_  
Purchases %\_\_ %\_\_ %\_\_

VALUE ADDED RESELLER\* RESULTS

\* SUPPLIER WHO PURCHASES PRODUCTS/SERVICES FROM AN ORIGINAL EQUIPMENT MANUFACTURER OR OTHER PRIME SUPPLIER FOR RESALE AND PROVIDES ENHANCEMENTS OR ADDED VALUE TO THE BASIC PRODUCT. (Attach additional sheets if necessary)

6. Ethnic/Gender: \_\_\_\_\_ Total Dollars: \_\_\_\_\_  
-----  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Goods or Services: \_\_\_\_\_

Ethnic/Gender: \_\_\_\_\_ Total Dollars: \_\_\_\_\_  
-----  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Goods or Services: \_\_\_\_\_

Agreement Number: \_\_\_\_\_

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PROPRIETARY INFORMATION

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PROPRIETARY INFORMATION

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EXHIBIT 1

It is the policy of Cingular Wireless to take active steps to ascertain any identified or suspected risks to the electronic information and services of the company through the use of, providing external access to, outsourcing to or employment of Contractors. Acceptance of this exhibit provided an explicit assertion of compliance with each of the individual provisions as enumerated within this exhibit.

Security Compliance Requirements

\* \* \*

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PROPRIETARY INFORMATION

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CINGULAR WIRELESS  
EXHIBIT B

EXECUTIVE ORDERS AND FEDERAL REGULATIONS

Work under this Agreement may be subject to the provisions of certain Executive Orders, federal laws, state laws, and associated regulations governing performance of this contract including, but not limited to: Executive Order 11246, Executive Order 11625, Executive Order 11701, and Executive Order 12138, Section 503 of the Rehabilitation Act of 1973 as amended and the Vietnam Era Veteran's Readjustment Assistance Act of 1974. To the extent that such Executive Orders, federal laws, state laws, and associated regulations apply to the work under this Agreement, and only to that extent, SUPPLIER (also referred to as "SUPPLIER") agrees to comply with the provisions of all such Executive Orders, federal laws, state laws, and associated regulations, as now in force or as may be amended in the future, including, but not limited to the following:

1. EQUAL EMPLOYMENT OPPORTUNITY DUTIES AND PROVISIONS OF GOVERNMENT SUPPLIERS

In accordance with 41 C.F.R. Section 60-1.4(a), the parties incorporate herein by this reference the regulations and contract clauses required by that section, including but not limited to, SUPPLIER's agreement that it will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The SUPPLIER will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin.

2. AGREEMENT OF NON SEGREGATED FACILITIES

In accordance with 41 C.F.R. Section 60-1.8, SUPPLIER agrees that it does not and will not maintain or provide for its employees any facilities segregated on the basis of race, color, religion, sex, or national origin at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where such segregated facilities are maintained. The term "facilities" as used herein means waiting rooms, work areas, restaurants and other eating areas, time clocks, rest rooms, wash rooms, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees; provided, that separate or single-user restroom and necessary dressing or sleeping areas shall be provided to assure privacy between the sexes.

3. AGREEMENT OF AFFIRMATIVE ACTION PROGRAM

SUPPLIER agrees that it has developed and is maintaining an Affirmative Action Plan as required by 41 C.F.R. Section 60-1.4(b).

4. AGREEMENT OF FILING

SUPPLIER agrees that it will file, per current instructions, complete and accurate reports on Standard Form 100 (EE0-1), or such other forms as may be required under 41 C.F.R. Section 60-1.7(a).

5. AFFIRMATIVE ACTION FOR HANDICAPPED PERSONS AND DISABLED VETERANS, VETERANS OF THE VIETNAM ERA.

In accordance with 41 C.F.R. Section 60-250.20, and 41 C.F.R. Section 60-741.20, the parties incorporate herein by this reference the regulations and contract clauses required by those provisions to be made a part of government contracts and subcontracts.

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PROPRIETARY INFORMATION

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6. EXECUTIVE ORDER 13201 COMPLIANCE

In accordance with 29 C.F.R. Part 470.2(b) the parties incorporate by reference the regulations and contract clauses required by those provisions to be made a part of covered subcontracts and purchase orders and SUPPLIER agrees to comply with the provisions of 29 CFR Part 470.

7. UTILIZATION OF SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS CONCERNS

AS PRESCRIBED IN 48 C.F.R., CH. 1, 19.708(A):

- (A) It is the policy of the United States that small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and small business concerns owned and controlled by women shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and sub-contracts for systems, assemblies, components, and related services for major systems. It is further the policy of the United States that its prime SUPPLIERS establish procedures to ensure the timely payment amounts due pursuant to the terms of the subcontracts with small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and small business concerns owned and controlled by women.
- (B) The SUPPLIER hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. The SUPPLIER further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the SUPPLIER's compliance with this clause.
- (C) As used in this contract, the term small business concern shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term small business concern owned and controlled by socially and economically disadvantaged individuals shall mean a small business concern which is at least 51 percent unconditionally owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 percent of the stock of which is unconditionally owned by one or more socially and economically disadvantaged individuals; and (2) whose management and daily business operations are controlled by one or more such individuals. This term also means small business concern that is at least 51 percent unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian Organization, or a publicly owned business having at least 51 percent of its stock unconditionally owned by one of these entities which has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian Organization, and which meets the requirements of 13 CRF part 124. The SUPPLIER shall presume that socially and economically disadvantaged individual include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8(a) of the Small business Act. The SUPPLIER shall presume that socially and economically disadvantaged entities also include Indian Tribes and Native Hawaiian Organizations.
- (D) The term "small business concern owned and controlled by women" shall mean a small business concern (i) which is at least 51 percent owned by one or more women, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women, and (ii) whose management and daily business operations are controlled by one or more women; and
- (E) SUPPLIERS acting in good faith may rely on written representations by their sub-SUPPLIERS regarding their status as a small business concern, a small business concern owned and controlled by socially and economically disadvantage individuals or a small business concern owned and controlled by women.

8. SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED SMALL BUSINESS SUB-CONTRACTING PLAN. THE SUB-SUPPLIER WILL ADOPT A PLAN SIMILAR TO THE PLAN REQUIRED BY 48 CFR CH. 1 AT 52.219-9.

33  
PROPRIETARY INFORMATION

The information contained herein is not for use or disclosure outside CINGULAR, supplier, their affiliated and subsidiary companies, and their third party representatives, except under written agreement.

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www.synchronoss.com

(CINGULAR RAISING THE BAR(SM) LOGO)

CINGULAR ONLINE  
Cingular Online Order Management Center (OMC)  
Statement of Work (SOW)  
September 1, 2005  
Final

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## 1.0 INTRODUCTION

### 1.1 GENERAL AGREEMENTS

This Statement of Work ("SOW") between Cingular Wireless LLC ("Cingular") and Synchronoss Technologies, Inc. ("STI") is governed by the Professional Services Agreement ("PSA") dated September 1, 2005. The parties agree that this SOW confirms and memorializes an agreement with respect to services provided to Cingular by STI commencing April 28, 2003 and replaces and supersedes the Cingular eCommerce Statement of Work dated July 16, 2003 and the "Appendix A: AWS Order Management Center (OMC) SOW", dated July, 2003 as amended in their entirety. As such, the parties agree that the Cingular eCommerce Statement of Work dated July 16, 2003 and the "Appendix A: AWS Order Management Center (OMC) SOW", dated July 2003, as amended, are terminated as of the date hereof, provided, any rights that accrued thereunder prior to the date hereof shall survive termination.

Defined terms used in this SOW will have the meanings ascribed to them in this SOW or in the PSA. In the event of a conflict between this SOW and the PSA, the terms of the SOW will govern. SOW modifications need to be in writing, as well as mutually agreed upon by both parties.

### 1.2 OVERVIEW PROGRAM SCOPE

The scope of this SOW is to define the work activities, \* \* \* pricing, forecasting process, service level agreements and remedies associated with the Services performed by STI for Cingular's internet organization ("Cingular Online").

Cingular Online objectives are to streamline the back office management process relating to the sale of wireless telecommunications services by Cingular Online, improve cycle times for such sales, reduce the transaction cost per subscriber and create an exceptional customer experience. This SOW provides Cingular Online with an Application Service Provider ("ASP") solution that enables STI to manage Cingular's business objectives. The Services to be performed by STI under this SOW are as follows:

CUSTOMER ONLINE ORDER MANAGEMENT CENTER (OMC):

\* \* \*

\* \* \*:

- \* \* \*

## 2.0 SERVICE TERM

The term of this SOW is \* \* \* from the date of signature of this SOW (the "Initial Term"). The SOW will renew in successive additional \* \* \* terms, unless either party provides written notice of non-renewal \* \* \* prior to the date of termination. Any time during the term of this SOW, either party may propose an increase or decrease in the scope of this SOW. In such event, the parties will negotiate in good faith an amendment to this SOW with the revised scope, deliverables, and associated pricing.

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3.0 \* \* \* PROGRAM OBJECTIVES

The objectives for the Order Management Center ("OMC") are to establish and manage scalable, reliable and flexible center operations. \* \* \* STI is required to closely adhere to all of Cingular's business processes and security standards in performing its \* \* \* Services to ensure a seamless Cingular branded customer experience. \* \* \*

3.1 \* \* \* PROCESSING

The primary source of \* \* \* will be generated from Cingular \* \* \*. The goal of the \* \* \* is to consistently deliver against the SLA commitments. The \* \* \* operating hours will be \* \* \*. The \* \* \* will operate \* \* \*.

3.2 \* \* \* SCOPE

\* \* \* commitments will be adjusted \* \* \*. A \* \* \* forecast will be provided to STI by Cingular on the \* \* \*. The forecast will provide STI with the revised \* \* \*. This data will be utilized to revise the \* \* \* commitments for the \* \* \*. Addendum A describes in detail the forecast methodology.

TABLE 1.0: PROJECTED \* \* \* 2005\*

\* \* \* \* \*  
\* \* \* \* \*

\* The forecast process is defined in Addendum A - Pricing Agreement. SLA and Remedies are defined in Addendum B.

3.3 \* \* \*

A key objective of the \* \* \* is to consistently \* \* \*. In order to accomplish this objective, the \* \* \* will \* \* \*. In addition, the \* \* \* agents will \* \* \*.

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4.0 \* \* \* SOLUTIONS

4.1 \* \* \*

\* \* \*

4.2 \* \* \*

\* \* \*

4.3 \* \* \*

\* \* \*

4.4 \* \* \*

\* \* \*

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5.0 \* \* \* HOSTING

The objective of hosting the \* \* \* is to provide Cingular with a \* \* \*. The costs identified in this SOW are based upon STI standard pricing. Significant deviations from the STI systems architecture that exists on the Effective Date could impact the cost and schedule for the \* \* \* effort. In addition to \* \* \*, STI will provide \* \* \* support for this environment. \* \* \* services are defined in Addendum D \* \* \* Operations Management Document.

5.1 HOSTING REQUIREMENTS

STI will provide and maintain \* \* \*.

STI will provide to Cingular a list of all hardware, software, and equipment located at STI's premises that will be used to perform the Services required under this SOW. STI shall provide sufficient hardware, software and equipment to ensure \* \* % availability of the Services. Subject to Cingular's payment of the fees set forth in Section 7.2, Cingular shall own the hardware and equipment purchased by STI to fulfill its obligations under this SOW (the "Dedicated Infrastructure").

5.2 SECURE ENVIRONMENT

The premises, hardware, and application must be accessible only to authorized personnel. \* \* \*

5.3 ACCESS SECURITY

Access control is achieved via a combination of access control \* \* \*.

5.4 SECURITY AND PRIVACY

In the event STI receives Cingular Data (as defined in the PSA), STI may not use such Cingular Data for any purpose other than the fulfillment of STI's obligations of this SOW. STI may not provide such Cingular Data to any third-party for any reason, unless specifically authorized in writing by Cingular; provided, however, if STI is required to produce such Cingular Data to comply with any legal, regulatory, law enforcement or similar requirements or investigations, STI may do so after providing Cingular i) prior written notice of its intent to produce the Cingular Data and ii) an opportunity to seek a protective order or similar mechanism to prevent disclosure as Cingular deems necessary. STI shall comply with any other Cingular security or privacy requirements in effect at any time during the term of this SOW. \* \* \*. At a minimum, STI will undertake the following measures to ensure the security of all Cingular Data and other Cingular information:

\* \* \*

5.5 ENVIRONMENTAL STANDARDS

Any hardware required to perform the Services under this SOW will be protected from damage by:

\* \* \*

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#### 5.6 MONITORING

The following monitoring tools and practices will be provided by STI.

\* \* \*

#### 5.7 BACKUPS

Data and applications will be automatically backed up \* \* \*. \* \* \*

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## 6.0 DISASTER RECOVERY (DR)

STI will provide a disaster recovery solution for the all Services required under this SOW that enables rapid restoration of all functions of the system in event of a long-term service disruption to \* \* \*. This section provides an overview of the infrastructure required to support the disaster recovery solution as well as the service levels associated with the solution.

### 6.1 DR SOLUTION OVERVIEW

STI will \* \* \* provide a highly available system that can restore the \* \* \* system to \* \* \*. \* \* \*

A \* \* \* will be implemented to ensure that \* \* \*.

### 6.2 DR SERVICE LEVELS

The following service levels are associated with the DR solution:

- Service restoration time: \* \* \*
- System performance level: \* \* \*
- System SLA's: \* \* \*

NOTE: This solution will rely on the implementation of a dedicated, private circuit (e.g. friends net connection) between STI's Bridgewater, NJ office and Cingular's Bothell, WA facility.

- DR test will be performed \* \* \*.

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| * * * | BUYOUT   |
|-------|----------|
| * * * | \$ * * * |
| * * * | \$ * * * |
| * * * | \$ * * * |
| * * * | \$ * * * |
| * * * | \$ * * * |
| * * * | \$ * * * |
| * * * | \$ * * * |

\* The Buyout Fee in this table is in addition to the Termination Fee defined in paragraph 1 and 2 of section 7.1.

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8.0 RELATED DOCUMENTS

1. Addendum A - \* \* \* Pricing Agreement doc
2. Addendum B - \* \* \* SLA and Remedies doc
3. Addendum C - Cingular Master Professional Services Agreement (PSA)

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www.synchronoss.com

9.0 SIGNOFF SHEET

IN WITNESS WHEREOF, this Agreement is executed by the duly authorized representatives of the Parties.

SYNCHRONOSS TECHNOLOGIES, INC.

SYNCHRONOSS TECHNOLOGIES, INC.

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

CINGULAR

CINGULAR

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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750 Route 202 South Bridgewater, NJ 08807  
www.synchronoss.com

CINGULAR

CINGULAR

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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CINGULAR ONLINE  
Cingular Online Order Management Center (OMC)  
Addendum A - Pricing Agreement  
September 1, 2005  
Final

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CONFIDENTIAL TREATMENT REQUESTED

7/01/05

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1.0 \* \* \* PRICING SCHEDULE

This section of the SOW provides the \* \* \* service fees associated with the Agreement. The service fees in this SOW go into effect on the Effective Date of the Agreement. Modifications to any of the prices herein need to be in writing, and mutually agreed upon by both parties.

1.1 \* \* \* SERVICE FEE

Table 1 represents the \* \* \* fee for the \* \* \*. The \* \* \* fee is applied to every \* \* \*.

TABLE 1: \* \* \* SERVICE FEE

| SERVICE FEE TYPE | TIERED GATEWAY SERVICE FEE ID | SERVICE CHARGE | * * * FEE |
|------------------|-------------------------------|----------------|-----------|
| * * *            | *T1                           | * * *          | \$* * *   |
| SERVICE          | T2                            | * * *          | \$* * *   |
| FEE              | T3                            | * * *          | \$* * *   |

\* T = \* \* \*Service Fee

1. The \* \* \* Service Fee assumes \* \* \* may contain a maximum of \* \* \* of service per \* \* \*. \* \* \*
2. The \* \* \* Price applies to all \* \* \* in that tier. \* \* \*
3. \* \* \* Notwithstanding anything herein to the contrary, if the initial or final period of the term of the Agreement does not span an entire \* \* \*, the \* \* \* shall be a prorated \* \* \* based on the \* \* \*.

CONFIDENTIAL TREATMENT REQUESTED

1.2 CINGULAR ONLINE ORDER MANGEMENT CENTER (OMC) - \* \* \* SERVICE FEES

Table 3 represents the service fees associated with \* \* \*.

TABLE 3: OMC \* \* \* SERVICE FEES:

| SERVICE FEE TYPE | CINGULAR SYSTEM | SERVICE FEE ID | SERVICE CHARGE | * * * Fees |         |         |         |         | SLA        |
|------------------|-----------------|----------------|----------------|------------|---------|---------|---------|---------|------------|
|                  |                 |                |                | * * *      |         | * * *   |         | * * *   |            |
|                  |                 |                |                | * * *      | * * *   | * * *   | * * *   | * * *   |            |
| * * *            | * * *           | ** * *         | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
| * * *            | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |
|                  | * * *           | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | Addendum B |

\* 0 = \* \* \* Fees in \* \* \*

\*\* TBD = To Be Determined when sufficient data is available

\*\*\* \* \* \*

CONFIDENTIAL TREATMENT REQUESTED

1.3 CINGULAR ONLINE ORDER MANAGEMENT CENTER (OMC) - \* \* \* SERVICE FEES

Table 4 represents the service fees associated with \* \* \*

TABLE 4: OMC \* \* \* SERVICE FEE

| SERVICE FEE TYPE | SERVICE FEE ID | SERVICE CHARGE | * * * FEES |         |         |         |         |         |
|------------------|----------------|----------------|------------|---------|---------|---------|---------|---------|
|                  |                |                | * * *      |         | * * *   |         | * * *   |         |
|                  |                |                | * * *      | * * *   | * * *   | * * *   | * * *   | * * *   |
| * * *            | ** * *         | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | * * *      | * * *   | \$* * * | \$* * * | * * *   | * * *   |
| * * *            | * * *          | * * *          | \$* * *    | \$* * * | \$* * * | \$* * * | \$* * * | \$* * * |

\* B = \* \* \*

CONFIDENTIAL TREATMENT REQUESTED

1.4 CINGULAR ONLINE ORDER MANAGEMENT CENTER (OMC) - \* \* \* SERVICE FEES

Table 5 represents the service fees associated for \* \* \*.

TABLE 5: \* \* \* FEES

| SERVICE FEE TYPE | SERVICE FEE ID | SERVICE CHARGE | * * * FEES |          |          |          |          |          |          |
|------------------|----------------|----------------|------------|----------|----------|----------|----------|----------|----------|
|                  |                |                | * * *      | * * *    | * * *    | * * *    | * * *    | * * *    |          |
| * * *            | * * *          | * * *          | \$ * * *   | * * *    | \$ * * * | * * *    | \$ * * * | * * *    | * * *    |
| * * *            | * * *          | * * *          | \$ * * *   | * * *    | \$ * * * | * * *    | \$ * * * | * * *    | * * *    |
| * * *            | * * *          | * * *          | \$ * * *   | * * *    | \$ * * * | * * *    | \$ * * * | * * *    | * * *    |
| * * *            | * * *          | * * *          | \$ * * *   | * * *    | \$ * * * | * * *    | \$ * * * | * * *    | * * *    |
| * * *            | * * *          | * * *          | \$ * * *   | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * |
| * * *            | * * *          | * * *          | \$ * * *   | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * |
| * * *            | * * *          | * * *          | \$ * * *   | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * | \$ * * * |

\* T = \* \* \* Fees

\*\* \* \* \*

CONFIDENTIAL TREATMENT REQUESTED

2.0 FORECASTING

2.1 \* \* \* FORECAST

Cingular will provide Synchronoss with a \* \* \* forecast on or about \* \* \*. The forecast will provide Synchronoss with \* \* \*. If the forecast is not received \* \* \* Synchronoss Technologies (STI) will invoke the prior \* \* \* forecast.

\* \* \*

2.2 \* \* \* FORECAST

Cingular will provide Synchronoss with \* \* \*. If the forecast is not received \* \* \* Synchronoss Technologies (STI) will invoke the prior \* \* \* forecast for \* \* \*.

CONFIDENTIAL TREATMENT REQUESTED

3.0 PRICING ASSUMPTIONS

1. STI and Cingular will meet once every 3-6 months to review and adjust the \* \* \* prices where appropriate.
2. Synchronoss and Cingular agree to review and adjust where appropriate the \* \* \* fees \* \* \* after \* \* \* is implemented for this \* \* \*. Cingular will determine, at its option, when this review will take place. Any adjustment to \* \* \* will be mutually agreed to by both parties and the pricing table amended as soon as possible.
3. Within \* \* \* after signature of the SOW, STI agrees to meet and reassess \* \* \*. Any adjustments would be mutually agreed to by both parties
4. In the event that the time studies reveal a material change in costs, greater than \* \* \* %, both parties agree to review in detail the core reason for the change. In the event that a change is attributed to performance, then both parties will mutually agree if a change is warranted.
5. The service fee in this appendix is for \* \* \*.
6. Service levels apply only to \* \* \*. \* \* \*
7. STI anticipates \* \* \*. These \* \* \* could be priced at a different rate. The rate for \* \* \* would be determined by \* \* \*. \* \* \*
8. New \* \* \* not identified in Section 3.0 of this SOW would be handled through a written change request. New \* \* \* will require \* \* \*. \* \* \* STI anticipates \* \* \*. \* \* \*
9. Any modifications requested by Cingular that impact \* \* \* may require pricing adjustments.

CONFIDENTIAL TREATMENT REQUESTED



OPERATIONS MANAGEMENT TEAM

As part of this SOW, STI will provide Cingular with Operations Management support. The dedicated team will provide Cingular with the following services:

PROGRAM MANAGEMENT:

Responsibilities include project management, business analysis, and functional analysis to support new development, features and functionality.  
\* \* \*

OPERATIONS MANAGEMENT:

Responsibilities include credit, activation, and order fulfillment, \* \* \* management, service level monitoring and reporting, staffing, \* \* \*, training, and \* \* \*.

For planning purposes STI assumes a minimum number of resources will be required for a period of \* \* \*. At the end of \* \* \* Cingular may adjust the number of FTEs on a \* \* \* basis. Adjustments to the resources must be communicated in writing \* \* \* before the start of the next \* \* \*. Table 6 reflects the schedule and fee for the Operations Management Team.

TABLE 6: OPERATIONS MANAGEMENT TEAM SCHEDULE AND COST

| MONTHS/QTR | FTES  | PRICE PER FTE | TOTAL   |
|------------|-------|---------------|---------|
| * * *      | * * * | \$* * *       | \$* * * |
| * * *      | * * * | * * *         | * * *   |

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#### 4.0 TRAVEL AND LIVING EXPENSES

Travel and living expenses (e.g.: airfare, hotel, car, meal, phone) associated with program activities will be pre-approved per Cingular travel policy and billed back to Cingular \* \* \*.

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www.synchronoss.com

(CINGULAR RAISING THE BAR(SM) LOGO)

CINGULAR ONLINE  
Cingular Online  
Addendum B - SLA and Remedies  
September 1, 2005  
Final

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7/01/05

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1.0 SERVICE LEVEL REQUIREMENTS AND REMEDIES

1.1 \* \* \* SERVICE LEVEL REQUIREMENTS:

1. \* \* \* % of all \* \* \* in \* \* \* period will be \* \* \*.
2. STI will not be responsible for failures to meet the Service Level Requirement for those \* \* \*.
3. If any \* \* \* is greater than \* \* \* % of the \* \* \*, then STI will \* \* \*.
4. Special events will be reviewed on an individual basis. Cingular and STI agree to meet and review special event requirements on as needed basis. STI will apply best efforts to fulfill special event request.

In the event the Service Level Requirement is not met in a given \* \* \*, STI will provide to Cingular the discount set forth on Table 1 each \* \* \*.

If the Service Level Requirement exceeded in a given \* \* \*, STI will invoice Cingular the \* \* \*.

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TABLE 1: \* \* \* SERVICE LEVELS AND REMEDIES

| SLA ID** | * * * SLA INDEX | *\$-DISCOUNT (CREDIT) PER * * * |
|----------|-----------------|---------------------------------|
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * *                           |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of v                    |
| * * *    | * * *           | * * * % of * * *                |

\* Remedies will be applied \* \* \* and apply to the total \* \* \* amount from tables 3 and 4 of Addendum A.

\*\* \* \* \* SLA

\*\*\* - \* \* \*

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1.2 \* \* \* Service Level Requirements:

1. \* \* \* % of \* \* \* by STI in \* \* \* will be \* \* \* . \* \* \*
2. STI will not be responsible for failure to \* \* \* reasons outside of STI's control; including and without limitation \* \* \*.
3. \* \* \*
4. The \* \* \* process will be \* \* \* by \* \* \*, when available, that will \* \* \*.
5. \* \* \* that are not \* \* \* will not be \* \* \*.

In the event the Service Level Requirement is not met in a given \* \* \*, STI will provide to Cingular \* \* \*.

If the Service Level Requirement is exceeded by STI in a given \* \* \*, STI will \* \* \* Cingular \* \* \*.

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TABLE 2: \* \* \* SERVICE LEVELS AND REMEDIES

| SLA ID** | * * * SLA INDEX | *\$-DISCOUNT (CREDIT) PER * * * |
|----------|-----------------|---------------------------------|
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * *                           |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |
| * * *    | * * *           | * * * % of * * *                |

\* Remedies will be applied \* \* \* and apply to \* \* \*.

\*\* \* \* \* Service Level

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1.3 \* \* \* SERVICE LEVELS REQUIREMENTS

- 1. STI will not be responsible for failures to meet the Service Level Requirement for any \* \* \*, \* \* \*
- 2. \* \* \* \* \*

TABLE 3: \* \* \* SERVICE LEVELS

| SLA ID* | SERVICE LEVEL CATEGORY | SERVICE LEVEL |
|---------|------------------------|---------------|
| * * *   | * * *                  | * * *         |
| * * *   | * * *                  | * * *         |
| * * *   | * * *                  | * * *         |

\* IC = \* \* \* Service Level

STI and Cingular will meet no less than once every 3 to 6 months to review and modify the \* \* \*, SLA and remedies where appropriate.

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2.0 \* \* \* SERVICE LEVELS AND REMEDIES

2.1 \* \* \* AVAILABILITY

SYSTEM AVAILABILITY:

The \* \* \* is available \* \* \* excluding \* \* \*.

\* \* \* SERVICE LEVELS:

\* \* \*

SERVICE LEVEL MEASUREMENT PROCESS:

\* \* \*

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TABLE 4: \* \* \* GUIDELINES

| Platform | * * * Criteria |
|----------|----------------|
| * * *    | * * *          |
| * * *    | * * *          |
| * * *    | * * *          |
| * * *    | * * *          |
| * * *    | * * *          |

\*\*\* ELIGIBLE FOR REMEDIES:

\* \* \*

\* \* \*

TABLE 5: \* \* \* SERVICE LEVELS AND REMEDIES

| Service Level - * * * | %-Discount (Credit) off * * * Fee* |
|-----------------------|------------------------------------|
| * * *                 | * * * % DISCOUNT                   |
| * * *                 | * * * % DISCOUNT                   |
| * * *                 | * * * % DISCOUNT                   |
| * * *                 | * * * % DISCOUNT                   |

\* Discounts will be applied \* \* \*

\* SLA's and remedies do not apply when STI, \* \* \*.

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TABLE 6: \* \* \* CALCULATION

|           |           |
|-----------|-----------|
| * * *     | * * *     |
| - - - - - | - - - - - |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |
| * * *     | * * *     |

TABLE 7: \* \* \* SERVICE LEVELS AND REMEDIES

| SERVICE LEVEL - * * * | REMEDY    |
|-----------------------|-----------|
| - - - - -             | - - - - - |
| * * *                 | * * *     |
| * * *                 | * * *     |

\* Credits accrued by STI as a result of \* \* \* outages can be applied to remedies/penalties incurred by STI.

\* \* \*

2.2 Description for \* \* \*

\* \* \*

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3.0 ASSUMPTIONS

3.1 METHODS AND PROCEDURES (M&P)

\* \* \*

3.2 SECURITY

\* \* \*

3.3 REMEDIES

\* \* \*

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April 14, 2006

**VIA EDGAR AND OVERNIGHT COURIER**

Securities and Exchange Commission  
Division of Corporation Finance  
Washington, D.C. 20549  
Attention: Daniel Lee  
Assistant Director

**Re: Synchronoss Technologies, Inc.  
Amendment No. 1 to  
Registration Statement on Form S-1 filed February 28, 2006  
File No. 333-132080**

Dear Mr. Lee:

Synchronoss Technologies, Inc. (the "Company") has electronically transmitted via EDGAR Amendment No. 1 ("Amendment No. 1") to its Registration Statement on Form S-1 (the "Registration Statement"), together with certain exhibits thereto. Manually executed signature pages and consents have been executed prior to the time of this electronic filing and will be retained by the Company for five (5) years.

On behalf of the Company, this letter responds to the comments set forth in the letter to the Company dated March 27, 2006 from the staff of the Securities and Exchange Commission (the "Staff"). For your convenience, the Company has repeated and numbered the comments from the March 27, 2006 letter in italicized print, and the Company's responses are provided below each comment.

- We will process this filing and your amendments without price ranges. Since the price range triggers a number of disclosure matters, we will need sufficient time to process the amendment when it is included. Please understand that its effect on disclosure throughout the document may cause us to raise issues on areas not previously commented upon.*

**RESPONSE TO COMMENT 1:**

The offering price range, and as a result all related pricing information, including the number of shares to be sold, have yet to be determined by the Company and the underwriters. The Company will file another pre-effective amendment which will include such information as soon as such determination has been made, and understands that such amendment may raise additional comments.

2. *Please provide us with copies of any graphical materials or artwork you intend to use in your prospectus. Upon review of such materials, we may have further comments. Please refer to Section VIII of our March 31, 2001 update to our Current Issues and Rulemaking Projects outline for additional guidance.*

**RESPONSE TO COMMENT 2:**

Enclosed with this letter is a binder of the documents including the artwork that the Company intends to use in the prospectus. The Registration Statement has also been revised to include such artwork.

3. *Please provide us support for your statement, in this summary and elsewhere in the prospectus, that you are “a leading global provider of e-commerce transaction management solutions to the communications services marketplace.” Additionally expand your disclosure to state concisely the basis on which the leadership claim is made. In your response tell us how you compare to your competitors in quantitative or qualitative terms and consider appropriate disclosure in this respect.*

**RESPONSE TO COMMENT 3:**

The Company is a leading provider of e-commerce transaction management solutions to the communications services marketplace because it is generally the only provider of such solutions to communication service providers that are leaders in their respective industry segments. For example, the Company provides its solutions to customers that serve more than 57% of the U.S. cable market according to a report by Kyle McSparrow, President and Chief Executive Officer of the National Cable and Telecommunications Association. The Company's customers also serve more than 76% of the U.S. VoIP market, as reported by Infonetics Research. In addition, the Company's status as a leading provider of e-commerce transaction management solutions to the communications services marketplace is supported by a report by Bear Stearns, which states the following about the market leadership in e-commerce sales of Cingular Wireless, a customer to which the Company is the only provider of e-commerce transaction management solutions:

“Cingular and the Former AT&T Wireless Dominate Online Adds

Historically, AT&T Wireless has dominated other carriers with its focus on using the Web for adding customers. Cingular began to gain traction in mid-2004, and we expect it will continue its ramp up on Internet sales as it integrates the AT&T Wireless property”

---



Copies of the reports referenced above have been provided in the binder enclosed with the Company's response letter.

In response to the Staff's comment, the Company has expanded its disclosure in the prospectus summary and elsewhere to state concisely the basis on which its leadership claim is made. In addition, to the extent that the Company had previously referred to itself as a leading "global" provider of transaction management solutions, the Company has removed those references.

4. *We note your list of CSP customers here and elsewhere in your prospectus. Please disclose the criteria you used to determine which of your customers were to be disclosed in the prospectus. Further, please explain why the list of customers in your registration statement is slightly different from the list of customers on your Web site, which includes DNA Communications as a customer.*

**RESPONSE TO COMMENT 4:**

Each customer listed in the summary was chosen because it was one of the Company's larger customers in terms of the dollar value of revenues generated (although no minimum dollar threshold was used to determine which CSP customers would be included in the summary and elsewhere), or because it is representative of the type of customer that is expected to generate significant revenues going forward. In addition, the listed CSP customers are intended to serve as representative customers of the different types of CSPs that the Company is currently serving. Some of the CSP customers listed on the Company's website, including DNA Communications, were outside of the criteria described above, and were thus not included in the prospectus despite the importance of such customers to the Company.

5. *Please provide us support for your statement that you have grown at a compound annual growth rate of 76 percent from 2001 to 2005.*

**RESPONSE TO COMMENT 5:**

Revenue grew at a compound annual rate of 76% from the year ended December 31, 2001 through December 31, 2005. Revenues as reported (in thousands) were \$5,621, \$8,185, \$16,550, \$27,191, and \$54,218 for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, which computes to a compound annual growth rate of approximately 76.23%. The Company uses a compound annual growth rate formula to calculate its compound annual growth rate for the periods 2001 through 2005. The formula we used is as follows:  $((\$54,218/\$5,621)^{(1/4)}) - 1 = 76.23\%$ .

6. *We note that your use of terms such as "physical and service layer," "service creation bundles," "cost displacement," and "on-demand service creation." Please keep in mind our plain English principles regarding the use of industry jargon and terms unfamiliar to the average investor. Please refer to Section VIII of our March 31, 2001 update to our Current Issues and Rulemaking Projects outline for additional guidance.*
-

**RESPONSE TO COMMENT 6:**

The Company notes the Staff's comment. The Company has reviewed the plain English principles and has revised the Registration Statement to eliminate as many industry terms as possible.

7. *You state at the bottom of page 6 that your current customers operate in North America, but that you "intend to utilize [y]our extensive experience and expertise to penetrate new geographic markets." Please clarify here and elsewhere, as appropriate, how you have such experience and expertise in penetrating new geographic markets when it appears that the operations of you and your customers have been limited to North America.*

**RESPONSE TO COMMENT 7:**

The Company has revised the disclosure to respond to the Staff's comment.

Risk Factors

We have Substantial Customer Concentration..., page 11

8. *In light of the substantial nature of your relationship with Cingular Wireless, please briefly highlight the character of this relationship and the related risks in your prospectus summary.*

**RESPONSE TO COMMENT 8:**

In response to the Staff's comment, the Company has revised the Prospectus Summary to disclose the character of the Company's relationship with Cingular Wireless and the fact that Cingular Wireless accounts for a substantial portion of the Company's revenues.

A Slow Down in Market Acceptance and Government Regulation..., page 11

9. *The significance of VoIP providers to your business should be clarified and quantified as a percentage of revenue.*

**RESPONSE TO COMMENT 9:**

The Company began serving VoIP customers in 2004. Currently, Vonage Holdings, Cablevision Systems and Level 3 Communications are the Company's only VoIP customers. Based on the success of the VoIP market, the Company intends to refocus some of its attention to target VoIP providers with the intent of securing a significant percentage of the growing VoIP market. VoIP customers attributed approximately 16.3% or \$8.8 million to the Company's total revenues in 2005 and 1.9% or \$0.5 million in 2004.

The Success of Our Business Depends on the Continued Growth..., page 12

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10. *This risk factor appears to discuss the following three separate and distinct risks: the impact on the Internet from security, reliability and other infrastructure concerns; the impact on your business as a result of fraudulent transactions; and the impact to your reputation from compromises to your privacy safeguards. For purposes of clarity, please discuss each risk separately.*

**RESPONSE TO COMMENT 10:**

In response to the Staff's comment, the Company has revised the Registration Statement to discuss the Risk Factor cited by the Staff as three separate risk factors.

11. *Please elaborate on why you "may be forced to share some of that risk with [y]our CSP customers."*

**RESPONSE TO COMMENT 11:**

As indicated in the risk factor, the Company does not currently bear the risk of a fraudulent credit card transaction. However, to the extent that technology upgrades or other expenditures are required to prevent credit card fraud and identity theft, the Company 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 the number of business transactions over the Internet generally, both the business of the CSP and the Company's business would be adversely affected. The risk factor has been revised to clarify these concepts.

If the Wireless Services Industry Experiences a Decline in Subscribers..., page 12

12. *Please quantify the significance in terms of percentage of revenue of the wireless services industry for your business. Please also clarify whether your last statement in this risk factor that the reduction in potential transactions "is compounded by improved wireless industry churn rates" refers to decreasing churn rates that would translate into less churn-related transactions for you to process. We note elsewhere in your disclosure such as on page 29 that you have experienced increase demand for your services because of competitive churn, among other things. Please reconcile.*

**RESPONSE TO COMMENT 12:**

In 2005, 80% of the Company's revenues were generated by services performed for customers in the wireless services industry. In 2004, 84% of the Company's revenues were generated by services performed for customers in the wireless services industry. The Registration Statement has been revised to reflect this information. The statement in this risk factor referenced above refers to decreasing churn rates that would translate into less churn-related transactions for the Company to process. The Company has revised the Risk Factor to clarify this point. However, despite the fact that churn rates are decreasing, customer churn, at any level, is one of the factors that causes increased demand for the Company's services.

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13. *With respect to any third-party statements in your prospectus such as the market information by the Telephone Industry Association presented here, please provide us with support for such statements. To expedite our review, please clearly mark each source to highlight the applicable portion or section containing the statistic and cross-reference it to the appropriate location in your prospectus. Also, tell us whether the source of each statistic is publicly available without cost or at a nominal expense.*

**RESPONSE TO COMMENT 13:**

The enclosed binder mentioned in the response to Comment 2 above also includes copies of the documents on which the Company is relying. The documents contained in the binder have been marked to indicate the location of the relevant information, as well as the source for each. The Company has also indicated whether the sources are publicly available without cost or at a nominal expense.

The Consolidation in the Communications Industry.... page 13

14. *Please discuss any actual material impact on your business resulting from the current consolidation and formation of alliances in the telecommunications industry.*

**RESPONSE TO COMMENT 14:**

The Company has been fortunate in that recent consolidations and alliances within the telecommunications industry have not impacted its business negatively to this point. Rather, the recent combination of AT&T and Cingular Wireless brought about a positive material impact on the Company's business in that the combined entity continued to implement the Company's products and services. Should one of the Company's significant customers consolidate or enter into an alliance with an entity and decide to either use a different service provider or to manage their transactions internally, this could have a negative material impact on the Company's business. Further, combinations and alliances could potentially have the effect of reducing the Company's potential customer base. The Company has revised the Risk Factor in response to the Staff's comments.

If We Fail to Compete Successfully With Existing or New Competitors..., page 13

15. *In light of your substantial dependences on Cingular Wireless as a customer, please specifically address any risks posed by competitors or in-house solutions with respect to your relationship with Cingular Wireless.*

**RESPONSE TO COMMENT 15:**

The Company has revised the disclosure to respond to the Staff's comment.

Our Reliance on Third-Party Providers for Communications Software... page 15

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16. *Please advise us whether you are substantially dependent on any vendors to provide your services pursuant to Item. 601(b)(10)(ii)(B) of Regulation S-K. We note your disclosure on page 54 stating that you have partnered with a tier one service provider for your network services. Further, please disclose the percentage of revenue represented by exception handling services and the share of such revenue performed by third parties. Please provide materially complete disclosure regarding your relationship with third party providers in your business discussion.*

**RESPONSE TO COMMENT 16:**

The Company is not substantially dependent on any vendors to provide its services pursuant to Item 601(b)(10)(ii)(B) of Regulation S-K. The Company has also revised the disclosure on page 55 of the Registration Statement to indicate that the Company uses, as opposed to partners with, a tier one service provider for the Company's network services. In addition, because the Company does not differentiate between the pricing of a transaction that makes use of exception handling services and one that does not, the Company is not able to disclose the percentage of revenue performed by third parties. The Company has also included additional disclosure in the Business discussion regarding its relationship with third-party providers of exception handling and networking services.

We may Seek to Acquire Companies or Technologies...., page 16

17. *We note your disclosure on page 25 that you "currently have no agreements or commitments for any specific acquisitions at [the present] time." Please clarify whether you presently have any plans, proposals or arrangements to acquire companies or technologies. If so, please disclose by including materially complete descriptions of the future acquisitions you plan to undertake. If not, please state that you have no such plans, proposals, or arrangements, written or otherwise.*

**RESPONSE TO COMMENT 17:**

The Company does not presently have any plans, proposals or arrangements, written or otherwise, to acquire companies or technologies. The Company has revised the disclosure to respond to the Staff's comment.

Use of Proceeds, page 25

18. *Please discuss in greater detail your planned use of proceeds to "finance [y]our growth, develop new products and fund capital expenditures." For example, please discuss how the proceeds are to be used primarily in financing growth or to develop new products. Please address what capital expenditures you expect to fund with your proceeds from the offering. We also note that you are constructing a second data center facility to be completed in the first half 2006.*
-

**RESPONSE TO COMMENT 18:**

The Company notes the Staff's comment but respectfully submits that it does not have a definitive plan for how the net proceeds will be allocated. Rather, management will have discretion to allocate the proceeds for general purposes to the extent management believes such purposes would be in the Company's best interests.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview, page 30

19. *Please briefly discuss in your overview section that you derive the remainder of your revenue from subscription and professional service arrangements.*

**RESPONSE TO COMMENT 19:**

The Company has revised the disclosure to respond to the Staff's comment.

Current Trends Affecting Our Results of Operations, page 31

20. *We note disclosure in your prospectus regarding facility expansion, prospective capital expenditures and expansion of sales and marketing efforts internationally. To the extent material, please discuss and, if possible, quantify the expected effects of these trends, demands or commitments on your results of operations.*

**RESPONSE TO COMMENT 20:**

While the Company is in the process of facility expansion as outlined in the Business discussion, the second data center facility will be used for back-up disaster recovery purposes only and will not have a material effect on the results of operations. Also, the Company has only preliminary plans with respect to other prospective capital expenditures and international sales and marketing expenditures. As such, the Company is unable to discuss the expected effects of those initiatives on the Company's results of operations.

21. *You reference the utilization of offshore resources as an opportunity to improve your operating efficiencies. We further note that exception handling is currently outsourced. Please advise if you currently outsource other aspects of your business. If so, it appears disclosure regarding such other outsourcing should be provided in your management's discussion and analysis as well as your business discussion.*

**RESPONSE TO COMMENT 21:**

Currently, the only aspect of the Company's business that is outsourced, other than the Company's payroll, is exception handling. When the Company engages offshore resources to supplement its staff, the Company typically engages the services of Omniglobe International, a related party, as noted in the Registration Statement, or other service providers such as Help

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Desk Now, which is located in Canada. The Company's outsourced exception handlers are typically lower-level skilled positions who work on an hourly basis ranging from \$7.00 to \$20.00 per hour, depending on the level of complexity. The Company does not believe that additional disclosure regarding outsourcing is required in its MD&A or its Business discussion.

Critical Accounting Policies and Estimates

Stock-Based Compensation, page 34

22. *You refer to the use of an independent valuation specialist firm to determine the fair market value of your common stock. When a reference to an independent appraisal or valuation is included in a Securities Act registration statement, you should also disclose the name of the expert and include the expert's consent with the filing. Refer to Rule 436(b) of Regulation C. Alternatively, you may remove this reference.*

**RESPONSE TO COMMENT 22:**

In response to the Staff's comment, the Company has removed references to the independent appraisal and revised the Registration Statement.

23. *We note that you utilized various assumptions under the income and market approaches and the PWER method. Please tell us more about these assumptions and quantify each of the significant assumptions for each of the three valuation periods. Explain your basis for each assumption made. As part of your response, discuss any changes in the assumptions between periods and explain how the change in assumption affected the valuation.*

**RESPONSE TO COMMENT 23:**

The key assumptions used for both the income and market approaches, as well as the PWER allocation method, are supplementally summarized below for each valuation period. The Company has modified its disclosures in areas of the document where it felt additional disclosures would aid the shareholders' understanding of key assumptions used by the Company.

*Income Approach Key Assumptions:*

*Expected annual growth rate* — For each valuation period, the Company estimated its expected annual growth over the next five years based on the information that was available at each valuation period. The Company's pre-tax growth varied by year by valuation period but was approximately 16% for 2006, 19% for 2007, 20% for 2008, 21% for 2009 and 22% for 2010. The increases in growth rates were consistent with the Company's business plans at the time and were revised each valuation period to adjust for significant changes in the Company's business.

*Discount rate* — The Company used a 19% discount rate for the April valuation period and decreased the discount to 18% for the July and October valuations. The discount

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rate considers the weighted average cost of capital at each valuation date, and the decrease in the discount period in July reflects a reduced risk profile for the Company based on the signing of the Vonage account and other new business for the Company.

*Market Approach Key Assumptions:* Under the market approach, the Company was compared to a peer group and an estimated enterprise value was developed based on multiples of revenues and earnings (EBITDA) from companies in that peer group.

*Revenues* — Based on an analysis of peer companies, the Company determined that the average revenue multiple was 2.2 times revenues. This multiple was used each valuation period to estimate enterprise value, and the Company's forecasted revenue for the full year 2005 was updated each valuation period.

*EBITDA* - Based on an analysis of peer companies, the Company determined that the average multiple was 21.6 times EBITDA for the first two valuation periods and 19.8 times EBITDA for the October valuation period. The Company's forecasted earnings for the full year 2005 were updated each valuation period.

Finally, with regard to weighing the conclusions rendered by the income and market enterprise valuation approaches, the Company considered the quality and the reliability of the data underlying each indication of value. The Company believed the income approach was the most reliable indication of value and, therefore, the Company placed the greatest emphasis on this approach to arrive at the total equity value. For all three valuation periods, the Company weighted the income approach at 80% and the market value approach at 20% to arrive at the total enterprise value.

*Probability-Weighted Expected Returns method Key Assumptions:* Once the Company's enterprise value was established, it used the PWER method to allocate the value to the different classes of equity. In general, the higher the probability assessment that the Company would become a public registrant, the greater the value ascribed to the Company's common stock. The Company's probability estimate of becoming a public company was 25%, 60% and 75% for each valuation period, respectively. The Company changed its probability assessment for each valuation period based on the Company's progress in its preparation for its initial public offering. Additional disclosures are reflected in the Company's Registration Statement to describe changes in these key assumptions.

24. *Please provide a more robust explanation of the reasons for the significant increases in the fair value of the underlying common stock. In this regard, we note that there were material increases in the fair values between April and July and July and October but noted that the increases in revenue and income did not necessarily support the increases in fair value. For example, the fair value of the underlying common stock increased over*
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*230 percent from April to July yet your income from operations and total revenue increased approximately 20 percent. As part of your response, please explain the impact any material changes in your assumptions had on the fair value of the underlying stock.*

**RESPONSE TO COMMENT 24:**

As noted in the Company's supplemental response to comment number 23, one of the key drivers that resulted in an increase to the value of the Company's common stock was a change in its probability assessment of becoming a public company vs. staying a private company. The Company's probability assessment increased from 25% in April to 60% as of July, which resulted in the largest increase in the fair value of the Company's underlying stock. In addition, the change in the Company's probability estimate from 60% in July to 75% in October resulted in additional enterprise value allocated to the Company's common shares. These factors, when compared to the increases in enterprise value associated with the Company's increased revenue projections were the main drivers behind the Company's increase in the fair value of its underlying stock. The Company has modified its disclosures to address the changes in these assumptions.

25. *Please provide us with a summary of the options or shares you have granted subsequent to December 31, 2005 through the date of your response. Include the number of options or shares granted, the exercise price and the fair value of the underlying common stock.*

**RESPONSE TO COMMENT 25:**

On February 10, 2006, the Company's Board of Directors approved the issuance of 203,500 options to employees and to members of the Board of Directors for services rendered. Of this amount, 103,500 incentive stock options were issued to employees and 100,000 non-qualified stock options were issued to members of the Board of Directors for services rendered. The exercise price of all stock options granted on February 10, 2006 was \$8.98 per share. On April 3, 2006, the Company's Compensation Committee approved the issuance of 851,000 options to employees for services rendered. Of this amount, 204,755 options were incentive stock options issued to employees and 646,245 options were non-qualified stock options issued to employees. The exercise price of each stock option granted on April 3, 2006 was \$8.98 per share. Also on April 3, 2006, the Company's Compensation Committee approved a restricted stock grant of 75,000 shares. The fair market value of such restricted stock was determined to be \$8.98 per share. Finally, one of the Company's directors purchased 111,359 shares of common stock on March 10, 2006 at a purchase price of \$8.98 per share. The Company intends to update the disclosure in the Registration Statement to reflect these additional option grants and stock issuances in a subsequent amendment. The value of the stock price as of these dates of grant is deemed to be consistent with the valuation determined at year end which was estimated to be \$8.98 per share.

26. *Revise to include the disclosures in paragraph 180 of the Practice Aid.*

**RESPONSE TO COMMENT 26:**

The Company has read paragraph 180 of the Practice Aid, and once the IPO price has been determined, the Company will amend the Registration Statement to include the following

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discussion with the appropriate values calculated for options outstanding, vested and non-vested as of the latest balance sheet date:

“Based on an expected IPO price of \$\_\_\_\_, the intrinsic value of the options outstanding at [March 31, 2006], was \$\_\_\_\_, of which \$\_\_\_\_related to vested options and \$\_\_\_\_related to unvested options.

Determining the fair value of our stock requires making complex and subjective judgments. Our approach to valuation is based on a discounted future cash flow approach that uses our estimates of revenue, driven by assumed market growth rates, and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimates that the Company uses to manage the business. There is inherent uncertainty in making these estimates.

Although it is reasonable to expect that the completion of the IPO will add value to the shares because they will have increased liquidity and marketability, the amount of additional value cannot be measured with either precision or certainty.”

27. *In addition, tell us your proposed offering price, when you first initiated discussions with underwriters and when the underwriters first communicated their estimated price range for your stock.*

**RESPONSE TO COMMENT 27:**

The Company will provide a proposed offering price or range in a subsequent amendment to the Registration Statement once such a range has been determined, and in any event before circulation. The Company first began discussions of a possible IPO with several investment banks during the summer of 2005. During this time, several investment banks, including the representatives of the underwriters, made presentations to the Company and provided pitch books and sales materials that were intended to assist it in considering a possible IPO. Some of the materials included hypothetical valuations, or ranges of valuations, of the Company at indeterminate future points, based on various assumptions, the achievement of various milestones and other broad industry and market assumptions. These hypothetical valuation ranges were prepared early in the Company’s deliberations over whether to undertake an IPO, before any prospective underwriters had commenced a due diligence process, and were designed solely to assist the Company in determining how and whether to proceed with an IPO. The Company does not view these hypothetical valuations as meaningful contemporaneous or projected valuations of Company.

The Company began the preparation for an IPO in September 2005. In December 2005, and before the initial filing of a registration statement for an offering, representatives of the underwriters met with the Company’s Board of Directors to provide preliminary indications of valuation based on market conditions at the time. In these presentations, the underwriters indicated that, on a preliminary basis, they were anticipating an initial price range of between \$9.00 and \$12.00 per share. This preliminary indication of an initial price range, however, was

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based on then current market conditions, the Company's capital structure at the time, the underwriters' discussions with the Company and the due diligence performed to date. The proposed offering price or range will be based on market conditions at the time of such determination, the Company's capital structure at that time, further discussions among the underwriters and the Company and completion of the underwriters' due diligence process.

Results of Operations

2005 Compared to 2004

28. *To the extent material, please quantify the impact of each identified source for changes from period to period in line items of your financial statements. For example, you attribute the increase in your net revenues to the expansion of your customer base and to growth with your existing customers without specifying how much each factor contributed to the change. Please review your disclosure in light of this comment and revise as appropriate.*

**RESPONSE TO COMMENT 28:**

The Company has revised the disclosure to respond to the Staff's comment.

2004 Compared to 2003

Revenue, page 38

29. *Please clarify what you mean by "transactions processed through [y]our Order Manager Gateway." It does not appear that any prior disclosure has been made with respect to your Order Manager Gateway.*

**RESPONSE TO COMMENT 29:**

Because the Company has not referred to its Order Management Gateway throughout the document, the Company has modified its disclosure to remove this reference.

Expenses, page 38

30. *We note your abbreviated representation of dollar amounts in certain statements such as "[r]esearch and development expense increased to \$0.2" and your full representation of such dollar amounts elsewhere. For purposes of clarity, please represent your dollar amounts in a consistent manner.*

**RESPONSE TO COMMENT 30:**

The Company has revised the Registration Statement to respond to the Staff's comment.

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31. *Your cost of services from 2003 to 2004 increased \$7.7 million. Your subsequent disclosure in the discussion, however, states that the exception handling costs increased \$7.3 million and personnel and employee-related expense increased to \$2.0 million suggesting an aggregate increase of \$9.3 million in your cost of services. Please reconcile. Similar reconciliation appears necessary in your selling, general and administrative expense discussion.*

**RESPONSE TO COMMENT 31**

Please refer to page 38. The Company's cost of services increased \$10M from 2003 to 2004. Total cost of service expenses in 2004 was \$17.7M. Of the \$10M increase, \$9.3M in expenses has been explained in the MD&A paragraph on page 38.

Liquidity and Capital Resources, page 39

32. *Please briefly discuss the material covenants you are subject to under your revolving and equipment loans. Please also provide risk factor discussion regarding the fact that all of your assets serve as security for your revolving and equipment loans.*

**RESPONSE TO COMMENT 32:**

The Loan and Security Agreement requires the Company to meet one financial covenant that must be maintained as of the last day of each month: a quick ratio covenant of quick assets to current liabilities of at least 2.0 to 1.0. This calculation and a certification of compliance, along with the Company's monthly financial statements, are reported to the bank on a monthly basis. The Company was in compliance with the covenant at December 31, 2004 and December 31, 2005. Borrowings are collateralized by all of the Company's assets and the Company has revised the Registration Statement with this additional disclosure.

Additionally, the Company has added a Risk Factor to the Registration Statement which discusses the fact that all of the Company's assets serve as security for the revolving and equipment loans.

Discussion of Cash Flows, page 40

33. *You disclose that the increase in cash used by operating activities is due to the addition of your exception handling centers in late 2003 and that these centers enhanced your service offering by attracting new customers. It is unclear to us why the addition of these handling centers resulted in increased operating cash outflows. Please tell us and revise your disclosures to clarify.*

**RESPONSE TO COMMENT 33:**

The Company has revised the disclosure to respond to the Staff's comment.

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Business

Demand Drivers for Our E-Commerce Transaction Management Solutions, page 46

34. *Please explain to us the significance of the In-Stat/MDR market data regarding the expected growth in the global wireless market when your current business and customers appear to be primarily situated in the United States. Please also clarify your subsequent market data as to whether such data pertains to the United States or otherwise.*

**RESPONSE TO COMMENT 34:**

The Company's current customer-base is United States-centric. However, global data is useful as an indicator of the overall health of the market. Additionally, in the wireless segment, the United States market tends to lag behind other significant geographies such as Europe and Asia in trending. For example, mobile data expanded in these two markets in advance of the United States uptake. Finally, the Company's growth strategy involves expansion into new geographic markets, and therefore growth in the global wireless market is significant to its business. In response to the Staff's comment, the Company has revised the Registration Statement to clarify whether subsequent market data pertains to the United States or the global market.

35. *Please elaborate further on what mobile virtual network operators are. We also note your use of the terms "OSS and BSS Systems" on page 48. Please elaborate.*

**RESPONSE TO COMMENT 35:**

A Mobile Virtual Network Operator (MVNO) is a mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use (MOU) for sale to their own customers. Two examples are VirginMobile and ESPN Mobile.

OSS is short for operational support system, a generic term for a suite of programs that enable an enterprise to monitor, analyze and manage a network system. The term originally was applied to communications service providers, referring to a management system that controlled telephone and computer networks. The term has since been applied to the business world in general to mean a system that supports an organization's network operations.

BSS is short for business support system, a generic term for a suite of programs that manage the customer experience. Examples of BSS include applications addressing revenue management from rating to billing, product management including configuration and introduction of new products and bundles, customer loyalty programs, customer management including customer self-care, and fulfillment management.

In response to the Staff's comment, the Company has revised the Registration Statement to elaborate further on mobile virtual network operators and the terms OSS and BSS Systems.

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Our Strengths, page 47

36. We note your disclosure on page 48 that you are “generally the exclusive provider of the services we offer to our customers and benefit from long-term contracts of 12 to 48 months.” We further note that your agreement with Cingular Wireless allows them to terminate at their convenience. Please advise us whether your other customer contracts generally provide for termination at their convenience. If so, please revise your disclosure to indicate the ability of your customers to terminate their arrangements with you at their convenience. We note similar disclosure in your customer discussion on page 53.

**RESPONSE TO COMMENT 36:**

The Company has revised the disclosure to respond to the Staff’s comment.

37. Please reconcile your disclosure that your “transaction management solution is tightly integrated into [y]our customers’ critical infrastructure and embedded into their workflows” with your subsequent discussion of your on-demand business model enabling you to deliver your service over the Internet. Your former disclosure suggests a level of customization and integration that does not appear readily available in an Internet on-demand service. Please explain.

**RESPONSE TO COMMENT 37:**

ActivationNow® is a platform which is delivered to customers over the Internet as a service. It uses standard application program interfaces, business rules and workflows to enable rapid implementation with minimal configuration by customers. However, despite the relative ease with which a customer implements ActivationNow®, following implementation the platform manages the automated workflow and exception management associated with the customer’s e-commerce portal and back-end billing and provisioning systems. In other words, ActivationNow® is tightly integrated with a customer’s information technology infrastructure while at the same time being an on-demand service that does not require significant customization for customer implementation.

38. Please provide us support for each award you have disclosed.

**RESPONSE TO COMMENT 38:**

Enclosed with this letter is a binder which includes documentation to support the following awards:

- New Jersey Technology Council 2005 Software/Information Technology Company of the Year
  - Named one of the 50 fastest growing companies in New Jersey in 2005 by NJBiz
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- Mr. Waldis named as the Ernst & Young Entrepreneur of the Year in 2004 in Pennsylvania

Our Growth Strategy, page 49

39. *In your VoIP industry data discussion, please confirm whether voice-over broadband also refers to VoIP.*

**RESPONSE TO COMMENT 39:**

Voice-over-Broadband, or VoB, is a new service offering based on VoIP technology. The Company has revised the disclosure to respond to the Staff's comment.

40. *Please elaborate on the basis for your strategy to capitalize on the international clientele and relationships of your systems integrator partners. Please expand your business discussion to detail the role systems integrators play in your business and disclose any material relationships with such systems integrators. Please further detail the international clientele of such systems integrators and how you plan to capitalize on their clientele.*

**RESPONSE TO COMMENT 40:**

The Company has removed the reference to capitalizing on the international clientele and relationship of the Company's systems integrator partners.

Customers, page 52

41. *We note your disclosure on page 11 that three customers accounted for between 94 percent and 98 percent of your revenues for each quarter in 2005. Please identify the other two customers that contributed significantly to your revenue.*

**RESPONSE TO COMMENT 41:**

The Company has revised the disclosure on page 11 and page 54 to respond to the Staff's comment.

Operations and Technology, page 53

42. *Please elaborate on how your Bethlehem data center constitutes best-in-class, who determines the best-in-class designation and the criteria for such designation.*

**RESPONSE TO COMMENT 42:**

In response to the Staff's comment, the Company has removed the term "best-in-class" from the description of the Company's data center facility. In using such term, the Company was attempting to convey that its data center facility is superior to other similar facilities due to (i) the

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extensive security measures that the Company uses, (ii) the employment of various technologies, (iii) the maintenance of a constant power supply and (iv) the continuous availability of the Company's technical staff members. The Company has revised the description of the data center facility to include these concepts.

43. *Please update your disclosure regarding for data recovery facility to provide an update on the status on its construction. We note that the facility is planned to be completed in the first half 2006.*

**RESPONSE TO COMMENT 43:**

The Company has revised the disclosure to respond to the Staff's comment.

Competition, page 55

44. *Please elaborate on what clearinghouse-type services are and how such services compete with your solutions.*

**RESPONSE TO COMMENT 44:**

The Company has revised the disclosure to respond to the Staff's comment.

Management

Executive Compensation, page 63

45. *It appears that the relocation expenses paid to Mr. Garcia should be characterized as annual compensation under the salary, bonus or other annual compensation columns. Please see Item 402(b)(2)(iii) of Regulation S-K for additional guidance.*

**RESPONSE TO COMMENT 45:**

In response to the Staff's comment, the Company has revised the Summary Compensation Table to reflect Mr. Garcia's relocation expenses as "Other Annual Compensation."

46. *We note that you have no existing trading market for your shares. With respect to calculating the "value of unexercised in-the-money options at fiscal year end," please see Interpretation J.17 of our July 1997 manual of publicly available telephone interpretations. See also Section IX.C. of Release No. 34-32723. Pursuant to such interpretation, please either use the midpoint of your offering price range until your initial public offering price is determined or discuss in a footnote the valuation method and assumptions used in determining the fair market value of the options.*

**RESPONSE TO COMMENT 46:**

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In response to the Staff's comment, the Company has revised the Registration Statement to calculate the "value of unexercised in-the-money options at fiscal year end" using the midpoint of the initial public offering price range. Because neither the initial public offering price nor the offering price range has yet to be determined, the Company will file another pre-effective amendment which will include such values as soon as such determination has been made.

Certain Relationships and Related Party Transactions

Loans to Executive Officers, page 68

47. Please clarify what "Largest Aggregate Indebtedness" refers to in your "Indebtedness as of 5/31/05."

**RESPONSE TO COMMENT 47:**

In response to the Staff's comment, the Company has revised the Registration Statement to clarify "Indebtedness as of 5/31/05."

48. Please disclose when your officers and their family members invested in Omniglobe and whether any payments such as distributions or dividends have been paid by Omniglobe. Please also disclose the repurchase price to be paid by Rumson Hitters to each of your invested officers and family members. Please provide us a copy of your agreement(s) with Omniglobe for our review and advise us whether your invested officers and family members exercise control over Omniglobe greater than that provided by their proportional investments in Omniglobe.

**RESPONSE TO COMMENT 48:**

The Company notes the Staff's comment and has included this expanded disclosure in the Registration Statement. Enclosed with this letter is a binder of documents, including the Company's agreements with Omniglobe as well as the Rumson Hitters, L.L.C. Limited Liability Company Agreement and the Omniglobe International, L.L.C. Limited Liability Company Agreement. The binder also includes a draft repurchase agreement to effect the repurchase discussed in the Registration Statement. No employee of the Company or family member of such employee has in the past exercised or currently exercises control over Omniglobe greater than that provided by such individual's proportional indirect investment in Omniglobe.

Vertek Corporation, page 70

49. We note that in October 2000 you acquired certain tangible and intangible assets from Vertek Corporation in exchange for 2,000,000 shares of your preferred stock and 8,000,000 shares of your common stock. Please tell us how you accounted for this transaction. As part of your response, please tell us the value you attributed to the shares that were issued and how you determined that value. Also, explain to us how you valued

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*the assets and liabilities acquired. Clarify your ownership structure prior to the transaction.*

**RESPONSE TO COMMENT 49:**

The Company has considered the accounting guidance set forth in SAB 48, *Transfers Of Non-monetary Assets By Promoters Or Shareholders*. In this regard, the Company used carry over basis, or Vertek's net book value of the assets and liabilities transferred to the Company as the basis for the amounts initially recorded in its financial statements. The Company has modified its disclosure for the spin-off to be clearer that carry over basis was used to record the assets and liabilities received and not fair value.

The net carrying value of the assets and liabilities transferred was approximately \$1.6 million which represented \$2.1 million of assets and \$0.5 million of liabilities at the time of the transfer. The Company allocated approximately \$1.4 million of the net book value of the assets and liabilities received to the Series 1 Convertible Preferred Stock and approximately \$.2 million to Common Stock and Additional Paid-In Capital. The allocation to the Series 1 and Common shares was based on a relative fair value allocation of the deemed fair value of each security. The majority of the value was ascribed to the Series 1 stockholders due to the preferences held by the Series 1 stockholders as compared to the common stockholders at the time of the transfer. Prior to the transfer, there were no other stockholders of the Company.

Principal and Selling Stockholders, page 71

50. *Please advise us who the selling stockholders in the offering will be unless otherwise disclosed in your amendment.*

**RESPONSE TO COMMENT 50:**

The Company is in the process of determining which stockholders will sell shares in the offering and will file another pre-effective amendment which will detail the selling stockholders. At this time, the Company believes the stockholders listed below will be the selling stockholders; however, pursuant to Interpretation I.60 of the July 1997 Manual of Publicly Available Telephone Interpretations, the Company intends to aggregate the individuals owning less than one percent of the Company's shares and disclose them on a group basis.

| <u>Stockholder</u>  | <u>Individual with voting and/or dispositive power over stockholder (if applicable)</u> |
|---------------------|---|
| Thomas E. McCormick |   |
| Kent Mathy          |   |
| RVG IV, L.P.        | Kevin Reilly  |
| RVG III, L.P.       | Kevin Reilly  |

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|---|-------------------|
| RVG Associates IV, L.P.   | Kevin Reilly      |
| VLG SynchronOSS Investors   |                   |
| Ascent Venture Partners III, L.P.   | Geoffrey S. Oblak |
| The Narotam S. Grewal Trust u/t/a<br>12/12/96, Narotam S. Grewal, Trustee | Narotam S. Grewal |
| Ted Martin  |                   |
| BVCF IV, L.P.   | Tom Dolson        |
| Liberty Ventures I  |                   |
| Liberty Ventures II   |                   |
| Howard Nadel and Cynthia P. Nadel as<br>JTWROS                            |                   |
| Anthony A. Simonelli and Dianne K.<br>Simonelli as JTWROS                 |                   |
| Edward M. Hogan and Charlene J.<br>Hogan as JTWROS                        |                   |
| Ann Greene  |                   |
| Andrew N. Risko and Barbara Risko as<br>JTWROS                            |                   |
| Richard J. Waldis and Susan C. Waldis<br>as JTWROS                        |                   |
| Timothy M. Gallagher and Corrine<br>Gallagher as JTWROS                   |                   |
| Perry E. Johnson and Helen Johnson as<br>JTWROS                           |                   |
| Eric R. Berry and Robin Berry as<br>JTWROS                                |                   |
| Edward C. Berry and Frances E. Berry<br>as JTWROS                         |                   |
| Anthony Socci, Jr.  |                   |
| Joseph A. Graffeo   |                   |
| Anthony J. Socci and Dolores M. Socci<br>as JTWROS                        |                   |
| Steven L. Bock  |                   |
| Charles A. Bolton   |                   |
| Steven T. Buckingham  |                   |
| Frank A. Cieri  |                   |
| Richard J. Connaughton  |                   |
| Joseph R. Cumello   |                   |
| Pamela J. Delifer   |                   |

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James Gayton, Custodian for  
Christopher  
Gayton under MUTMA

James Gayton, Custodian for Jessica  
Gayton under MUTMA

Paul A. Heimbuch

Hugh Kelly

Christopher Koeneman

William J. Kramer

Edward D. Kutchin

Stephen Leed

Norman B. Meisner

Sidney Overbey

Tom Rauh

Harriet C. Robbins

John Rogers, Trustee of The John J.  
Rogers, Jr. Revocable Trust of 1999

Sheryl Schultz

Russell Stephens

Shannon Zollo

Paul Johnson

K Rosey Limited Family  
Partnership

Marvin L. Kocian

Gerry Mathy

Paul McCauley

Gary L. McGuirk

John M. Pratt

Matthew D. Roghair

Westport Equity Partners Corp.

Bloody Forland, LP

Tom Sharkey, Sr.

Christopher W. White

James Mortenson

George Navarro

Salmon Investment Co., LLC

Timothy Carney

Thomas Nold

Lucille G. Duprat



51. *Please disclose the individual or individuals who exercise the voting and/or dispositive powers with respect to the securities to be offered for resale by your selling stockholders that are entities. Please see Interpretation I.60 of our July 1997 Manual of Publicly Available Telephone Interpretations and Interpretation 4S of the Regulation S-K portion of the March 1999 Supplement to our July 1997 Manual of Publicly Available Telephone Interpretations.*

**RESPONSE TO COMMENT 51:**

Please see the Company's response to Comment 50 above. The individual(s) who exercise the voting and/or dispositive power with respect to the securities offered for resale by the selling stockholders have been identified to the extent currently known. The Company is currently soliciting this information from the selling stockholders and will inform the Staff upon receipt of such information.

Description of Capital Stock

Warrants, Page 74

52. *Please explain your reference to commitments to issue warrants. We note that you have filed as exhibits two warrants exercisable for an aggregate of 94,828 shares of preferred stock.*

**RESPONSE TO COMMENT 52:**

In response to the Staff's comment, the Company has revised the Registration Statement to clarify that the only outstanding warrants are those for the purchase of 94,828 shares of preferred stock. There are no "commitments to issue" warrants.

Underwriting, page 79

53. *Please disclose how the over-allotment option will be allocated among you and the other selling stockholders.*

**RESPONSE TO COMMENT 53:**

The Company has revised the disclosure to respond to the Staff's comment.

Industry and Market Data, page 83

54. *We note your disclosure regarding your belief that third party studies and publications and your own internal company research are reliable. You have provided industry and market data to assist investors in understanding your industry, business and potential market. As presented, this data receives fairly prominent discussion in your registration statement, such as in business. As you know, such data included in your registration*
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*statement must be based on reasonable and sound assumptions. Notwithstanding your assertion regarding the reliability of such data, please revise to remove any implication that you are not responsible for assessing the reasonableness and soundness of the market data presented.*

**RESPONSE TO COMMENT 54:**

In response to the Staff's comment, the Company has revised the Registration Statement to remove any implication that it is not responsible for assessing the reasonableness and soundness of the market data presented.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

Revenue Recognition and Deferred Revenue, page F-7

55. *Disclosure regarding your transaction service arrangements indicates, in part, that transaction revenues may include billings to customers that reimburse you based on the number or individuals dedicated to processing transactions. Describe for us the material terms of these reimbursement provisions. As part of your response, clarify how the amount and timing of billings and revenue under these provisions is determined whether there are any conditions or performance obligations associated with these arrangements beyond providing specified numbers of individuals for processing.*

**RESPONSE TO COMMENT 55:**

In certain situations, the Company contracts with its clients to supply resources on an hourly basis at a specified hourly rate to process transactions. Typically, these are cases when customers want to introduce a new transaction type into the Company's system and the transaction price has not been finalized. The Company suggests these types of arrangements to its customer, so that the Company has the adequate information needed to evaluate the process time required to complete the transaction and to determine the transaction price accordingly. These arrangements may occur when the Company's customer introduces new devices into the consumer market and would like to activate those devices utilizing the ActivationNow® platform. These arrangements are usually short-term in nature (typically three months or less) and invoices are generated for the Company's clients based on the number of individuals and hours worked. Invoices for an hourly billing arrangement are prepared on a monthly basis at the end of the month for services performed during the month, and are recognized as revenues in the same manner. Once transaction prices are agreed to, the Company bills its clients on a per transaction price prospectively. There are no conditions or performance obligations beyond providing transaction processing services.

56. *With respect to your arrangements that include guaranteed minimum volume transactions, tell us the time periods, e.g., monthly, quarterly, yearly, to which these*
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*guaranteed minimums apply. Also, explain how you account for the guarantees over the life of the arrangements. To the extent that guarantee periods extend over multiple financial reporting periods, explain how the guarantees are considered in intervening reporting periods.*

**RESPONSE TO COMMENT 56:**

Some of the Company's contracts have guaranteed minimum volume transaction from its customers. In these instances, if the customer's total transaction volume for the period is less than the contractual amount, the Company records revenues based on the monthly or quarterly minimum guaranteed amount as provided by the customer's contract. Only five, out of 35, active contracts have monthly or quarterly guaranteed minimum volume transaction requirements. For all periods presented, guaranteed minimums have not represented a material amount of our revenue.

For example, the Cingular Gateway Order Management Contract requires a minimum of 300,000 transactions to be processed per calendar quarter. For the quarters ending March 31, 2005, June 30, 2005 and December 31, 2005, the average amount of transactions processed by the Company per quarter was 559,000 transactions. Each quarter, the number of transactions processed was greater than 300,000; therefore, Cingular was billed, and revenues were recognized, based upon the number of transactions processed during the period. The Company's guarantee periods do not extend over multiple financial reporting periods and therefore there is no estimation involved in the Company's revenue recognition for these types of contracts.

57. *You disclose that revenue from enterprise portal management services are recognized on a straight line over the life of the contract. Please tell us more about these enterprise portal management services. In this regard, we note that you do not appear to have discussed these services elsewhere in your filing.*

**RESPONSE TO COMMENT 57:**

The Company's enterprise portal management services are primarily in support of the Company's customer, MCI. Some of MCI's enterprise customers use the ActivationNow® platform to place orders with MCI through graphical user and gateway interfaces. MCI receives these orders from their customers and provisions these orders themselves; the Company is not involved in the processing of these orders. The Company classifies this revenue as subscription based revenue and the contractual terms associated with these contracts are a flat monthly rate for a specified time period. The Company records revenues on a straight line basis over the life of the contract.

58. *You disclose that you provided professional and consulting services and that these services are accounted for separately. Please tell us and revise your disclosure to describe the types of professional and consulting services you provide. As part of your*

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*response please tell us how you have determined that these services met the criteria for separation derived in paragraph 9 of EITF 00-21.*

**RESPONSE TO COMMENT 58:**

The Company provides process and workflow consulting services as well as development services and characterizes these offerings as professional services in its financial statements and elsewhere in the Registration Statement. The following is a summary of the nature of these services:

*Process and workflow consulting services* — Throughout the life cycle of an order, the customer interacts with the Company either manually or systematically, as the Company processes their transactions. The Company has employees that can assist its clients in documenting their existing order processes and workflows, or the Company's employees can make recommendations for process improvements. If the Company's clients have existing documentation, there is no reason for the Company's customers to engage it to provide these services. However, oftentimes the Company finds that the documentation of its client's order processing flows needs to be supplemented. This type of analysis and documentation can be done by the customer, the Company or another third-party consulting firm as the Company has no obligation to perform these services as part of its transaction service arrangement.

*Development services* — In some cases, customers may need assistance supplementing the connection from their system to the Company's system. An example of development services includes assistance with the transmission of orders from client systems to the Company's systems and the ability for client systems to receive status reports back from the Company's systems, if desired. These services can be performed by the customer's own resources, the Company, or any other third-party consulting firm, as the Company has no obligation to perform these services as part of its transaction service arrangement.

These types of services differ from set-up fees. The Company's set-up fees are customer specific configurations of the Company's systems necessary for our customers to process transactions through the Company's systems.

Process and workflow consulting services and development services meet the criteria for separation as described in paragraph 9 of EITF 00-21. The following is a discussion of how the Company has evaluated paragraph 9:

*The delivered item has value to the customer on a standalone basis:*

The Company provides application program interface requirements and various guides to connect customer systems with its systems. The customer can utilize the Company's professional services or use various other vendors or their own staff to complete the process, workflow or development services described above. In some cases, the customer chooses to use the Company's services rather than use their own resources for a variety of reasons. These services are not a requirement of the Company's transaction contracts and several customers, such as Level 3, Cablevision, and Vonage, have done this work internally or have used other third-party vendors to do this work on their behalf. The professional fees are therefore considered to have standalone value to the customer as the services can be provided by

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other vendors. The Company believes these professional services should be treated separately since many consulting service providers, including the customers' internal resources, can provide these services and there is no proprietary knowledge of the Company's systems required to perform these services. In addition, the Company's professional fees are priced independent of the contract at fair value and are not discounted if the customer chooses to process their transactions using the Company's ActivationNow® platform.

*There is objective and reliable evidence of the fair value of the undelivered item.*

Although the contracts for professional services are negotiated separately and there are separate contractual arrangements for the professional services, the Company understands that the presumption of EITF 00-21 is that separate contracts entered into at or near the same time with the same entity or related parties are assumed to be negotiated as a package and, therefore, should be evaluated as a single agreement. As such, for accounting purposes, the Company considers the undelivered component of these contracts to be the transaction processing service.

The prices for the Company's transaction services are consistent whether it provides professional services or not. In addition, based on its other competitors that provide similar transaction processing such as Neustar, Wisor, and Verisign, the Company believes that there is objective reliable evidence of the Company's undelivered element (i.e. transaction services). In addition, the transaction fees that the Company quotes to its clients are similar in price if the nature of the effort on the Company's part is similar.

*If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor.*

Finally, there are no rights of return in the Company's service contracts.

59. *We note your discussion indicating that the majority of your professional services arrangements are on a time and materials basis. For the periods presented in your filing, clarify for us the extent to which you provided professional services that were not on a time and materials basis. For those arrangements, explain to us how the timing and amount of revenue recognition was determined. Provide reference to specific authoritative literature that supports your accounting.*

**RESPONSE TO COMMENT 59:**

For details pertaining to the types of professional services performed by the Company, please refer to the response to comment 58. During 2005, the Company performed a few development services for a particular client. Each contract associated with this service was short-term in nature (generally six weeks in length) for enhancements and increased functionality to their internal systems. The Company's billing arrangements with this client required the Company to bill for the Company's services at the completion of each project. The Company received a fixed fee for each project. The revenues associated with these projects represented less than 1% of the Company's total revenues for 2005. The Company recognizes revenue from

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each project on a straight-line basis as the services are provided over the estimated term of the contract.

In the first quarter of 2004, the Company finished a fixed fee six-month study of a client's internal billing systems, and recognized revenue on a straight line basis over the life of the project (project began in third quarter 2003). This was the only non-time and materials contract for both 2003 and 2004. Revenues associated with that project represented less than 1% of the Company's total revenues in both 2003 and 2004.

Since these types of arrangements represent an immaterial percentage of the Company's total revenues, and the Company has no plans to continue with these types of billing arrangements, the Company did not consider this to be a significant accounting policy that warranted additional disclosures and believe that no further modifications to the Company's disclosures are necessary.

Note 7. Capital Structure, page F-16

60. *We note that you have shares of Series A redeemable and Series 1 convertible preferred stock outstanding. Tell us how you evaluated the conversion feature associated with these issuances to determine whether there was an embedded derivative that met the criteria for bifurcation under SFAS 133. Specifically, tell us how you considered the criteria in paragraph 12 of SFAS 133 and the scope exception of paragraph 11(a) of SFAS 133 in your analysis. As part of your response, explain how you have determined whether the preferred stock is more akin to debt or to equity. See paragraph 61(l) of SFAS 133. In addition, provide us with your analysis using the conditions outlined in paragraphs 12-32 of EITF 00-19 regarding whether you meet the scope exception of SFAS 133. In addition, if SFAS 133 does not apply, indicate how you determined that no beneficial conversion feature exists in the instrument. See EITF 98-5 AND 00-27.*

**RESPONSE TO COMMENT 60:**

In order to determine if the embedded conversion feature associated with the Series A and Series 1 convertible preferred stock should be accounted for separately from the host instruments, the Company first evaluated the criteria under paragraph 12 of SFAS 133 which states that all three of the criteria discussed in paragraph 12 need to be met in order to bifurcated from the host.

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In accordance with paragraph 12, if the economic characteristics and risks of the embedded derivative instrument are clearly and closely related to the economic characteristics and risks of the host contract, then the embedded conversion feature should not be bifurcated. In order to determine if the risks are clearly and closely related, the Company referred to the guidance in paragraph 61(l) of SFAS 133, which indicates that typical cumulative fixed-rate convertible preferred stock with a mandatory redemption feature is more akin to debt, while cumulative participating perpetual preferred stock is more akin to an equity instrument.

Despite the presentation of the Series 1 and Series A shares as mezzanine, the Company believes the Series 1 and Series A preferred shares are more like equity due to the following:

- Neither Series 1 nor Series A shares have stated interest or dividend rates,
- Series 1 shares are not entitled to any dividends while Series A shares would participate equally with common stockholders if a dividend were declared,
- Both Series 1 and Series A shares are entitled to vote on an as converted to common share basis,
- Series 1 shares are classified in mezzanine due to the deemed change in control criteria specified in EITF Topic D-98 *Classification and Measurement of Redeemable Securities*. The Series A stockholders' redemption right expired on November 19, 2005, however the Series A stock continues to be classified in mezzanine due to the deemed change in control criteria specified in EITF Topic D-98.

The Company does not believe that mezzanine classification of the Series 1 and Series A shares changes the economic characteristics of either instrument to be more like debt than equity.

Based on these factors, the Company believes that both the Series A redeemable convertible stock and the Series 1 convertible preferred stock are more akin to equity since the changes in the fair value of the preferred shares are closely related to changes in the fair value of the underlying common stock. Since the embedded instruments and the host instruments are clearly and closely related the Company does not have an embedded derivative that needs to be bifurcated. As such, all of the criteria in paragraph 12 is not satisfied, and therefore a further evaluation of the scope exceptions of paragraph 11(a) was not necessary.

In addition, the Company evaluated whether the Series 1 or the Redeemable Series A contained a beneficial conversion feature. The Series 1 preferred stock was issued in connection with the transfer of assets from Vertek, and therefore, there were no cash proceeds received for the issuance of shares. We used the amount allocated to the Series 1 stockholders of \$1.4 million as discussed in Comment #49 as the deemed proceeds received for purposes of applying the guidance in EITF 98-5. This resulted in a conversion value of approximately \$0.72 for common

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stock, which is greater than the fair value of the underlying stock at the measurement date which was deemed to be not greater than \$0.29. The Company also performed a similar calculation for the Series A Redeemable Convertible preferred stock and determined that no beneficial conversion features exists in the instrument.

Note 8. Stock Plan, page F-19

61. *Revise to indicate whether the valuations used to determine the fair value of equity instruments were contemporaneous or retrospective. If the valuation specialist was a related party, indicate that. See the AICPA guide to Valuation of Privately-Held-Company Equity Securities Issued as Compensation, par. 179(b) and (c).*

**RESPONSE TO COMMENT 61:**

The Company has revised the disclosure to respond to the Staff's comment.

62. *We note that all options issued prior to 2005 were issued with an exercise price of \$0.29 and a grant date fair value of \$0.07. For options issued during 2003 and 2004, please tell us the fair value of the underlying common stock on the respective grant dates. Describe the valuation methods you used to determine fair value. Explain why you believe the \$0.29 value used is consistent with the price of the preferred stock sold in 2001. Additionally, explain why you believe the use of the same value over all of 2003 and 2004 is consistent with the apparent development of your business over that time. In this regard, it appears that certain of the factors you describe as contributing to the increase in the value of your common stock over 2005 were present during 2003 and 2004.*

**RESPONSE TO COMMENT 62:**

During 2003 and 2004, the Company was estimating the fair value of its common stock using a method that is similar to the current value method described in the AICPA Technical Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The Company's enterprise value during 2003 and 2004 was principally allocated to the preferred stockholders because of the preferred stock liquidation preferences, and little value was allocated to the common stockholders during this period. The Company believed this was an appropriate method to use given the early stage of the Company. Through 2004, the Company set its option pricing policy based on its assumption that the Company's enterprise value was assumed to be relatively consistent with the 2001 sale of its preferred stock; however, for 2003 and 2004, we believed the fair value of our common stock to be no greater than \$0.29 per share. It was the Company's estimate that its enterprise value was approximately \$80 million or less during this time period. Although the Company's option pricing was based on a consistent post-money valuation of preferred stock sold in 2001, the Company's enterprise value was most likely affected by market changes in the telecommunications environment through 2004. Specifically, from 2001 to 2004, besides the softening of the telecommunications market which had a negative

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impact on many of the Company's customers, one of its largest customers, Worldcom filed for protection under Chapter 11 of the federal bankruptcy laws. As a result of this filing, the Company was forced to reduce its costs and limit the hiring of employees during 2002. During this timeframe, and through 2004, the Company believed its enterprise value probably decreased with the changes in the telecommunications industry; however, the Company continued to issue options at \$0.29 as there were no new equity financings that the Company could point to that corroborated that there was a change in its enterprise value. Accordingly, at no point during this time period did we believe the Company's enterprise value exceeded \$80 million. Although the Company's sales were increasing during 2003 and 2004, the Company was still operating at a loss, and the other factors that led to an increase in the Company's value of the underlying stock previously discussed in Comment 24 were not present during this time frame.

Consent

63. *Please file a consent for the use of Ernst & Young LLP's audit report. See Item 601(b)(23) of Regulation S-K.*

**RESPONSE TO COMMENT 63:**

The Company will file a consent for the use of Ernst & Young LLP's audit report.

Item 15. Recent Sales of Unregistered Securities

64. *Please disclose the basis for your reliance on Section 4(2) of the Securities Act for the applicable sale(s) of unregistered securities. Disclose whether the purchasers were accredited or sophisticated with access to information.*

**RESPONSE TO COMMENT 64:**

The Company has revised the Registration Statement to delete references to Section 4(2) of the Securities Act, as only Rule 701 was relied upon for the applicable sales of unregistered securities under the 2000 Stock Plan.

Please do not hesitate to contact Marc Dupré at (781) 795-3555 or Angela Clement at (781) 795-3540 if you have any questions or would like additional information regarding this matter.

Very truly yours,

Gunderson Dettmer Stough Villeneuve  
Franklin & Hachigian, LLP